

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

Republic of the Marshall Islands

Ebeye Water Supply and Sanitation Project

(Jointly Financed by the Asian Development Bank's Special
Fund (Grant Numbers 0438 RMI (SF) and 0749 RMI (SF)) and
the Government of Australia (Grant Number 0439 RMI (EF)))

Years ended September 30, 2023 and 2022

with Report of Independent Auditors



**Shape the future
with confidence**

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
(Jointly Financed by the Asian Development Bank's Special Fund
and the Government of Australia)

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

Years ended September 30, 2023 and 2022

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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 Statements

Opinion

We have audited the financial statements of the Republic of the Marshall Islands (RMI) Ebeye Water Supply and Sanitation Project (the Project), jointly financed by the Asian Development Bank's Special Fund (Grant Numbers 0438 RMI (SF) and 0749 RMI (SF)) and the Government of Australia (Grant Number 0439 RMI (EF)), which comprise the balance sheets as of September 30, 2023 and 2022 and the related statements of revenues, expenditures, and changes in fund balance for the years then ended, and the related notes to the financial statements, which collectively comprise the Project's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Project as of September 30, 2023 and 2022, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Statements 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 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 are not intended to present fairly the financial position results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services 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 Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 statements, 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 Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 statements.

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 statements, 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 statements.

- 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 statements.
- 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.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis 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 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Project's basic financial statements. The supplementary information on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements 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 statements as a whole.

Other Information

Management is responsible for the other information included in the basic financial statements. The other information comprises the Statement of Expenditures - ADB Grant 0438, the Statement of Expenditures - ADB Grant 0749, the Schedule of Yearly Budgeted vs. Actual Expenditures - ADB Grant 0438, the Schedule of Yearly Budgeted vs. Actual Expenditures - ADB Grant 0749, and the Schedule of Budgeted vs. Actual Expenditures on pages 18 through 23 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements 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 statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, 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 June 19, 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 Standards* in considering the Project's internal control over financial reporting and compliance.

Ernst + Young

June 19, 2026

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
(Jointly Financed by the Asian Development Bank's Special Fund
and the Government of Australia)

Balance Sheets

	September 30, 2023	2022
<u>ASSETS</u>		
ADB grant receivable	\$ 258,733	\$ 327,883
Due from RMI Government	<u>9,429</u>	<u>9,429</u>
Total assets	<u>\$ 268,162</u>	<u>\$ 337,312</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ <u>268,162</u>	\$ <u>337,312</u>
Total liabilities	<u>268,162</u>	<u>337,312</u>
Commitment and contingency		
Fund balance:		
Restricted	<u>---</u>	<u>---</u>
Total liabilities and fund balance	<u>\$ 268,162</u>	<u>\$ 337,312</u>

See accompanying notes.

Republic of the Marshall Islands
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and the Government of Australia)

Statements of Revenues, Expenditures and Changes in Fund Balance

	Year ended September 30,	
	2023	2022
Revenues:		
ADB grant drawdowns	\$ 493,422	\$ 836,675
Total revenues	<u>493,422</u>	<u>836,675</u>
Expenditures:		
Investment costs:		
Equipment	373,452	817,140
Consulting	<u>119,970</u>	<u>19,535</u>
Total expenditures	<u>493,422</u>	<u>836,675</u>
Net change in fund balance	---	---
Fund balance at beginning of the year	<u>---</u>	<u>---</u>
Fund balance at end of the year	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>

See accompanying notes.

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
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and the Government of Australia)

Notes to Financial Statements

Years ended September 30, 2023 and 2022

1. Organization

On September 28, 2015, the Asian Development Bank (ADB) approved to partially fund the Republic of the Marshall Islands (RMI) Ebeye Water Supply and Sanitation Project (the Project), estimated to cost \$22,020,000. The objective of the Project was to improve access to safe water and to improve sanitation on Ebeye, Kwajalein Atoll in the RMI.

On October 13, 2015, the RMI through the Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) entered into two grant agreements with the ADB for the purpose of assisting in financing the implementation of the Project as follows:

- Grant Number 0438 RMI (SF) in the amount of \$5,000,000 to be financed by the ADB's Asian Development Fund (ADF) with a grant closing date of June 30, 2022. The ADF was established in 1973 and provides grants to the ADB's lower income developing member countries. Activities supported by the ADF promote poverty reduction and improvements in the quality of life in the poorer countries of the Asia and Pacific region.
- Grant Number 0439 RMI (EF) in the amount of \$4,000,000 to be financed by the Government of Australia (GOA) with a grant closing date of June 30, 2022. ADB administers this grant in accordance with a Cofinancing Agreement with GOA.

On December 11, 2020, the ADB agreed to extend to the Recipient an additional grant in the amount of \$3,000,000 under Grant Number 0749 RMI (SF) with a grant closing date of June 30, 2024 for the purpose of financing additional activities under the Project.

The remaining estimated costs of the Project of \$10,020,000 are to be funded by the RMI Government.

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations. The Project is overseen by a Project Steering Committee, and the RMI Office of the Chief Secretary is the Project Executing Agency. The ADB entered into a project agreement with Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR) for the purpose of implementing the Project. The accompanying financial statements are prepared for and relate solely to those accounting records maintained by MOFBPS associated with the Project and do not incorporate any accounts related to other non-Project activities of MOFBPS, KAJUR or any other departments or agencies of the RMI Government.

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Principles

The financial statements of the Project have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Project's accounting policies are described below.

Measurement Focus and Basis of Accounting

The Project reports the results of its operations in one governmental fund. A fund is a separate accounting entity with a self-balancing set of accounts. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period.

Grant revenues are recognized as soon as all eligibility criteria have been met and the related amounts become available to finance expenditures of the current period. Expenditures are recorded in the period in which the related fund liability is incurred, including direct payments made by the ADB to vendors. Direct payments are disbursements made by the ADB, at the request of MOFBPS, to designated beneficiaries (e.g., supplier, contractor, or consultant) directly.

Grant Receivables

Grant receivables represent amounts due from the ADB on Withdrawal Applications submitted for eligible Project expenditures not reimbursed or paid from grant proceeds.

Interfund Receivables/Payables

During the course of its operations, MOFBPS records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as "due from RMI Government" or "due to RMI Government" on the governmental fund balance sheet.

Republic of the Marshall Islands
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Principles, continued

Fund Balances

Fund balance classifications are based on the extent to which the Project is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Unassigned - includes negative fund balances in other governmental funds.

The Project has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the Project is to use committed resources first followed by unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

A formal minimum fund balance policy has not been adopted.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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Notes to Financial Statements, continued

2. Summary of Significant Accounting Principles, continued

Recently Adopted Accounting Pronouncements

During the year ended September 30, 2023, the Project implemented the following pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement provides clarification of provisions in:
 - 1) GASB Statement No. 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
 - 2) GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

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Notes to Financial Statements, continued

2. Summary of Significant Accounting Principles, continued

Recently Adopted Accounting Pronouncements, continued

- 3) GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

This Statement modifies accounting and reporting guidance in:

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

The implementation of this Statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for the fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. GASB Statement No. 100 will be effective for the fiscal year ending September 30, 2024.

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Notes to Financial Statements, continued

2. Summary of Significant Accounting Principles, continued

Upcoming Accounting Pronouncements, continued

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. GASB Statement No. 101 will be effective for the fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for the fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues identified through agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following: a) management's discussion and analysis (MD&A); b) unusual or infrequent items; c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; d) information about major component units in basic financial statements; e) budgetary comparison information; and f) financial trends information in the statistical section. GASB Statement No. 103 will be effective for the fiscal year ending September 30, 2026.

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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for the fiscal year ending September 30, 2026.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. GASB Statement No. 105 will be effective for the fiscal year ending September 30, 2027.

Management is evaluating the effect that these Statements, upon implementation, will have on the financial statements.

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Notes to Financial Statements, continued

3. Project Description

The Project's key outputs are:

- Secure and safe freshwater supplies - Ebeye's public water supply system will be improved and safe freshwater supplied continuously to all households.
- Effective and efficient sewerage services - The sewerage system on Ebeye will be upgraded to minimize the frequency and severity of uncontrolled sewage overflows and to reduce the environmental and health impacts of effluent disposal.
- Enhanced hygiene awareness and improved hygiene behaviors - A hygiene awareness and promotion program focusing on women and children and building upon hygiene awareness and promotion activities undertaken during project preparation, will be implemented over the duration of the Project.
- Secure electricity supply for water and sewerage operations - The power generation and electrical distribution system on Ebeye will be improved to reduce risks to Ebeye's water supply and sewerage systems.
- Financial and technical sustainability of KAJUR - A Program will be implemented to help KAJUR implement its reform strategy to build its financial, technical, and operational sustainability.

Project expenditures are funded in accordance with the following allocations:

<u>Category</u>	<u>Grant 0438</u>	<u>Grant 0749</u>	<u>Grant 0439</u>	<u>RMI</u>	<u>Total</u>
Civil Works	28.9%	1.9%	29.4%	39.8%	100%
Equipment and Materials	23.7%	21.2%	12.1%	43.0%	100%
Land Acquisition	---	---	---	100.0%	100%
Consulting Services	26.7%	15.6%	26.4%	31.3%	100%

Project expenditures are paid using the Direct Payments method following ADB's withdrawal application method.

The Project is expected to close on June 30, 2026.

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Notes to Financial Statements, continued

4. ADB Grant Proceeds

For the years ended September 30, 2023 and 2022, the ADB made available grant proceeds in the amount of \$493,422 and \$836,675, respectively, for expenditures incurred under certain categories of the Project. As of September 30, 2023 and 2022, the Project recognized grants receivable of \$258,733 and \$327,883, respectively, associated with these expenditures incurred not reimbursed.

5. RMI Government Contributions

Republic of Marshall Islands

Under the provisions of the grant agreements, the RMI Government is required to provide counterpart funding for the Project aggregating \$10,020,000, inclusive of \$1,860,000 in exemption of taxes and duties. The RMI Government's cash contribution is financed by certain U.S. Department of the Interior federal grants, awarded and made available to the RMI Government as the Project progresses. No counterpart funding was made available by the RMI Government for the years ended September 30, 2023 and 2022. As of September 30, 2023 and 2022, the Project recognized an amount due from the RMI Government of \$9,429 associated with expenditures previously incurred not reimbursed.

Government of Australia (GOA)

Under the provisions of the grant agreements, the GOA is committed to provide funding support for the Project amounting to \$4,000,000. The funding is made available to the Project in accordance with agreed terms and as the Project progresses. No counterpart funding was made available by the GOA for the years ended September 30, 2023 and 2022.

6. Commitments

The ADB has made grant proceeds of \$8,000,000 available to the RMI Government for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2023 and 2022, remaining commitments associated with unused grant proceeds amount to \$1,189,667 and \$1,683,089, respectively, under Grant Number 0749 RMI (SF).

7. Advance Account

The Project does not maintain a designated advance account. All payments for eligible Project expenditures are processed directly by ADB through withdrawal applications in accordance with the disbursement procedures outlined in the respective grant agreements.

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Notes to Financial Statements, continued

8. Statements of Revenues, Expenditures and Changes in Fund Balance

All the ADB grant funds received by the Project for the years ended September 30, 2023 and 2022 have been expended by the Project.

9. Subsequent Events

MOFBPS has evaluated subsequent events through June 19, 2026, which is also the date the Project's financial statements are available to be issued.

On July 18, 2024, the ADB approved an extension of the closing date for Grant 0749 to December 31, 2025. On December 26, 2025, the ADB approved a further extension of the closing date for Grant 0749 to June 30, 2026.

Supplementary and Other Information

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
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Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended September 30, 2023

	ADB 0438	ADB 0749	RMI	Total
Revenues:				
ADB grant drawdowns	\$ ---	\$ 493,422	\$ ---	\$ 493,422
Total revenues	<u>---</u>	<u>493,422</u>	<u>---</u>	<u>493,422</u>
Expenditures:				
Investment costs:				
Equipment	---	373,452	---	373,452
Consulting	<u>---</u>	<u>119,970</u>	<u>---</u>	<u>119,970</u>
	<u>---</u>	<u>493,422</u>	<u>---</u>	<u>493,422</u>
Net change in fund balance	---	---	---	---
Fund balance at beginning of the year	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Fund balance at end of the year	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
(Jointly Financed by the Asian Development Bank's Special Fund
and the Government of Australia)
(A Governmental Fund of the Republic of the Marshall Islands)

Statement of Expenditures
Period from inception (October 13, 2015) through September 30, 2023
ADB Grant 0438

Grant	WITHDRAWAL APPLICATION NOS. (WA)	DISBURSEMENT METHOD (Identify whether Reimbursement, Direct Payment, etc)	Per APFS (amount reported in the project financial statement as reimb, DP etc.) (A)				Per LFIS (actual paid per ADB LFS/GFIS system) (B)		DIFFERENCE and REASON (ic. timing, forex, pending, rejected) (C = A - B)	
			Date	In local currency (i)	Exchange Rate (ii)	USD Equivalent (i*ii) (A)	Value Date	In USD (B)	Amount (A - B)	Reason/ Justification
0438	SWP01	Direct Payment	7/5/2016	96,213.98	1.00	96,213.98	05/Jul/2016	96,213.98	-	
0438	SWP03	Reimbursement	7/14/2016	10,019.88	1.00	10,019.88	14/Jul/2016	10,019.88	-	
0438	SWP03	Reimbursement	7/14/2016	105,915.29	1.00	105,915.29	14/Jul/2016	105,915.29	-	
0438	SWP05	Direct Payment	10/11/2016	133,630.52	1.00	133,630.52	11/Oct/2016	133,630.52	-	
0438	SWP07	Reimbursement	10/14/2016	5,355.08	1.00	5,355.08	14/Oct/2016	5,355.08	-	
0438	SWP07	Reimbursement	10/14/2016	6,027.80	1.00	6,027.80	14/Oct/2016	6,027.80	-	
0438	SWP09	Direct Payment	1/10/2017	523,008.33	1.00	523,008.33	10/Jun/2017	523,008.33	-	
0438	SWP11	Direct Payment	4/10/2017	85,523.53	1.00	85,523.53	10/Apr/2017	85,523.53	-	
0438	SWP13	Direct Payment	5/8/2017	134,266.23	1.00	134,266.23	08/May/2017	134,266.23	-	
0438	SWP14	Direct Payment	5/8/2017	226,779.32	1.00	226,779.32	08/May/2017	226,779.32	-	
0438	SWP17	Direct Payment	6/1/2017	49,902.36	1.00	49,902.36	01/Jun/2017	49,902.36	-	
0438	SWP19	Direct Payment	6/1/2017	109,045.69	1.00	109,045.69	01/Jun/2017	109,045.69	-	
0438	SWP21	Reimbursement	27/Jul/2017	8,307.00	1.00	8,307.00	27/Jul/2017	8,307.00	-	
0438	SWP21	Reimbursement	7/27/2017	9,972.48	1.00	9,972.48	27/Jul/2017	9,972.48	-	
0438	SWP24	Direct Payment	9/12/2017	85,523.54	1.00	85,523.54	12/Sep/2017	85,523.54	-	
0438	SWP26	Reimbursement	14/Sep/2017	3,033.42	1.00	3,033.42	14/Sep/2017	3,033.42	-	
0438	SWP30	Direct Payment	9/14/2017	67,912.45	1.00	67,912.45	14/Sep/2017	67,912.45	-	
0438	SWP28	Reimbursement	10/31/2017	8,382.50	1.00	8,382.50	31/Oct/2017	8,382.50	-	
0438	SWP34	Direct Payment	12/13/2017	74,833.09	1.00	74,833.09	13/Dec/2017	74,833.09	-	
0438	SWP37	Reimbursement	19/Dec/2017	12,673.44	1.00	12,673.44	19/Dec/2017	12,673.44	-	
0438	SWP32	Direct Payment	12/20/2017	85,675.06	1.00	85,675.06	20/Dec/2017	85,675.06	-	
0438	SWP39	Direct Payment	2/13/2018	40,158.25	1.00	40,158.25	13/Feb/2018	40,158.25	-	
0438	SWP41	Direct Payment	4/13/2018	96,129.88	1.00	96,129.88	13/Apr/2018	96,129.88	-	
0438	SWP45	Direct Payment	3/12/2018	37,416.55	1.00	37,416.55	12/Mar/2018	37,416.55	-	
0438	SWP43	Direct Payment	4/27/2018	8,894.75	1.00	8,894.75	27/Apr/2018	8,894.75	-	
0438	SWP47	Direct Payment	31/May/2018	282,540.88	1.00	282,540.88	31/May/2018	282,540.88	-	
0438	SWP49	Direct Payment	23/May/2018	304,112.54	1.00	304,112.54	23/May/2018	304,112.54	-	
0438	SWP51	Direct Payment	6/1/2018	16,035.67	1.00	16,035.67	01/Jun/2018	16,035.67	-	
0438	SWP53	Direct Payment	7/2/2018	42,837.53	1.00	42,837.53	02/Jul/2018	42,837.53	-	
0438	SWP59	Direct Payment	6/20/2018	11,280.25	1.00	11,280.25	20/Jun/2018	11,280.25	-	
0438	SWP55	Direct Payment	09/Jul/2018	82,961.12	1.00	82,961.12	09/Jul/2018	82,961.12	-	
0438	SWP61	Direct Payment	13/Jul/2018	42,962.92	1.00	42,962.92	13/Jul/2018	42,962.92	-	
0438	SWP67	Direct Payment	9/13/2018	42,837.53	1.00	42,837.53	13/Sep/2018	42,837.53	-	
0438	SWP63	Direct Payment	13/Sep/2018	38,611.57	1.00	38,611.57	13/Sep/2018	38,611.57	-	
0438	SWP65	Direct Payment	9/14/2018	31,166.53	1.00	31,166.53	14/Sep/2018	31,166.53	-	
0438	SWP69	Direct Payment	18/Sep/2018	89,862.15	1.00	89,862.15	18/Sep/2018	89,862.15	-	
0438	SWP73	Direct Payment	9/18/2018	26,726.11	1.00	26,726.11	18/Sep/2018	26,726.11	-	
0438	SWP71	Direct Payment	9/21/2018	7,716.98	1.00	7,716.98	21/Sep/2018	7,716.98	-	
0438	SWP75	Direct Payment	02/Nov/2018	66,974.08	1.00	66,974.08	02/Nov/2018	66,974.08	-	
0438	SWP79	Direct Payment	12/20/2018	47,759.35	1.00	47,759.35	20/Dec/2018	47,759.35	-	
0438	SWP77	Direct Payment	21/Dec/2018	105,555.49	1.00	105,555.49	21/Dec/2018	105,555.49	-	
0438	SWP81	Direct Payment	1/11/2019	41,876.02	1.00	41,876.02	11/Jan/2019	41,876.02	-	
0438	SWP83	Direct Payment	1/11/2019	8,580.86	1.00	8,580.86	11/Jan/2019	8,580.86	-	
0438	SWP89	Direct Payment	4/12/2019	41,876.02	1.00	41,876.02	12/Apr/2019	41,876.02	-	
0438	SWP87	Direct Payment	4/10/2019	9,446.81	1.00	9,446.81	10/Apr/2019	9,446.81	-	
0438	SWP85	Direct Payment	30/Apr/2019	239,466.61	1.00	239,466.61	30/Apr/2019	239,466.61	-	
0438	SWP57	Reimbursement	5/20/2019	4,625.40	1.00	4,625.40	20/May/2019	4,625.40	-	
0438	SWP91	Direct Payment	10/Jun/2019	168,295.54	1.00	168,295.54	10/Jun/2019	168,295.54	-	
0438	SWP95	Direct Payment	6/13/2019	28,563.00	1.00	28,563.00	13/Jun/2019	28,563.00	-	
0438	SWP97	Direct Payment	6/18/2019	6,106.23	1.00	6,106.23	18/Jun/2019	6,106.23	-	
0438	SWP93	Direct Payment	18/Jun/2019	173,595.90	1.00	173,595.90	18/Jun/2019	173,595.90	-	
0438	SWP99	Direct Payment	8/2/2019	34,865.00	1.00	34,865.00	02/Aug/2019	34,865.00	-	
0438	SW103	Direct Payment	8/6/2019	10,219.17	1.00	10,219.17	06/Aug/2019	10,219.17	-	
0438	SW101	Direct Payment	14/Aug/2019	228,936.20	1.00	228,936.20	14/Aug/2019	228,936.20	-	
0438	SW107	Direct Payment	03/Oct/2019	80,077.25	1.00	80,077.25	03/Oct/2019	80,077.25	-	
0438	SW110	Direct Payment	23/Oct/2019	125,195.75	1.00	125,195.75	23/Oct/2019	125,195.75	-	
0438	SW105	Direct Payment	31/Oct/2019	7,153.10	1.00	7,153.10	31/Oct/2019	7,153.10	-	
0438	SW108	Direct Payment	11/12/2019	53,452.23	1.00	53,452.23	12/Nov/2019	53,452.23	-	
0438	SW112	Direct Payment	11/12/2019	39,802.31	1.00	39,802.31	12/Nov/2019	39,802.31	-	
0438	SW115	Direct Payment	11/29/2019	9,194.25	1.00	9,194.25	29/Nov/2019	9,194.25	-	
0438	SW122	Direct Payment	2/14/2020	4,994.97	1.00	4,994.97	14/Feb/2020	4,994.97	-	
0438	SW119	Direct Payment	2/24/2020	76,670.01	1.00	76,670.01	24/Feb/2020	76,670.01	-	
0438	SW124	Direct Payment	5/4/2020	7,964.25	1.00	7,964.25	04/May/2020	7,964.25	-	
0438	SW129	Direct Payment	5/14/2020	46,577.86	1.00	46,577.86	14/May/2020	46,577.86	-	
0438	SW127	Direct Payment	5/14/2020	21,573.13	1.00	21,573.13	14/May/2020	21,573.13	-	
0438	SW131	Direct Payment	9/4/2020	16,848.00	1.00	16,848.00	04/Sep/2020	16,848.00	-	
0438	SW133	Direct Payment	3/25/2021	52,622.97	1.00	52,622.97	25/Mar/2021	52,622.97	-	
0438	SW134	Direct Payment	3/25/2021	18,681.16	1.00	18,681.16	25/Mar/2021	18,681.16	-	
0438	FA106	Direct Payment	3/30/2022	18,681.16	1.00	18,681.16	30/Mar/2022	18,681.16	-	
0438	WA141	Direct Payment	5/19/2022	880.00	1.00	880.00	19/May/2022	880.00	-	
0438	WA141	Direct Payment	5/19/2022	110,296.43	1.00	110,296.43	19/May/2022	110,296.43	-	
0438	WA141	Direct Payment	5/19/2022	300.00	1.00	300.00	19/May/2022	300.00	-	
0438	WA141	Direct Payment	5/19/2022	39,155.24	1.00	39,155.24	19/May/2022	39,155.24	-	
0438	WA141	Direct Payment	5/19/2022	18,314.55	1.00	18,314.55	19/May/2022	8,886.05	9,428.50	RMI Portion
TOTAL				5,009,428.50		5,009,428.50		5,000,000.00	9,428.50	

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
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Statement of Expenditures
Period from inception (December 11, 2020) through September 30, 2023
ADB Grant 0749

Grant	WITHDRAWAL APPLICATION NOS. (WA)	DISBURSEMENT METHOD (Identify whether Reimbursement, Direct Payment, etc)	Per APFS (amount reported in the project financial statement as reimb, DP etc.) (A)				Per LFIS (actual paid per ADB LFS/GFIS system) (B)		DIFFERENCE and REASON (ie. timing, forex, pending, rejected) (C = A - B)	
			Date	In local currency (i)	Exchange Rate (ii)	USD Equivalent (i*ii) (A)	Value Date	In USD (B)	Amount (A - B)	Reason/ Justification
0749	AF103	Direct Payment	8/31/2021	183,818.00	1.00	183,818.00	11/2/2021	183,818.00	-	
0749	AF102	Direct Payment	5/31/2021	183,818.00	1.00	183,818.00	11/2/2021	183,818.00	-	
0749	22_01	Direct Payment	11/30/2021	183,818.00	1.00	183,818.00	2/4/2022	183,818.00	-	
0749	WA142	Direct Payment	2/28/2021	20,840.69	1.00	20,840.69	5/17/2022	20,840.69	-	
0749	WA143	Direct Payment	2/28/2022	183,818.00	1.00	183,818.00	6/6/2022	183,818.00	-	
0749	WA144	Direct Payment	5/31/2022	232,915.00	1.00	232,915.00	8/4/2022	232,915.00	-	
0749	WA145	Direct Payment	8/31/2022	207,593.00	1.00	207,593.00	11/29/2022	207,593.00	-	
0749	WA146	Direct Payment	12/1/2022	210,805.29	1.00	210,805.29	12/12/2022	210,805.29	-	
0749	WA147	Direct Payment	12/8/2022	38,313.74	1.00	38,313.74	12/15/2022	38,313.74	-	
0749	WA148	Direct Payment	4/21/2023	12,641.20	1.00	12,641.20	7/6/2023	12,641.20	-	
0749	WA148	Direct Payment	4/21/2023	34,424.14	1.00	34,424.14	7/6/2023	34,424.14	-	
0749	WA149	Direct Payment	8/1/2023	1,591.20	1.00	1,591.20	7/6/2023	1,591.20	-	
0749	WA149	Direct Payment	8/1/2023	17,212.07	1.00	17,212.07	7/6/2023	17,212.07	-	
0749	WA150	Direct Payment	8/1/2023	5,569.20	1.00	5,569.20	9/28/2023	5,569.20	-	
0749	WA150	Direct Payment	8/1/2023	34,424.14	1.00	34,424.14	9/28/2023	34,424.14	-	
0749	WA151	Direct Payment	2/28/2023	232,915.00	1.00	232,915.00	10/10/2023	232,915.00	-	
0749	WA152	Direct Payment	11/17/2023	17,212.07	1.00	17,212.07	12/5/2023	17,212.07	-	
0749	WA153	Direct Payment	3/25/2024	8,606.04	1.00	8,606.04	5/30/2024	34,424.14	(25,818.11)	FY2024 portion of invoice
TOTAL				1,810,334.78		1,810,334.78		1,836,152.88	(25,818.11)	

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
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Statement of Expenditures
Year ended September 30, 2023
ADB Grant 0749

Grant	WITHDRAWAL APPLICATION NOS. (WA)	DISBURSEMENT METHOD (Identify whether Reimbursement, Direct Payment, etc)	Per APFS (amount reported in the project financial statement as reimb, DP etc.) (A)				Per LFIS (actual paid per ADB LFS/GFIS system) (B)		DIFFERENCE and REASON (ie. timing, forex, pending, rejected) (C = A - B)	
			Date	In local currency (i)	Exchange Rate (ii)	USD Equivalent (i*ii) (A)	Value Date	In USD (B)	Amount (A - B)	Reason/ Justification
0749	WA146	Direct Payment	12/1/2022	140,536.86	1.00	140,536.86	12/12/2022	210,805.29	(70,268.43)	FY2022 expense
0749	WA147	Direct Payment	12/8/2022	3,889.60	1.00	3,889.60	12/15/2022	38,313.74	(34,424.14)	FY2020-2022 expense
0749	WA148	Direct Payment	4/21/2023	31,466.90	1.00	31,466.90	7/6/2023	47,065.34	(15,598.44)	FY2020-2022 expense
0749	WA149	Direct Payment	8/1/2023	18,803.27	1.00	18,803.27	7/6/2023	18,803.27	-	
0749	WA150	Direct Payment	8/1/2023	39,993.34	1.00	39,993.34	9/28/2023	39,993.34	-	
0749	WA151	Direct Payment	2/28/2023	232,915.00	1.00	232,915.00	10/10/2023	232,915.00	-	
0749	WA152	Direct Payment	11/17/2023	17,212.07	1.00	17,212.07	12/5/2023	17,212.07	-	
0749	WA153	Direct Payment	3/25/2024	8,606.04	1.00	8,606.04	5/30/2024	34,424.14	(25,818.11)	FY2024 portion of invoice
TOTAL				493,423.08		493,423.08		639,532.19	(146,109.12)	

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
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Schedule of Yearly Budgeted vs. Actual Expenditures

Period from inception (October 13, 2015) through September 30, 2023
ADB Grant 0748

Budget by Year (per the PAM)										
ADB Grant 0438										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Civil works	\$ 216,600	\$ 485,460	\$ 404,364	\$ 168,516	\$ 138,756	\$ 43,152	\$ 43,152	\$ ---	\$ ---	\$ 1,500,000
Equipment	358,187	839,477	632,434	291,346	223,193	85,595	69,768	---	---	2,500,000
Land acquisition	---	---	---	---	---	---	---	---	---	---
Consultancy services	175,540	302,640	245,310	155,220	78,780	42,510	---	---	---	1,000,000
Taxes and duties	---	---	---	---	---	---	---	---	---	---
Contingencies	---	---	---	---	---	---	---	---	---	---
Grant administration fees	---	---	---	---	---	---	---	---	---	---
Total expenditures	\$ 750,327	\$ 1,627,577	\$ 1,282,108	\$ 615,082	\$ 440,729	\$ 171,257	\$ 112,920	\$ ---	\$ ---	\$ 5,000,000

Actual by Year										
ADB Grant 0438										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Civil works	\$ ---	\$ ---	\$ ---	\$ 908,025	\$ 7,439	\$ ---	\$ ---	\$ ---	\$ ---	\$ 915,464
Equipment	---	---	1,176,984	128,513	158,419	228,750	42,326	---	---	1,734,992
Land acquisition	---	---	---	---	---	---	---	---	---	---
Consultancy services	---	---	705,636	196,694	1,284,965	162,249	---	---	---	2,349,544
Taxes and duties	---	---	---	---	---	---	---	---	---	---
Contingencies	---	---	---	---	---	---	---	---	---	---
Grant administration fees	---	---	---	---	---	---	---	---	---	---
Total expenditures	\$ ---	\$ ---	\$ 1,882,620	\$ 1,233,232	\$ 1,450,823	\$ 390,999	\$ 42,326	\$ ---	\$ ---	\$ 5,000,000

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
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Schedule of Yearly Budgeted vs. Actual Expenditures

Period from inception (December 11, 2020) through September 30, 2023
ADB Grant 0749

Budget by Year (per the PAM)					
ADB Grant 0749					
	2020	2021	2022	2023	Total
Civil works	\$ 10,000	\$ 40,000	\$ 40,000	\$ 10,000	\$ 100,000
Equipment	192,000	1,048,000	804,000	194,000	2,238,000
Land acquisition	---	---	---	---	---
Consultancy services	1,000	263,000	214,000	108,000	586,000
Taxes and duties	---	---	---	---	---
Contingencies	---	---	---	76,000	76,000
Grant administration fees	---	---	---	---	---
Total expenditures	\$ 203,000	\$ 1,351,000	\$ 1,058,000	\$ 388,000	\$ 3,000,000

Actual by Year					
ADB Grant 0749					
	2020	2021	2022	2023	Total
Civil works	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Equipment	---	449,749	817,140	373,452	1,640,341
Land acquisition	---	---	---	---	---
Consultancy services	8,966	21,521	19,535	119,970	169,992
Taxes and duties	---	---	---	---	---
Contingencies	---	---	---	---	---
Grant administration fees	---	---	---	---	---
Total expenditures	\$ 8,966	\$ 471,270	\$ 836,675	\$ 493,422	\$ 1,810,333

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
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Schedule of Budgeted vs. Actual Expenditures

Period from inception (October 13, 2015) through September 30, 2023

	Budget					Actual Expenditures					Variance *				
	ADB Grant 0438	ADB Grant 0749	GOA Grant 0439	RMI	Total	ADB Grant 0438	ADB Grant 0749	GOA Grant 0439	RMI	Cumulative from October 13, 2015 to September 30, 2023	ADB Grant 0438	ADB Grant 0749	GOA Grant 0439	RMI	Total
Expenditures:															
Investment costs:															
Water supply and sewer network rehabilitation and expansion program	\$ 2,036,301	\$ ---	\$ 1,659,740	\$ 4,523,809	\$ 8,219,850	\$ 2,036,301	\$ ---	\$ 1,659,740	\$ 4,623,292	\$ 8,319,333	\$ ---	\$ ---	\$ ---	\$ (99,483)	\$ (99,483)
Salt water reverse osmosis plant	1,730,241	3,000,000	1,153,493	2,144,838	8,028,572	1,734,992	1,640,341	1,153,493	2,027,317	6,556,143	(4,751)	1,359,659	---	117,521	1,472,429
Project implementation consultants	1,069,044	---	855,236	998,662	2,922,942	1,069,044	169,992	855,236	1,120,780	3,215,052	---	(169,992)	---	(122,118)	(292,110)
Electrical distribution system upgrade program	---	---	---	1,545,000	1,545,000	---	---	---	---	---	---	---	---	1,545,000	1,545,000
Financial management advisor	140,400	---	112,320	154,006	406,726	135,649	---	108,520	104,219	348,388	4,751	---	3,800	49,787	58,338
School sanitation upgrade program	---	---	---	201,829	201,829	---	---	---	201,829	201,829	---	---	---	---	---
Grant management fee	---	---	200,000	---	200,000	---	---	---	---	---	---	---	200,000	---	200,000
Independent technical advisors	---	---	---	167,522	167,522	---	---	---	167,522	167,522	---	---	---	---	---
Fixtures program	---	---	---	150,000	150,000	---	---	---	57,197	57,197	---	---	---	92,803	92,803
Water and sewer operations specialist	24,014	---	19,211	18,856	62,081	24,014	---	19,211	18,856	62,081	---	---	---	---	---
Audit fees	---	---	---	28,000	28,000	---	---	---	19,500	19,500	---	---	---	8,500	8,500
Miscellaneous	---	---	---	87,478	87,478	---	---	---	---	---	---	---	---	87,478	87,478
Total expenditures	\$ 5,000,000	\$ 3,000,000	\$ 4,000,000	\$ 10,020,000	\$ 22,020,000	\$ 5,000,000	\$ 1,810,333	\$ 3,796,200	\$ 8,340,512	\$ 18,947,045	\$ ---	\$ 1,189,667	\$ 203,800	\$ 1,679,488	\$ 3,072,955

*The initial \$5,000,000 budget has been allocated, as per Project Administration Manual (PAM), as follows: \$1,500,000 for civil works, \$2,500,000 for equipment and \$1,000,000 for consultancy services. During the execution of the project, this budget has been utilized as follows: \$915,646 for civil works, \$1,734,992 for equipment, and \$2,349,544 for consulting services. In 2021, the Asian Development Bank (ADB), approved an additional \$3,000,000 to supplement project financing, as per (PAM), as follows: \$100,000 for civil works, \$2,238,000 for equipment, \$586,000 for consultancy services, and \$76,000 for contingencies. As of September 30, 2023, \$1,810,333 has been utilized to further fund equipment purchases and consultancy services.

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 statements of the Republic of the Marshall Islands (RMI) Ebeye Water Supply and Sanitation Project (the Project) jointly financed by the Asian Development Bank's Special Fund (Grant Numbers 0438 RMI (SF) and 0749 RMI (SF)) and the Government of Australia (Grant Number 0439 RMI (EF)), which comprise the balance sheet as of September 30, 2023, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2026.

Report on 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. 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 2023-001 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 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*.

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 other 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.

June 19, 2026

Republic of the Marshall Islands
Ebeye Water Supply and Sanitation Project
(Jointly Financed by the Asian Development Bank's Special Fund
(Grant Numbers 0438 RMI (SF) and 0749 RMI (SF)) and the
Government of Australia (Grant Number 0439 RMI (EF)))

Schedule of Findings and Responses

Year ended September 30, 2023

Finding No.: 2023-001
Area: Improper Recognition of Project Expenditures and Related Revenues

Criteria: Generally accepted accounting principles (US GAAP) require expenditures and related revenues to be recognized in the period in which the underlying transactions occur. Under the modified accrual basis of accounting, Project expenditures should be recorded when incurred, and related revenues should be recognized in accordance with US GAAP and the applicable grant or financing agreement, regardless of when cash is received or disbursed.

Condition: During our audit, we noted that Project expenditures for fiscal years 2020 through 2022 associated with Withdrawal Application #s 147 and 148 in the amounts of \$34,424 and \$15,598, respectively, and the corresponding revenues were recorded when payments were made rather than the period in which the expenditures were incurred. Furthermore, we noted that Project expenditures for fiscal year 2023 associated with Withdrawal Application # 153 in the amount of \$8,606 and the corresponding revenues were recorded in fiscal year 2024 when payment was made rather than the period in which the expenditures were incurred. As a result, Project-related expenditures and revenues were not recognized in the proper accounting period. Audit adjustments were proposed to correct these misstatements.

Cause: Management did not maintain procedures to identify and accrue Project expenditures incurred but unpaid at year-end and did not establish controls to ensure related revenues were recognized in the same reporting period as the associated expenditures.

Effect: Failure to record Project expenditures and related revenues in the proper period may result in material misstatements of revenues, expenditures, assets, liabilities, and fund balance. In addition, financial statements may not accurately reflect the financial activity and performance of the Project for the reporting period.

Recommendation: We recommend that management implement procedures to identify Project expenditures incurred but not yet paid at year-end and record the appropriate accruals. Management should also establish controls to ensure that related revenues are recognized in the same period as the associated Project expenditures in accordance with US GAAP and the terms of the ADB financing agreement.

Auditee Response and Corrective Action Plan: KAJUR acknowledges the findings and will establish policies to ensure that expenditures are recorded and adjusted on year-end accordingly to ensure compliance with the accounting standards.