

# Audited Project Financial Statements

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Project Number: 49450-007  
Grant Number: 0554  
Period covered: 7 December 2017 to 30 September 2020

## Marshall Islands: Majuro Power Network Strengthening Project

Prepared by Marshalls Energy Company (implementing agency)

For the Asian Development Bank  
Date received by ADB: 23 June 2021

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Government of State of Yap.

## **INDEPENDENT AUDITORS' REPORT**

Honorable Minister Alfred Alfred, Jr.  
Ministry of Finance, Banking and Postal Services  
Republic of the Marshall Islands

### **Report on the Financial Statement**

We have audited the accompanying financial statements of the Republic of the Marshall Islands (RMI) Majuro Power Network Strengthening Project (the "Project"), financed by the Asian Development Bank's Special Fund (Grant Number 0554-RMI (SF)), which comprises the statements of project account for the year ended September 30, 2020 and for the period from inception (December 7, 2017) through September 30, 2019, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2 to the financial statements; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Project for the year ended September 30, 2020 and for the period from inception (December 7, 2017) through September 30, 2019, in accordance with the cash basis of accounting described in Note 2 to the financial statements.

## ***Basis of Accounting***

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

## ***Emphasis of Matter***

### ***Reporting Entity***

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

## ***Other Matters***

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

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

### ***Other Information***

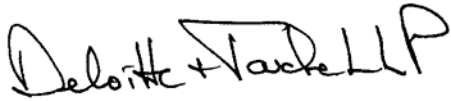
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplementary information on page 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the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

## **Restricted Use Relating to Other Matters**

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2021, on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control over financial reporting and compliance.

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

June 17, 2021

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

Statements of Project Account  
Year Ended September 30, 2020 and Period From  
Inception (December 7, 2017) Through September 30, 2019

	October 1, 2019 through September 30, 2020	December 7, 2017 through September 30, 2019
Cash receipts:		
ADB Grant drawdowns	\$ 20,500	\$ 90,435
Cash disbursements:		
Investment Costs:		
Consulting services	20,500	90,435
Net change	\$ -	\$ -

See accompanying notes to financial statements.

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

Notes to Financial Statement  
Year Ended September 30, 2020 and Period From  
Inception (December 7, 2017) Through September 30, 2019

(1) Organization

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

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

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

(3) Direct Payments by ADB

For the year ended September 30, 2020 and period from inception (December 7, 2017) through September 30, 2019, direct payments by ADB to the consultant amounted to \$20,500 and \$90,435, respectively.

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

Schedule of Budgeted v Actual Expenditures  
Period From Inception (December 7, 2017) through September 30, 2020

	Budget	Actual Expenditures		Variance
		October 1, 2019 to September 30, 2020	Prior Period Cumulative	
Expenditures:				
Investment Costs:				
Advanced Metering Infrastructure (AMI):				
Procurement and installation of meters	\$ 495,000	\$ -	\$ -	\$ 495,000
Procurement, installation, training and commissioning	640,000	-	-	640,000
Supervising Consultants:				
Consulting services	234,000	20,500	90,435	123,065
Capacity Building and Business Process Reengineering:				
Consulting services	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
	<u>1,869,000</u>	<u>20,500</u>	<u>90,435</u>	<u>1,758,065</u>
Contingencies:				
Physical	<u>131,000</u>	<u>-</u>	<u>-</u>	<u>131,000</u>
Total expenditures	<u>\$ 2,000,000</u>	<u>\$ 20,500</u>	<u>\$ 90,435</u>	<u>\$ 1,889,065</u>

See accompanying independent auditors' report.