

REPUBLIC OF THE MARSHALL ISLANDS  
ASIAN DEVELOPMENT BANK GRANT 0554 RMI (SF)  
MAJURO POWER NETWORK STRENGTHENING PROJECT

---

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND INDEPENDENT AUDITOR'S REPORT

---

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

REPUBLIC OF THE MARSHALL ISLANDS  
ASIAN DEVELOPMENT BANK GRANT 0554 RMI (SF)  
MAJURO POWER NETWORK STRENGTHENING PROJECT

Years Ended September 30, 2021 and 2020

Table of Contents

	<u>Page No.</u>
I. INDEPENDENT AUDITOR'S REPORT	1
II. FINANCIAL STATEMENTS:	
Statements of Project Account	4
Notes to Financial Statements	5
III. OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Budgeted v Actual Disbursements	6
IV. INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS	
Independent Auditor's Report 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	7

## INDEPENDENT AUDITOR'S REPORT

Honorable Minister Brenson S. Wase  
Ministry of Finance, Banking and Postal Services  
Republic of the Marshall Islands

### Report on the Financial Statement

We have audited the accompanying financial statements of the Republic of the Marshall Islands (RMI) Majuro Power Network Strengthening Project (the "Project"), financed by the Asian Development Bank's Special Fund (Grant Number 0554-RMI (SF)), which comprises the statements of project account for the years ended September 30, 2021 and 2020, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2 to the financial statements; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Project for the years ended September 30, 2021 and 2020, in accordance with the cash basis of accounting described in Note 2 to the financial statements.

## Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. These financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Emphasis of Matter

### Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and implemented by the Marshalls Energy Company (MEC) and are not intended to present fairly the results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services and MEC in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Matters

### Use of Proceeds of the Grant and Particular Covenants

In connection with our audits, nothing came to our attention that caused us to believe that the Project failed to comply with the terms, covenants, provisions, or conditions of Articles III and IV of the grant agreement dated December 7, 2017 insofar as they relate to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Project's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the grant agreement, insofar as they relate to accounting matters.

## Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplementary information on page 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the RMI Ministry of Finance, Banking and Postal Services and MEC's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Restricted Use Relating to Other Matters

The communication related to compliance with the aforementioned grant agreement described in the Other Matters paragraph is intended solely for the information and use of the RMI Ministry of Finance, Banking and Postal Services and MEC's management and the Asian Development Bank and is not intended to be and should not be used by anyone other than these specified parties.



## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 1, 2022, on our consideration of the Project's internal control over financial reporting and 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 Project'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 the Project's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte + Stacke LLP". The signature is written in a cursive, stylized font.

August 1, 2022

**REPUBLIC OF THE MARSHALL ISLANDS  
ASIAN DEVELOPMENT BANK GRANT 0554 RMI (SF)  
MAJURO POWER NETWORK STRENGTHENING PROJECT**

Statements of Project Account  
Years Ended September 30, 2021 and 2020

	2021	2020
Cash receipts:		
ADB Grant drawdowns	\$ 56,563	\$ 20,500
Cash disbursements:		
Investment Costs:		
Consulting services	56,563	20,500
Net change	\$ -	\$ -

See accompanying notes to financial statements.

REPUBLIC OF THE MARSHALL ISLANDS  
ASIAN DEVELOPMENT BANK GRANT 0554 RMI (SF)  
MAJURO POWER NETWORK STRENGTHENING PROJECT

Notes to Financial Statement  
Years Ended September 30, 2021 and September 30, 2020

(1) Organization

On December 7, 2017, the Republic of the Marshall Islands (RMI) entered into a grant agreement (Grant Number 0554 RMI (SF)) with the Asian Development Bank (ADB) in the amount of \$2,000,000 for the Majuro Power Network Strengthening Project (the Project), with a grant closing date of January 31, 2020. On November 22, 2019, the ADB approved the extension of the grant agreement to a grant closing date of July 31, 2022. The objective of the Project is to: (1) install advanced metering infrastructure on the Majuro distribution network and; (2) prepare and endorse Marshalls Energy Company's (MEC) business process reengineering and the management improvement action plans.

The RMI Ministry of Finance, Banking and Postal Services is designated as the representative of the RMI for the purposes of the grant regulations. MEC, as the Project Implementation Agency, is responsible for carrying out the Project. The accompanying schedule of receipts and disbursements is prepared for the years ended September 30, 2021 and 2020, and solely incorporates the activities of the Project maintained by MEC and does not incorporate any accounts related to any other departments or agencies of the RMI Ministry of Finance, Banking and Postal Services or MEC.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash receipts and disbursements basis of accounting. All transactions are recognized as receipts or disbursements, including direct payments made by the ADB to vendors. Direct payments are disbursements made by the ADB, at the request of MEC, to designated beneficiaries (e.g., supplier, contractor, or consultant) directly. The cash basis differs from accounting principles generally accepted in the United States of America primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred.

(3) Direct Payments by ADB

For the years ended September 30, 2021 and 2020, direct payments by ADB to the consultant amounted to \$56,563 and \$20,500, respectively.

(4) Subsequent Event

On November 15, 2021, the ADB approved the extension of the grant to a closing date of July 31, 2023.

**REPUBLIC OF THE MARSHALL ISLANDS**  
**ASIAN DEVELOPMENT BANK GRANT 0554 RMI (SF)**  
**MAJURO POWER NETWORK STRENGTHENING PROJECT**

Schedule of Budgeted v Actual Expenditures  
Period From Inception (December 7, 2017) through September 30, 2021

	Actual Expenditures				Variance
	Budget	Year Ended September 30, 2021	Prior Period Cumulative	Cumulative from December 7, 2017 to September 30, 2021	
Expenditures:					
Investment Costs:					
Advanced Metering Infrastructure (AMI):					
Procurement and installation of meters	\$ 495,000	\$ -	\$ -	\$ -	\$ 495,000
Procurement, installation, training and commissioning	640,000	-	-	-	640,000
Supervising Consultants:					
Consulting services	234,000	56,563	110,935	167,498	66,502
Capacity Building and Business Process Reengineering:					
Consulting services	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
	<u>1,869,000</u>	<u>56,563</u>	<u>110,935</u>	<u>167,498</u>	<u>1,701,502</u>
Contingencies:					
Physical	<u>131,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,000</u>
Total expenditures	<u>\$ 2,000,000</u>	<u>\$ 56,563</u>	<u>\$ 110,935</u>	<u>\$ 167,498</u>	<u>\$ 1,832,502</u>

See accompanying Independent Auditor's Report.



INDEPENDENT AUDITOR'S REPORT 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

Honorable Minister Brenson S. Wase  
Ministry of Finance, Banking and Postal Services  
Republic of the Marshall Islands

We have audited, in accordance with the 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, the financial statements of the Republic of the Marshall Islands (RMI) Majuro Power Network Strengthening Project (the "Project"), financed by the Asian Development Bank's Special Fund (Grant Number 0554-RMI (SF)), which comprises the statement of project account for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated August 1, 2022.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project'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 Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free from 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.



## 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.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

August 1, 2022