

*Financial Statement, Supplementary and Other
Information, and Report on Internal Control and
Compliance*

Republic of the Marshall Islands

Energy Security Project

(Financed by the Asian Development Bank's Special Fund)

*Years ended September 30, 2025 and 2024
with Report of Independent Auditors*



**Shape the future
with confidence**

Republic of the Marshall Islands
Energy Security Project
(Financed by the Asian Development Bank’s Special Fund)

Financial Statements, Supplementary and Other Information, and
Report on Internal Control and Compliance

Years ended September 30, 2025 and 2024

Contents

Report of Independent Auditors.....	1
Audited Basic Financial Statement	
Statements of Project Account.....	5
Notes to Financial Statement	6
Supplementary and Other Information	
Combining Statement of Project Account	9
Schedule of Budgeted vs. Actual Expenditures.....	11
Detailed Reconciliation of ADB Grant Funds Received by Grant - Grant 0637.....	12
Detailed Reconciliation of ADB Grant Funds Received by Grant - Grant 0817.....	14
Report on Internal Control and Compliance	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses.....	17

Report of Independent Auditors

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) Energy Security Project (the Project) financed by the Asian Development Bank's Special Fund, which comprises the statements of project account for the years ended September 30, 2025 and 2024, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the years ended September 30, 2025 and 2024 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the Marshalls Energy Company, Inc. and is not intended to present fairly the results of other non-Project related operations of the Marshalls Energy Company, Inc. in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter

Responsibilities of Management for the Financial Statement

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

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

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

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is 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.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statement that collectively comprises the Project's basic financial statement. The supplementary information, which comprises the Combining Statements of Project Account on pages 9 and 10, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

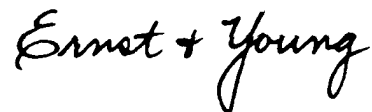
Other Information

Management is responsible for the other information included in the basic financial statement. The other information comprises the Schedule of Budgeted vs. Actual Expenditures on page 11 and the Detailed Reconciliation of ADB Grant Funds Received By Grant on pages 12 and 13 but does not include the basic financial statement and our auditor's report thereon. Our opinion on the basic financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2026, 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* in considering the Project's internal control over financial reporting and compliance.

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

March 4, 2026

Republic of the Marshall Islands
Energy Security Project
(Financed by the Asian Development Bank's Special Fund)

Statements of Project Account

	Year ended September 30,	
	<u>2025</u>	<u>2024</u>
Cash receipts:		
ADB grant drawdowns:		
Grant 0817	\$ 1,693,814	\$ 1,217,215
Grant 0637	1,665,527	1,688,556
MEC contributions	<u>355,282</u>	<u>42,027</u>
Total cash receipts	<u>3,714,623</u>	<u>2,947,798</u>
Cash disbursements:		
Investment costs:		
Rehabilitation of fuel tanks	3,136,526	2,932,341
Consulting services	<u>1,758,218</u>	<u>1,332,350</u>
Total cash disbursements	<u>4,894,744</u>	<u>4,264,691</u>
Net change	<u><u>\$ (1,180,121)</u></u>	<u><u>\$ (1,316,893)</u></u>

See accompanying notes.

Republic of the Marshall Islands
Energy Security Project
(Financed by the Asian Development Bank's Special Fund)

Notes to Financial Statement

Years ended September 30, 2025 and 2024

1. Organization

On December 13, 2018, the Republic of the Marshall Islands (RMI) through the RMI Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Grant Agreement (Grant No. 0637-RMI (SF)) with the Asian Development Bank (ADB) for the purpose of financing the Energy Security Project (the Project). The ADB agreed to extend to the Recipient an amount equivalent to \$12,700,000 under the grant agreement to cover eligible Project expenditures up to the extended closing date of June 30, 2025. Simultaneously, the ADB signed a Project Agreement with the Marshalls Energy Company, Inc. (MEC) associated with the implementation of the Project. On December 17, 2021, MOFBPS signed an additional Grant Agreement (Grant No. 0817-RMI (SF)) with the ADB for the purpose of providing additional Project financing. The ADB agreed to extend to the Recipient an additional amount equivalent to \$7,000,000 to cover eligible Project expenditures up to the closing date of June 30, 2026. Simultaneously, the ADB signed an additional Project Agreement with MEC associated with this additional financing. On January 18, 2024, the ADB approved an extension of the closing date for Grant No. 0817-RMI (SF) to June 30, 2027.

The objective of the Project is to achieve sustained, safe, and reliable operation of the MEC Majuro tank farm and continued supply of fuel to power generation facilities throughout the Marshall Islands.

The Project consists of the following parts with respective allocations:

Output 1 - Rehabilitation of the Majuro fuel tank farm facilities	\$11,500,000
Output 2 - Development of tank farm facilities Operations and Maintenance procedures and practices	1,200,000
Output 3 - Enhancement of MEC corporate capacity	3,300,000
Output 4 - Disaster resilience mitigation for tank farm and electricity network	3,100,000
Unallocated	<u>600,000</u>
	<u>\$19,700,000</u>

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations while MEC is designated as the Implementation Agency responsible for carrying out of the Project. On September 7, 2023, ADB provided \$2,500,000 in grant proceeds to MEC. In turn, MEC established an advance account to be used exclusively for the Project and to facilitate payments under a letter of credit arrangement to the contractor for the Majuro tank farm project. The accompanying financial statement is prepared for and relates solely to those accounting records maintained by MEC associated with the Project and does not incorporate any accounts related to other non-Project activities of MEC or any other departments or agencies of the RMI Government.

Republic of the Marshall Islands
Energy Security Project
(Financed by the Asian Development Bank's Special Fund)

Notes to Financial Statement, continued

2. Summary of Significant Accounting Principles

A. Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and like other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) 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. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

All transactions are denominated in USD and 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. MEC is responsible for collecting supporting documents and preparing and sending withdrawal applications to the ADB.

B. Cash

The Project considers cash to be cash in deposit accounts. As of September 30, 2025 and 2024, the carrying amount of the Project's total cash and corresponding bank balance was \$2,985 and \$1,183,106, respectively, which is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2025 and 2024, bank deposits in the amount of \$2,985 and \$250,000, respectively, were FDIC insured. The Project does not require collateralization of its cash deposits; therefore, deposit levels more than FDIC coverage are uncollateralized.

3. Counterpart Support

Under the provisions of the grant agreement, both MEC and the RMI Government are required to provide counterpart support through monetary and in-kind contributions estimated at \$4,800,000 in the form of recurrent costs such as office space, utilities, administration and support staff, and taxes and duties exemption. For the years ended September 30, 2025 and 2024, the RMI Government made available counterpart in-kind contributions in the form of taxes and duties exemption in the amount of \$252,922 and \$234,731, respectively. For the years ended September 30, 2025 and 2024, MEC made available counterpart monetary contributions in the amount of \$355,282 and \$42,027, respectively, while no counterpart monetary contributions were made available by the RMI Government.

Republic of the Marshall Islands
Energy Security Project
(Financed by the Asian Development Bank's Special Fund)

Notes to Financial Statement, continued

4. Commitments

The ADB has made grant proceeds of \$19,700,000 available to the RMI Government for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2025 and 2024, remaining commitments associated with unused grant proceeds amount to \$3,598,552 and \$8,138,015, respectively.

5. Subsequent Event

MEC has evaluated subsequent events through March 4, 2026, which is also the date the Project's financial statement is available to be issued.

Supplementary and Other Information

Republic of the Marshall Islands
Energy Security Project
(Financed by the Asian Development Bank's Special Fund)

Combining Statement of Project Account

Year ended September 30, 2025

	<u>MEC</u>	<u>ADB</u>	<u>Total</u>
Cash receipts:			
ADB grant drawdowns:			
Grant 0817	\$ ---	\$ 1,693,814	\$ 1,693,814
Grant 0637	---	1,665,527	1,665,527
MEC contributions	<u>355,282</u>	<u>---</u>	<u>355,282</u>
Total cash receipts	<u>355,282</u>	<u>3,359,341</u>	<u>3,714,623</u>
Cash disbursements:			
Investment costs:			
Rehabilitation of fuel tanks	355,282	2,781,244	3,136,526
Consulting services	<u>---</u>	<u>1,758,218</u>	<u>1,758,218</u>
Total cash disbursements	<u>355,282</u>	<u>4,539,462</u>	<u>4,894,744</u>
Net change	<u>\$ ---</u>	<u>\$(1,180,121)</u>	<u>\$(1,180,121)</u>

Republic of the Marshall Islands
Energy Security Project
(Financed by the Asian Development Bank's Special Fund)

Combining Statement of Project Account

Year ended September 30, 2024

	<u>MEC</u>	<u>ADB</u>	<u>Total</u>
Cash receipts:			
ADB grant drawdowns:			
Grant 0637	\$ ---	\$ 1,688,556	\$ 1,688,556
Grant 0817	---	1,217,215	1,217,215
MEC contributions	<u>42,027</u>	<u>---</u>	<u>42,027</u>
Total cash receipts	<u>42,027</u>	<u>2,905,771</u>	<u>2,947,798</u>
Cash disbursements:			
Investment costs:			
Rehabilitation of fuel tanks	42,027	2,890,314	2,932,341
Consulting services	<u>---</u>	<u>1,332,350</u>	<u>1,332,350</u>
Total cash disbursements	<u>42,027</u>	<u>4,222,664</u>	<u>4,264,691</u>
Net change	<u><u>\$ ---</u></u>	<u><u>\$(1,316,893)</u></u>	<u><u>\$(1,316,893)</u></u>

Republic of the Marshall Islands
Energy Security Project
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Schedule of Budgeted vs. Actual Expenditures

Period from inception (December 13, 2018) through September 30, 2025

	Budget						Actual Expenditures						Variance						
													Cumulative from December 13, 2018 to September 30, 2025						
	ADB			MEC	RMI	Total	ADB			MEC	RMI	ADB			MEC	RMI	Total		
	0637	0817	Total				0637	0817	Total					0637	0817	Total			
Expenditures:																			
Investment costs:																			
Rehabilitation of fuel tanks	\$ 12,000,000	\$ 2,870,000	\$ 14,870,000	\$ 315,000	\$ 1,185,000	\$ 16,370,000	\$ 12,243,255	\$ ---	\$ 12,243,255	\$ 576,174	\$ ---	\$ 12,819,429	\$ (243,255)	\$ 2,870,000	\$ 2,626,745	\$ (261,174)	\$ 1,185,000	\$ 3,550,571	
Consulting services	700,000	3,468,000	4,168,000	500,000	---	4,668,000	453,761	3,404,432	3,858,193	---	---	3,858,193	246,239	63,568	309,807	500,000	---	809,807	
	12,700,000	6,338,000	19,038,000	815,000	1,185,000	21,038,000	12,697,016	3,404,432	16,101,448	576,174	---	16,677,622	2,984	2,933,568	2,936,552	238,826	1,185,000	4,360,378	
Contingencies:																			
Physical	---	331,000	331,000	543,000	1,757,000	2,631,000	---	---	---	---	---	---	---	331,000	331,000	543,000	1,757,000	2,631,000	
Price	---	331,000	331,000	135,000	365,000	831,000	---	---	---	---	---	---	---	331,000	331,000	135,000	365,000	831,000	
	---	662,000	662,000	678,000	2,122,000	3,462,000	---	---	---	---	---	---	---	662,000	662,000	678,000	2,122,000	3,462,000	
Total expenditures	\$ 12,700,000	\$ 7,000,000	\$ 19,700,000	\$ 1,493,000	\$ 3,307,000	\$ 24,500,000	\$ 12,697,016	\$ 3,404,432	\$ 16,101,448	\$ 576,174	\$ ---	\$ 16,677,622	\$ 2,984	\$ 3,595,568	\$ 3,598,552	\$ 916,826	\$ 3,307,000	\$ 7,822,378	

Republic of the Marshall Islands
Energy Security Project
(Financed by the Asian Development Bank's Special Fund)

Detailed Reconciliation of ADB Grant Funds Received - Grant 0637

September 30, 2025

WITHDRAWAL APPLICATION NOS. (WA)	DISBURSEMENT METHOD (Identify whether Reimbursement, Direct Payment, etc)	Per APFS				Per LFIS		DIFFERENCE and REASON	
		Date	In local currency (i)	Exchange Rate (ii)	USD Equivalent (i*ii)	Value Date	In USD	Amount	Reason/ Justification
					(A)		(B)	(A - B)	
A001	Direct Payment	11/27/20	7,941.94	1.00	7,941.94	11/27/20	7,941.94	-	
A002	Direct Payment	01/12/21	9,800.00	1.00	9,800.00	01/12/21	9,800.00	-	
A005	Direct Payment	04/27/21	14,700.00	1.00	14,700.00	04/27/21	14,700.00	-	
A006	Direct Payment	05/25/21	9,800.00	1.00	9,800.00	05/25/21	9,800.00	-	
A010	Direct Payment	12/23/21	1,677,006.90	0.68	1,132,132.77	12/23/21	1,132,132.77	-	
A011	Direct Payment	03/30/22	3,300.00	1.00	3,300.00	03/30/22	3,300.00	-	
A013	Direct Payment	03/30/22	289,561.53	1.00	289,561.53	03/30/22	289,561.53	-	
A014	Direct Payment	05/05/22	20,182.54	1.00	20,182.54	05/05/22	20,182.54	-	
A015	Direct Payment	05/09/22	446,727.52	0.65	292,383.16	05/09/22	292,383.16	-	
A018	Direct Payment	04/27/22	74,454.59	0.66	49,175.03	04/27/22	49,175.03	-	
A019	Direct Payment	04/25/22	35,298.45	1.00	35,298.45	04/25/22	35,298.45	-	
A020	Direct Payment	05/05/22	65,174.86	1.00	65,174.86	05/05/22	65,174.86	-	
A021	Direct Payment	05/27/22	3,300.00	1.00	3,300.00	05/27/22	3,300.00	-	
A022	Direct Payment	05/27/22	5,300.00	1.00	5,300.00	05/27/22	5,300.00	-	
A023	Direct Payment	07/08/22	706,958.66	1.00	706,958.66	07/08/22	706,958.66	-	
A027	Direct Payment	08/09/22	3,300.00	1.00	3,300.00	08/09/22	3,300.00	-	
A028	Direct Payment	10/07/22	669,625.00	0.57	384,110.30	10/07/22	384,110.30	-	
A029	Direct Payment	10/05/22	12,700.00	1.00	12,700.00	10/05/22	12,700.00	-	
A030	Direct Payment	10/14/22	346,849.59	1.00	346,849.59	10/14/22	346,849.59	-	
A031	Direct Payment	10/14/22	43,269.49	1.00	43,269.49	10/14/22	43,269.49	-	
A032	Direct Payment	10/21/22	6,350.00	1.00	6,350.00	10/21/22	6,350.00	-	
A033	Direct Payment	11/02/22	74,454.59	0.58	43,313.22	11/02/22	43,313.22	-	
A034	Direct Payment	11/04/22	7,694.00	1.00	7,694.00	11/04/22	7,694.00	-	
A035	Direct Payment	11/18/22	6,250.00	1.00	6,250.00	11/18/22	6,250.00	-	
A036	Direct Payment	11/18/22	8,950.00	1.00	8,950.00	11/18/22	8,950.00	-	
A037	Direct Payment	12/02/22	837,259.75	1.00	837,259.75	12/02/22	837,259.75	-	
A038	Direct Payment	12/09/22	7,979.00	1.00	7,979.00	12/09/22	7,979.00	-	
A039	Direct Payment	12/02/22	3,847.00	1.00	3,847.00	12/02/22	3,847.00	-	
A040	Direct Payment	12/02/22	4,475.00	1.00	4,475.00	12/02/22	4,475.00	-	
A048	Direct Payment	12/16/22	11,768.62	1.00	11,768.62	12/16/22	11,768.62	-	
A049	Direct Payment	12/16/22	73,215.83	1.00	73,215.83	12/16/22	73,215.83	-	
A050	Direct Payment	01/10/23	4,475.00	1.00	4,475.00	01/10/23	4,475.00	-	
A051	Direct Payment	01/10/23	7,979.00	1.00	7,979.00	01/10/23	7,979.00	-	
A052	Direct Payment	01/10/23	3,847.00	1.00	3,847.00	01/10/23	3,847.00	-	
A053	Direct Payment	01/18/23	20,618.68	1.00	20,618.68	01/18/23	20,618.68	-	
A056	Direct Payment	01/18/23	831,374.92	1.00	831,374.92	01/18/23	831,374.92	-	
A057	Direct Payment	01/27/23	197,873.94	1.00	197,873.94	01/27/23	197,873.94	-	
A058	Direct Payment	02/02/23	4,475.00	1.00	4,475.00	02/02/23	4,475.00	-	
A059	Direct Payment	02/01/23	3,847.00	1.00	3,847.00	02/01/23	3,847.00	-	
A060	Direct Payment	03/02/23	7,979.00	1.00	7,979.00	03/02/23	7,979.00	-	
A061	Direct Payment	03/02/23	3,847.00	1.00	3,847.00	03/02/23	3,847.00	-	
A062	Direct Payment	03/02/23	4,475.00	1.00	4,475.00	03/02/23	4,475.00	-	
A063	Direct Payment	03/02/23	7,979.00	1.00	7,979.00	03/02/23	7,979.00	-	
A065	Direct Payment	4/4/2023	7,979.00	1.00	7,979.00	4/4/2023	7,979.00	-	
A066	Direct Payment	4/4/2023	3,847.00	1.00	3,847.00	4/4/2023	3,847.00	-	
A067	Direct Payment	4/4/2023	4,475.00	1.00	4,475.00	4/4/2023	4,475.00	-	
A068	Direct Payment	04/18/23	1,115,060.52	0.63	703,502.83	04/18/23	703,502.83	-	
A070	Direct Payment	04/28/23	3,847.00	1.00	3,847.00	04/28/23	3,847.00	-	
A071	Direct Payment	04/28/23	7,979.00	1.00	7,979.00	04/28/23	7,979.00	-	
A072	Direct Payment	06/02/23	4,475.00	1.00	4,475.00	06/02/23	4,475.00	-	
A073	Direct Payment	06/02/23	3,847.00	1.00	3,847.00	06/02/23	3,847.00	-	
A074	Direct Payment	06/02/23	4,475.00	1.00	4,475.00	06/02/23	4,475.00	-	
A075	Direct Payment	06/12/23	7,979.00	1.00	7,979.00	06/12/23	7,979.00	-	
A076	Direct Payment	06/15/23	68,090.79	1.00	68,090.79	06/15/23	68,090.79	-	
A077	Direct Payment	06/13/23	61,518.42	1.00	61,518.42	06/15/23	61,518.42	-	
A078	Direct Payment	06/30/23	119,012.09	1.00	119,012.09	06/15/23	119,012.09	-	
A079	Direct Payment	06/30/23	4,475.00	1.00	4,475.00	06/30/23	4,475.00	-	
A080	Direct Payment	06/30/23	7,979.00	1.00	7,979.00	06/30/23	7,979.00	-	
A081	Direct Payment	07/24/23	3,847.00	1.00	3,847.00	07/24/23	3,847.00	-	
A082	Direct Payment	08/03/23	133,780.42	1.00	133,780.42	08/03/23	133,780.42	-	
A083	Direct Payment	08/03/23	4,475.00	1.00	4,475.00	08/03/23	4,475.00	-	
A084	Direct Payment	08/04/23	3,847.00	1.00	3,847.00	08/04/23	3,847.00	-	
A085	Direct Payment	08/04/23	7,979.00	1.00	7,979.00	08/04/23	7,979.00	-	
A086	Direct Payment	10/31/23	17,686.97	0.58	10,300.54	10/31/23	10,300.54	-	
A087	Direct Payment	08/04/23	105,269.34	1.00	105,269.34	08/04/23	105,269.34	-	
A088	Direct Payment	09/07/23	3,847.00	1.00	3,847.00	09/07/23	3,847.00	-	
A089	Direct Payment	09/07/23	7,979.00	1.00	7,979.00	09/07/23	7,979.00	-	
A090	Direct Payment	09/07/23	4,475.00	1.00	4,475.00	09/07/23	4,475.00	-	
A091	Reimbursement	10/26/23	11,411.16	1.00	11,411.16	10/26/23	11,411.16	-	
A092	Direct Payment	10/26/23	2,000.00	1.00	2,000.00	10/26/23	2,000.00	-	
A093	Direct Payment	09/27/23	7,979.00	1.00	7,979.00	09/27/23	7,979.00	-	
A094								-	Cancelled
A095	Direct Payment	09/28/23	3,847.00	1.00	3,847.00	09/28/23	3,847.00	-	
A096	Direct Payment	10/12/23	105,751.45	1.00	105,751.45	10/12/23	105,751.45	-	
A097	Direct Payment	10/16/23	1,975.00	1.00	1,975.00	10/16/23	1,975.00	-	
A098	Direct Payment	10/31/23	89,934.78	1.00	89,934.78	10/31/23	89,934.78	-	
A099	Direct Payment	11/14/23	2,480.22	1.00	2,480.22	11/14/23	2,480.22	-	
A100	Direct Payment	11/14/23	8,366.67	1.00	8,366.67	11/14/23	8,366.67	-	
A101	Direct Payment	12/06/23	7,680.24	1.00	7,680.24	12/06/23	7,680.24	-	
A102	Direct Payment	12/06/23	206,821.95	1.00	206,821.95	12/06/23	206,821.95	-	
A103	Direct Payment	12/06/23	8,366.11	1.00	8,366.11	12/06/23	8,366.11	-	
A104	Direct Payment	12/06/23	254,247.76	1.00	254,247.76	12/06/23	254,247.76	-	
A105	Direct Payment	12/06/23	22,073.15	1.00	22,073.15	12/06/23	22,073.15	-	
A106	Direct Payment	12/06/23	2,480.22	1.00	2,480.22	12/06/23	2,480.22	-	
A107	Direct Payment	12/15/23	46,643.39	1.00	46,643.39	12/15/23	46,643.39	-	
A108	Direct Payment	01/03/24	8,366.11	1.00	8,366.11	01/03/24	8,366.11	-	
A109	Direct Payment	01/03/24	2,480.22	1.00	2,480.22	01/03/24	2,480.22	-	
A112	Direct Payment	02/08/24	50,725.02	1.00	50,725.02	02/08/24	50,725.02	-	
A113	Direct Payment	02/01/24	2,480.22	1.00	2,480.22	02/01/24	2,480.22	-	

Republic of the Marshall Islands
Energy Security Project
(Financed by the Asian Development Bank's Special Fund)

Detailed Reconciliation of ADB Grant Funds Received - Grant 0637, continued

September 30, 2025

WITHDRAWAL APPLICATION NOS. (WA)	DISBURSEMENT METHOD (Identify whether Reimbursement, Direct Payment, etc)	Per APFS			Per LFIS		DIFFERENCE and REASON	
		Date	In local currency (i)	Exchange Rate (ii)	USD Equivalent (i*ii)	Value Date	In USD	Amount
					(A)		(B)	(A - B)
A114	Direct Payment	02/02/24	9,800.11	1.00	9,800.11	02/02/24	9,800.11	-
A115	Direct Payment	02/13/24	197,611.84	1.00	197,611.84	02/13/24	197,611.84	-
A116	Direct Payment	02/16/24	40,719.97	1.00	40,719.97	02/16/24	40,719.97	-
A117	Direct Payment	02/29/24	4,247.00	1.00	4,247.00	02/29/24	4,247.00	-
A118								-
A119								-
A120	Direct Payment	04/05/24	4,247.00	1.00	4,247.00	04/05/24	4,247.00	-
A121	Direct Payment	04/26/24	4,200.00	1.00	4,200.00	04/26/24	4,200.00	-
A122	Direct Payment	04/23/24	102,833.81	1.00	102,833.81	04/23/24	102,833.81	-
A123	Direct Payment	05/02/24	4,247.00	1.00	4,247.00	05/02/24	4,247.00	-
A124	Direct Payment	05/02/24	8,400.00	1.00	8,400.00	05/02/24	8,400.00	-
A125	Direct Payment	05/15/24	76,041.42	1.00	76,041.42	05/15/24	76,041.42	-
A125	Direct Payment	05/15/24	3,961.21	1.00	3,961.21	05/15/24	3,961.21	-
A126	Direct Payment	05/31/24	122,622.62	1.00	122,622.62	05/31/24	122,622.62	-
A127	Direct Payment	05/31/24	4,247.00	1.00	4,247.00	05/31/24	4,247.00	-
A128	Direct Payment	06/03/24	4,200.00	1.00	4,200.00	06/03/24	4,200.00	-
A129	Direct Payment	06/25/24	3,363.56	1.00	3,363.56	06/25/24	3,363.56	-
A129	Direct Payment	06/25/24	43,049.15	1.00	43,049.15	06/25/24	43,049.15	-
A130	Direct Payment	07/01/24	4,247.00	1.00	4,247.00	07/01/24	4,247.00	-
A131	Direct Payment	07/15/24	4,200.00	1.00	4,200.00	07/15/24	4,200.00	-
A132	Direct Payment	08/09/24	4,247.00	1.00	4,247.00	08/09/24	4,247.00	-
A133	Direct Payment	08/21/24	189,038.97	1.00	189,038.97	08/21/24	189,038.97	-
A134	Direct Payment	08/21/24	4,247.00	1.00	4,247.00	08/21/24	4,247.00	-
A135	Direct Payment	09/03/24	4,200.00	1.00	4,200.00	09/03/24	4,200.00	-
A137	Direct Payment	10/03/24	57,669.48	1.00	57,669.48	10/03/24	57,669.48	-
A138	Direct Payment	11/07/24	4,200.00	1.00	4,200.00	11/07/24	4,200.00	-
A139	Direct Payment	11/07/24	4,247.00	1.00	4,247.00	11/07/24	4,247.00	-
A140	Direct Payment	11/07/24	4,247.00	1.00	4,247.00	11/07/24	4,247.00	-
A141	Direct Payment	11/07/24	4,200.00	1.00	4,200.00	11/07/24	4,200.00	-
A142	Direct Payment	11/08/24	30,809.03	1.00	30,809.03	11/08/24	30,809.03	-
A143	Direct Payment	12/10/24	90,249.18	1.00	90,249.18	12/10/24	90,249.18	-
A144	Direct Payment	12/04/24	4,247.00	1.00	4,247.00	12/04/24	4,247.00	-
A145	Direct Payment	12/16/24	68,644.75	1.00	68,644.75	12/16/24	68,644.75	-
A146	Direct Payment	12/20/24	54,697.33	1.00	54,697.33	12/20/24	54,697.33	-
A156	Direct Payment	12/13/24	4,200.00	1.00	4,200.00	12/13/24	4,200.00	-
A157	Direct Payment	01/24/25	4,247.00	1.00	4,247.00	01/24/25	4,247.00	-
A158	Direct Payment	02/05/25	4,247.00	1.00	4,247.00	02/05/25	4,247.00	-
A159	Direct Payment	02/07/25	58,652.93	1.00	58,652.93	02/07/25	58,652.93	-
A160	Direct Payment	03/13/25	439,139.32	1.00	439,139.32	03/13/25	439,139.32	-
A161	Direct Payment	03/13/25	329,538.54	1.00	329,538.54	03/13/25	329,538.54	-
A162	Direct Payment	03/10/25	4,247.00	1.00	4,247.00	03/10/25	4,247.00	-
A163	Direct Payment	03/24/25	53,024.58	1.00	53,024.58	03/24/25	53,024.58	-
A164	Direct Payment	04/01/25	4,247.00	1.00	4,247.00	04/01/25	4,247.00	-
A165	Direct Payment	04/30/25	4,247.00	1.00	4,247.00	04/30/25	4,247.00	-
A166	Direct Payment	06/09/25	4,247.00	1.00	4,247.00	06/09/25	4,247.00	-
A167	Direct Payment	06/11/25	311,275.35	1.00	311,275.35	06/11/25	311,275.35	-
A168	Direct Payment	06/11/25	121,003.47	1.00	121,003.47	06/11/25	121,003.47	-
TOTAL			11,660,098.24		10,200,000.00		10,200,000.00	-

Republic of the Marshall Islands
Energy Security Project
(Financed by the Asian Development Bank's Special Fund)

Detailed Reconciliation of ADB Grant Funds Received - Grant 0817

September 30, 2025

WITHDRAWAL APPLICATION NOS. (WA)	DISBURSEMENT METHOD (Identify whether Reimbursement, Direct Payment, etc)	Per APFS				Per LFIS		DIFFERENCE and REASON	
		Date	In local currency (i)	Exchange Rate (ii)	USD Equivalent (i*ii) (A)	Value Date	In USD (B)	Amount (A - B)	Reason/ Justification
A001	Direct Payment	12/14/22	29,700.00	1.00	29,700.00	12/14/22	29,700.00	-	
A002	Direct Payment	04/14/23	57,248.41	1.00	57,248.41	04/14/23	57,248.41	-	
A003	Direct Payment	06/08/23	63,038.89	1.00	63,038.89	06/08/23	63,038.89	-	
A004	Direct Payment	09/26/23	343,415.98	1.00	343,415.98	09/26/23	343,415.98	-	
A005	Direct Payment	10/19/23	37,733.34	1.00	37,733.34	10/19/23	37,733.34	-	
A006	Direct Payment	10/31/23	49,240.04	1.00	49,240.04	10/31/23	49,240.04	-	
A007	Direct Payment	11/13/23	36,651.01	1.00	36,651.01	11/13/23	36,651.01	-	
A008	Direct Payment	11/24/23	78,861.98	1.00	78,861.98	11/24/23	78,861.98	-	
A009	Direct Payment	01/11/24	36,525.29	1.00	36,525.29	01/11/24	36,525.29	-	
A010	Direct Payment	01/22/24	66,714.46	1.00	66,714.46	01/22/24	66,714.46	-	
A011	Direct Payment	01/22/24	86,085.88	1.00	86,085.88	01/22/24	86,085.88	-	
A012	Direct Payment	02/28/24	77,136.95	1.00	77,136.95	02/28/24	77,136.95	-	
A013	Direct Payment	04/23/24	1,666.67	1.00	1,666.67	04/23/24	1,666.67	-	
A014	Direct Payment	04/18/24	139,946.23	1.00	139,946.23	04/18/24	139,946.23	-	
A015	Direct Payment	05/02/24	1,666.67	1.00	1,666.67	05/02/24	1,666.67	-	
A016	Direct Payment	05/15/24	127,582.53	1.00	127,582.53	05/15/24	127,582.53	-	
A017	Direct Payment	06/07/24	1,666.67	1.00	1,666.67	06/07/24	1,666.67	-	
A018	Direct Payment	06/25/24	67,297.07	1.00	67,297.07	06/25/24	67,297.07	-	
A020	Direct Payment	07/05/24	39,600.00	1.00	39,600.00	07/05/24	39,600.00	-	
A021	Direct Payment	07/01/24	1,666.67	1.00	1,666.67	07/01/24	1,666.67	-	
A022	Direct Payment	07/15/24	76,172.37	1.00	76,172.37	07/15/24	76,172.37	-	
A024	Direct Payment	08/22/24	17,600.00	1.00	17,600.00	08/22/24	17,600.00	-	
A025	Direct Payment	08/08/24	1,666.67	1.00	1,666.67	08/08/24	1,666.67	-	
A026	Direct Payment	09/27/24	450.00	1.00	450.00	09/27/24	450.00	-	
A027	Direct Payment	10/10/24	96,485.87	1.00	96,485.87	10/10/24	96,485.87	-	
A028	Direct Payment	09/20/24	51,252.70	1.00	51,252.70	09/20/24	51,252.70	-	
A029	Direct Payment	09/20/24	45,030.00	1.00	45,030.00	09/20/24	45,030.00	-	
A030	Direct Payment	09/03/24	1,666.67	1.00	1,666.67	09/03/24	1,666.67	-	
A031	Direct Payment	09/20/24	1,350.00	1.00	1,350.00	09/20/24	1,350.00	-	
A032	Direct Payment	09/03/24	65,427.91	1.00	65,427.91	09/03/24	65,427.91	-	
A033	Direct Payment	09/03/24	106,556.74	1.00	106,556.74	09/03/24	106,556.74	-	
A034	Direct Payment	10/01/24	1,666.67	1.00	1,666.67	10/01/24	1,666.67	-	
A035	Direct Payment	10/01/24	9,618.39	1.00	9,618.39	10/01/24	9,618.39	-	
A036	Direct Payment	10/01/24	166,026.99	1.00	166,026.99	10/01/24	166,026.99	-	
A037	Direct Payment	12/12/24	46,387.83	1.00	46,387.83	12/12/24	46,387.83	-	
A038	Direct Payment	12/12/24	56,932.52	1.00	56,932.52	12/12/24	56,932.52	-	
A039	Direct Payment	12/12/24	17,600.00	1.00	17,600.00	12/12/24	17,600.00	-	
A040	Direct Payment	10/08/24	2,250.00	1.00	2,250.00	10/08/24	2,250.00	-	
A041	Direct Payment	11/07/24	1,666.67	1.00	1,666.67	11/07/24	1,666.67	-	
A042	Direct Payment	11/08/24	30,671.61	1.00	30,671.61	11/08/24	30,671.61	-	
A043	Direct Payment	11/08/24	2,344.95	1.00	2,344.95	11/08/24	2,344.95	-	
A044	Direct Payment	12/12/24	40,882.97	1.00	40,882.97	12/12/24	40,882.97	-	
A045	Direct Payment	11/08/24	52,550.93	1.00	52,550.93	11/08/24	52,550.93	-	
A046	Direct Payment	12/10/24	29,590.00	1.00	29,590.00	12/10/24	29,590.00	-	
A047	Direct Payment	12/10/24	94,886.70	1.00	94,886.70	12/10/24	94,886.70	-	
A048	Direct Payment	12/04/24	1,666.67	1.00	1,666.67	12/04/24	1,666.67	-	
A049	Direct Payment	12/13/24	35,227.01	1.00	35,227.01	12/13/24	35,227.01	-	
A050	Direct Payment	12/16/24	1,500.00	1.00	1,500.00	12/16/24	1,500.00	-	
A051	Direct Payment	01/24/25	1,666.67	1.00	1,666.67	01/24/25	1,666.67	-	
A052	Direct Payment	02/07/25	1,666.67	1.00	1,666.67	02/07/25	1,666.67	-	
A053	Direct Payment	02/07/25	1,800.00	1.00	1,800.00	02/07/25	1,800.00	-	
A054	Direct Payment	03/21/25	42,794.86	1.00	42,794.86	03/21/25	42,794.86	-	
A055	Direct Payment	03/21/25	21,654.90	1.00	21,654.90	03/21/25	21,654.90	-	
A056	Direct Payment	02/07/25	36,300.00	1.00	36,300.00	02/07/25	36,300.00	-	
A057	Direct Payment	02/07/25	75,988.79	1.00	75,988.79	02/07/25	75,988.79	-	
A058	Direct Payment	02/26/25	1,800.00	1.00	1,800.00	02/26/25	1,800.00	-	
A059	Direct Payment	02/26/25	65,905.64	1.00	65,905.64	02/26/25	65,905.64	-	
A060	Direct Payment	03/05/25	1,666.67	1.00	1,666.67	03/05/25	1,666.67	-	
A061	Direct Payment	04/04/25	43,740.23	1.00	43,740.23	04/04/25	43,740.23	-	
A062	Direct Payment	03/24/25	1,500.00	1.00	1,500.00	03/24/25	1,500.00	-	
A063	Direct Payment	03/31/25	29,507.30	1.00	29,507.30	03/31/25	29,507.30	-	
A064	Direct Payment	04/07/25	1,666.67	1.00	1,666.67	04/07/25	1,666.67	-	
A065	Direct Payment	04/01/25	1,050.00	1.00	1,050.00	04/01/25	1,050.00	-	
A066	Direct Payment	04/30/25	1,666.67	1.00	1,666.67	04/30/25	1,666.67	-	
A067	Direct Payment	06/05/25	147,228.30	1.00	147,228.30	06/05/25	147,228.30	-	
A068	Direct Payment	06/05/25	55,860.00	1.00	55,860.00	06/05/25	55,860.00	-	
A069	Direct Payment	07/10/25	40,162.72	1.00	40,162.72	07/10/25	40,162.72	-	
A070	Direct Payment	06/05/25	1,666.67	1.00	1,666.67	06/05/25	1,666.67	-	
A071	Direct Payment	06/20/25	89,522.48	1.00	89,522.48	06/20/25	89,522.48	-	
A072	Direct Payment	07/16/25	12,100.00	1.00	12,100.00	07/16/25	12,100.00	-	
A073	Direct Payment	07/10/25	81,700.65	1.00	81,700.65	07/10/25	81,700.65	-	
A074	Direct Payment	07/15/25	1,666.67	1.00	1,666.67	07/15/25	1,666.67	-	
A076	Direct Payment	08/14/25	1,666.67	1.00	1,666.67	08/14/25	1,666.67	-	
A077	Direct Payment	09/15/25	243,909.37	1.00	243,909.37	09/15/25	243,909.37	-	
TOTAL			3,404,432.18		3,404,432.18		3,404,432.18		

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*

Honorable Minister David Paul
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 statement of the Republic of the Marshall Islands Energy Security Project (the Project) financed by the Asian Development Bank's Special Fund, which comprises the statement of project account for the year ended September 30, 2025, and the related notes to the financial statement, and have issued our report thereon dated March 4, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, 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 statement, 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control described in the accompanying Schedule of Findings and Responses as item 2025-1 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statement is 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Project's Response to Findings

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

Purpose of this Report

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

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

March 4, 2026

Republic of the Marshall Islands
Energy Security Project
(Financed by the Asian Development Bank's Special Fund)

Schedule of Findings and Responses

Year ended September 30, 2025

Finding No. 2025-1

Project Expenditures and MEC Contributions

Criteria: The Project maintains its accounts and prepares its financial statements using the cash basis of accounting, a special-purpose framework under which receipts are recognized when received and disbursements when paid.

Condition: The Project did not record cash disbursements totaling \$198,611 made through the advance account, nor MEC's cash contributions/disbursements totaling \$286,064. As these amounts were considered material to the financial statement, audit adjustments were proposed.

Cause: The unrecorded disbursements resulted from the absence of a formal process to ensure that all MEC-funded Project disbursements are communicated and recorded.

Effect: Although corrected during the audit, failure to timely record disbursements increases the risk of incomplete financial reporting and delays in monitoring Project receipts and disbursements.

Recommendation: We recommend that MEC, as the implementing agency maintaining the Project accounting records, establish a regular reconciliation process (monthly or quarterly) to ensure all receipts and disbursements are recorded promptly. MEC should also strengthen documentation procedures requiring that all Project-related disbursement information be provided to the Project accountant in a timely manner.

Auditee Response and Corrective Action Plan: Management agrees with this finding and recommendation and has already begun using the General Ledger to record all expenses and revenues, as and when they occur, for all donor-funded projects, including ADB project direct payments. Furthermore, management has established a regular reconciliation process to ensure that all expenses and disbursements are recorded accurately and promptly.