

Audited Project Financial Statements

Project Number: 45007

Loan Number: 3099

Period covered: 24 September 2014–31 December 2015

Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program

Prepared by Municipality of Ulaanbaatar

For the Asian Development Bank

Date received by ADB: 4 July 2016

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 Public Communications Policy 2011 and as agreed between ADB and the Municipality of Ulaanbaatar.

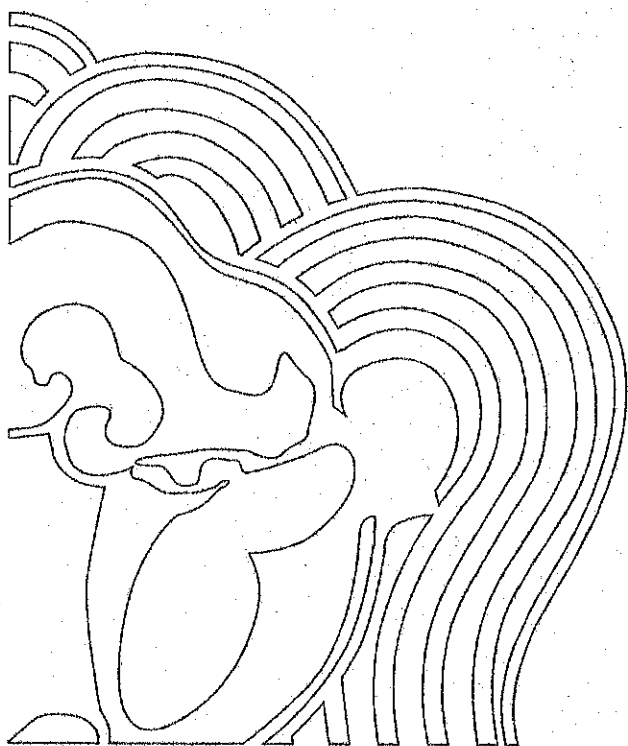


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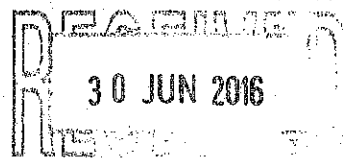
AUDITOR'S REPORT

**ULAANBAATAR URBAN SERVICES AND
GER AREAS DEVELOPMENT INVESTMENT
PROGRAM PROJECT 1
Loan №3099 MON (SF)**

Financial statements as of
December 31, 2015



ASIAN DEVELOPMENT BANK



MONGOLIA RESIDENT MISSION



an independent member of
**BAKER TILLY
INTERNATIONAL**



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Audit assurance, property and business
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INDEPENDENT AUDITOR'S REPORT

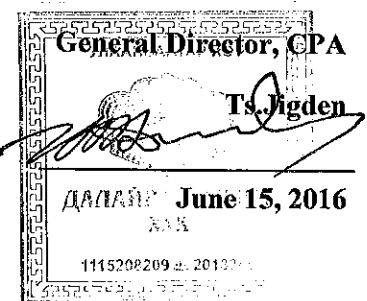
To: Mr. Ts. Bayarsaikhan Project Coordinator
Ulaanbaatar Urban Service and Ger Areas Development Investment Program Project 1
Loan № 3099 MON (SF)

We have audited the accompanying financial statements of Loan № 3099 MON (SF) Ulaanbaatar Urban Service and Ger Areas Development Investment Program Project 1, which comprise the balance sheet as at December 31, 2015, and the statement of project sources and uses of funds, statement of expenditure (Loan withdrawals) and imprest account statement for the year then ended. Management of the project is responsible for the preparation of these financial statements and our responsibility is to express an opinion thereon based on our audit.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

Management of the project have prepared these financial statements in accordance with International Public Sector Accounting Standards on cash basis wherein revenues are recognized when cash is received and expenses are recognized when paid.

In our opinion, the financial statement and the report of project sources and uses of funds have been prepared in accordance with International Public Sector Accounting Standards issued by the Public Sector Committee of the International Federation of Accountants; cash receipt and cash expenditure of the Ulaanbaatar Urban Service and Ger Areas Development Investment Program Project 1 for the year ended Dec 31, 2015 present fairly, in all material respect; and spending incurred for the intended purpose as stated in the Loan Agreement 3099 MON (SF).

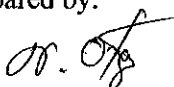


The Government of Mongolia
Asian Development Bank
Loan 3099 MON(SF)
Ulaanbaatar Urban Services and Ger Areas Development Investment Program Project 1

BALANCE SHEET
as at December 31, 2015

		At Dec 31, 2015	At Dec 31, 2014
		USD	USD
ASSETS			
Cash and cash equivalents:	4.a	717,034.48	0.00
Cash at bank:			
ADB account			
Imprest account (USD)		716,733.88	
Sub account (MNT)		-	
Account of Ulaanbaatar City Governors Office			
Treasury bank account (MNT)		-	
Tender income account at Treasury bank (MNT)		300.60	
Cumulative project expenditures:	4.b	4,155,690.58	85,024.02
ADB Loan:			
Work			
Detailed design and construction supervision	4.b.1	402,424.00	
Project management support and administration	4.b.2	425,125.73	
Consulting service	4.b.3	233,312.00	
Interest charge		25,868.24	
Correspondent bank charge		25.00	
Ulaanbaatar City Governors Office's Fund			
Civil work	4.b.4	2,676,693.79	
Consulting service	4.b.5	74,225.94	
Project management	4.b.6	314,533.88	85,024.02
Tender expenses		3,482.00	
TOTAL ASSETS		4,872,725.06	85,024.02
FUNDS			
ADB Loan 3099	4.c	1,733,312.00	
Interest charge		25,868.24	
Bank interest income		44,207.66	
Exchange rate gain		100.95	
Ulaanbaatar City Governors Office's Fund	4.d	3,065,453.61	85,024.02
Tender income	4.e	3,782.60	
TOTAL FUNDS		4,872,725.06	85,024.02

Prepared by:



Ms. N. Otgonjargal
Project Accountant

Approved by:



Mr. Ts. Bayarsaikhan
Project Coordinator



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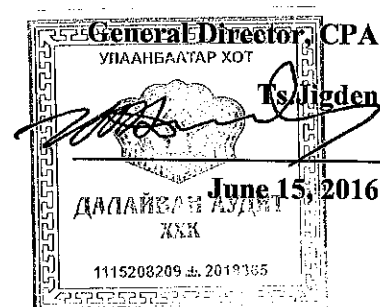
INDEPENDENT AUDITOR'S REPORT

To: Mr. Ts. Bayarsaikhan Project Coordinator
Ulaanbaatar Urban Service and Ger Areas Development Investment Program Project 1
Loan № 3099 MON (SF)

We have audited the statement of project sources and uses of funds for the year ended December 31, 2015 of the Loan № 3099 MON (SF) Ulaanbaatar Urban Service and Ger Areas Development Investment Program Project 1

We conducted our audit in accordance with generally accepted auditing standards, on a test basis examined evidence documents that support the amounts and disclosures in the statement of sources and uses of fund. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the internal controls and procedures involved in preparation of the statement of sources and uses of funds can be relied upon, and the applications for loan withdrawals sufficiently support it.

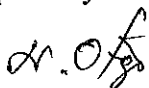


The Government of Mongolia
Asian Development Bank
Loan 3099 MON(SF)
Ulaanbaatar Urban Services and Ger Areas Development Investment Program Project 1

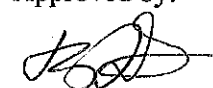
STATEMENT OF PROJECT SOURCES AND USES OF FUNDS
for the year ended December 31, 2015

	Cumulative to Dec 31, 2015 USD	Cumulative to Dec 31, 2014 USD
SOURCES		
ADB Loan	1,733,312.00	
Interest charge	25,868.24	
Bank interest income	44,207.66	
Exchange rate gain	100.95	
TOTAL SOURCES OF FUNDS	1,803,488.85	0.00
USES OF FUNDS		
Civil work		
Detailed design and construction supervision	402,424.00	
Project management support and administration	425,125.73	
Consulting service	233,312.00	
Interest charge	25,868.24	
Correspondent bank charge	25.00	
TOTAL USES OF FUNDS	1,086,754.97	0.00
Surplus of receipts over expenditure	716,733.88	0.00
Cash at bank:		
Imprest account (USD)	716,733.88	
Sub account (MNT)		
Balance of cash and cash equivalents	716,733.88	0.00

Prepared by:


Ms. N. Otgonjargal
Project Accountant

Approved by:


Mr. Ts. Bayarsaikhan
Project Coordinator



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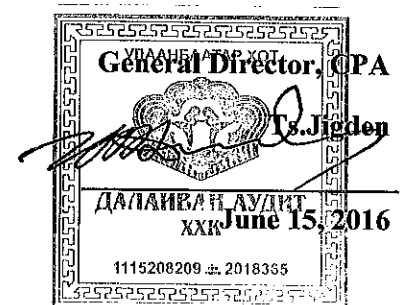
INDEPENDENT AUDITOR'S REPORT

To: Mr. Ts. Bayarsaikhan Project Coordinator
Ulaanbaatar Urban Service and Ger Areas Development Investment Program Project 1
Loan № 3099 MON (SF)

We have audited the statement of expenditures (Loan withdrawals) for the year ended December 31, 2015 of the Loan № 3099 MON (SF) Ulaanbaatar Urban Service and Ger Areas Development Investment Program Project 1.

We conducted our audit in accordance with generally accepted auditing standards, on a test basis examined evidence documents that support the amounts and disclosures in the statement of expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the statement of expenditures (Loan and grant withdrawals) is prepared in accordance with the ADB Loan Disbursement Handbook and receipts and expenditures are supported by the primary documents, classified in accordance with expense category as stated in the loan agreement and present fairly.

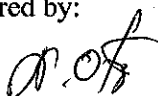


The Government of Mongolia
Asian Development Bank
Loan 3099 MON(SF)
Ulaanbaatar Urban Services and Ger Areas Development Investment Program Project 1

STATEMENT OF EXPENDITURES
for the year ended December 31, 2015

Number of WA	Application Type	Claimed date	Credited date	Amount claimed (in USD)	Amount credited (in USD)	Difference
WA0001	Initial advance	2014.10.15	2014.12.30	1,500,000.00	1,500,000.00	-
WA0002	Direct payment	2015.09.03	2015.10.08	233,312.00	233,312.00	-
WA's up to Dec 31, 2015 (WA 0001-0002)				1,733,312.00	1,733,312.00	0.00

Prepared by:



Ms. N. Otgonjargal
Project Accountant

Approved by:



Mr. Ts. Bayarsaikhan
Project Coordinator



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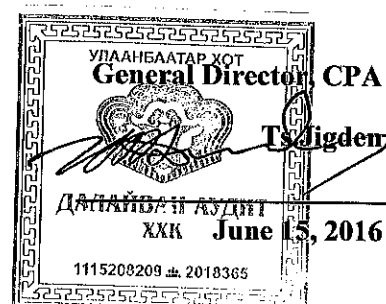
INDEPENDENT AUDITOR'S REPORT

To: Mr. Ts. Bayarsaikhan Project Coordinator
Ulaanbaatar Urban Service and Ger Areas Development Investment Program Project 1
Loan no: 3099 MON (SF)

We have audited the Imprest Account Statement for the year ended December 31, 2015 of Loan №3099 MON (SF) Ulaanbaatar Urban Service and Ger Areas Development Investment Program Project 1, which was prepared within the loan agreement Loan № 3099 MON (SF) framework to support withdrawals.

We conducted our audit in accordance with generally accepted auditing standards, on a test basis examined evidence documents that support the amounts and disclosures in Imprest Account Statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the imprest account statement was prepared in accordance with the ADB Loan Disbursement Handbook, cash replenishment and liquidation of the imprest account present fairly.

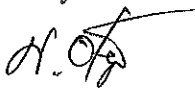


The Government of Mongolia
Asian Development Bank
Loan 3099 MON(SF)
Ulaanbaatar Urban Services and Ger Areas Development Investment Program Project 1


IMPREST ACCOUNT STATEMENT
Usd account no 106000029961 at State bank
as at December 31, 2015

	At Dec 31, 2015	At Dec 31, 2014
	USD	USD
Part A - Account transactions		
Beginning balance		
Add:		
Total amount deposited current year	1,500,000.00	
Total bank interest earned	44,207.66	
Foreign exchange gain	100.95	
Deduct:		
Total amount withdrawn	608,304.44	
Transferred to sub account of Treasury bank	219,245.29	
Total correspondent bank charge	25.00	
Ending balance	716,733.88	0.00
Part B - Account reconciliation		
Amount advanced by the ADB	1,500,000.00	
Balance of the Imprest Account at the end of the year	716,733.88	
Add: Amount claimed and not yet credited		
Amount withdrawn and not yet claimed	827,549.73	
Correspondent bank charge		
Previous year		
Current year	25.00	
Balance of Sub-account as at Dec 31, 2015		
Foreign exchange loss		
Deduct:		
Interest earned:		
Previous year		
Current year	44,207.66	
Foreign exchange gain	100.95	
Total advance to Imprest account accounted for	1,500,000.00	0.00

Prepared by:


Ms. N. Otgonjargal
Project Accountant

Approved by:


Mr. Ts. Bayarsaikhan
Project Coordinator

NOTES TO THE FINANCIAL STATEMENTS

1. Project background

By the framework financing agreement dated 30 June 2014 between Asian Development Bank (ADB) and Government of Mongolia, ADB agreed to make loan of USD 27,500,000 from its ordinary capital resources (Loan number 3098-MON), loan of USD 22,500,000 and non-refundable assistance of USD 3,700,000 from its Special Funds resources (Loan number 3099-MON and Grant number 0381) for the purpose of implementing the Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Project 1. The financing agreements for such loan and grant came into effect from 25 September 2014.

The implementing agency of the Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Project 1 is the Ulaanbaatar City Major's Office. A re-lending agreement was effected between the Ministry of Finance and Municipality of Ulaanbaatar on 26 December 2014, based on the financing agreements for loan and grant promulgated by the State Ikh Khural for the Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Project 1 on 30 June 2014 and the Procedure on Re-lending of Foreign Loan and Aid approved by decree number 185 of the Government of Mongolia. By the re-lending agreement, it was agreed to re-lend the Municipality of Ulaanbaatar the loans to be made from ADB, loan of USD 27,500,000 from its ordinary capital resources and loan of USD 22,500,000 from its Special Funds, in compliance to the financing agreement for loan and aid signed by ADB and Government of Mongolia on 30 June 2014. Loan closing date is 30 June 2018 according to the re-lending agreement signed by the Ministry of Finance and the Municipality of Ulaanbaatar.

Work to be done by funding of loan number 3098-MON, loan number 3099-MON, and aid number 0381:

Ulaanbaatar Urban Services and Ger Areas Development Investment Program for implementation of Ulaanbaatar City Master Plan will be implemented with 3 stages for a period of 9 years. Under the initial stage, Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Project 1, support will be provided to the implementation of Ulaanbaatar City Master Plan in its direction to develop Selbe and Bayankhoshuu sub-centers. These sub-centers that currently reside 200,000 people are given top priority and are planned to be connected to the infrastructure and social and economic services for the purpose of making into a center of ger districts on the northern part of the city. Following shall be conducted within the frame of the project:

- (i) **Sewerage network:** Extension from the nearest terminals of the existing city sewerage system: (a) 3.5 kilometers (km) collector main for Bayankhoshuu and 2.6 km for Selbe, (b) sewerage pumping station along with 2 km of sewer pipe extension and 0.9 km of sewer pressure pipe, and (c) connection to the public facilities located along the road corridor and within each sub-center.
Road and urban services: (a) 1 km of combined priority roads to be built in the sub-centers, (b) 18.6 km of water supply, 20 km of wastewater, and 21 km of district heating network pipes, (c) sidewalks, drainage, flood protection, waste collection facilities, public space lightening and urban furniture, and (d) heating facilities using most suitable, state-of-the-art, environmentally friendly technologies.
- (ii) **Social and economic facilities:** Two kindergartens, 8–9 hectares (ha) of green areas and small squares, two vocational training centers and business incubator centers associated to such.
- (iii) **Multi-interventions in the Ulaanbaatar Water Supply and Sewerage Authority (USUG):** to improve the central wastewater treatment plant and drinking water supply network, improve local control and central operational control systems (SCADA), improve water pumping system, implement a domestic and industrial water metering program, and install remote controlled flow-meters for nonrevenue water management.
- (iv) **Institutional strengthening and capacity development:** for (a) detailed design and construction supervision for the water supply and wastewater collection systems, municipal infrastructure, and heating services, (b) community participation, awareness and empowerment, small- and medium-enterprises (SME) development; (c) capacity building

and institutional strengthening for urban planning and sub-center development, (d) program management office (PMO) to strengthen program implementation capacities, and (e) service provider institutional and regulatory reforms.

Financing plan of the Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Project 1 is shown below:

N o	Financial source	Total amount (USD)	Share in total
1	Loan from ADB ordinary capital resources (3098-MON)	27,500,000	26%
2	Loan from ADB Special Funds resources (3099-MON)	22,500,000	22%
3	ADB grant (0381-MON)	3,700,000	4%
4	Municipality of Ulaanbaatar financing	22,440,000	21%
5	Co-financing	28,380,000	27%
	Total	104,520,000	

Allocation of loan financing - Loan number 3099-MON:

Allocation of loan financing from ADB special funds resources is shown below:

	Category	Allocated amount (USD)	ADB financing share
1.	Civil works	11,471,255	100 percent
2.	Detailed design and construction supervision	4,347,750	100 percent
3.	Project management support and administration	2,000,585	100 percent
4.	Consulting services	2,000,585	100 percent
5.	Interest and commitment charges	690,070	100 percent
6.	Unallocated	1,989,755	
	Total	22,500,000	

Exclusive of taxes and charges that are imposed within the territory of Mongolia.

Project Implementation Unit:

Municipality of Ulaanbaatar is the implementing agency of the project and is responsible for the implementation and execution of the project. Project Implementation Unit of the Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Project 1 was established by permission number 7-2/402 of the Ministry of Finance dated 27 January 2014 and decree number 108 of the Capital City Citizens' Representative Khural dated 26 June 2014, hired PIU specialists by open selection, and appointed to respective positions by decree number B/222 of the Municipality of Ulaanbaatar dated 25 September 2014. The PIU has 16 staff including the project coordinator, financial officer, monitoring and evaluation officer, procurement officer, water supply sewerage inspection engineer, heat supply engineer, civil engineer, auto road inspection engineer, electrical engineer, environmental and social safeguard specialist, resettlement specialist, interpreter – assistance officer, and drivers (3).

By decree number 107 of the Capital City Citizens' Representative Khural dated 26 June 2014, the Project Steering Committee was established comprising 15 members representing the Municipality of Ulaanbaatar, Ministry of Finance, Ministry of Economic Development, Ministry of Construction and Urban Development, Ulaanbaatar Water Supply and Sewerage Authority, Ulaanbaatar Heating Distribution Network, and Ulaanbaatar Electricity Distribution Network. The Project Steering Committee convened 3 times in 2015, settled issues that raised in the course of the project implementation, gave corresponding recommendations and directions, and approved action report of the project implementation in 2014 and plan of work for 2015.

Sukhbaatar district (to temporarily reside households that will be settled due to vacating of lands for Bayankhoshuu and Selbe sub-centers). Contractor for design work is "Monshift" LLC, contractor for construction of apartment block in 8 khoroo Songino Khairkhan district is "Ekh Terguun" LLC, and contractor for construction of apartment block in 14 khoroo Sukhbaatar district is "Us Orchin" LLC, by bid evaluation.

"Ekh Terguun" LLC, the contractor for construction of apartment block in 8 khoroo Songino Khairkhan district signed construction work agreement on 08 December 2014. Original ending date of the contract, 01 September 2015 was extended to 01 February 2016. As of 31 December 2015, execution of construction was 97 percent, falling behind by 4 months from the contract term so the Client imposed penalty. The apartment block was handed over to the State Committee on 06 June 2016.

"Us Orchin" LLC, the contractor for construction of apartment block in 14 khoroo Sukhbaatar district signed construction work agreement on 01 May 2015. The contract term ended on 15 December 2015. The apartment block was handed over to the State Committee on 04 December 2015. Khoroo administration, community clinics and police station have moved to the new building.

Inspector of "Dalaivan Audit" LLC, advising engineer of Mongolia, and foremost evaluator R. Buuveibaatar worked in the audit team and visited the 2 buildings on the spot.

Auditor's opinion

For the purpose to ensure prerequisites and duties of the loan agreement signed with ADB and by decree no. A/87 of the Mayor of Ulaanbaatar City dated 15 October 2014, it was decided to build an apartment block of 50 apartments and service facilities in each of 8 khoroo of Songino-Khairkhan district and 14 khoroo of Sukhbaatar district (to temporarily reside households that will be settled due to vacating of lands for Bayankhoshuu and Selbe sub-centers).

Consultant for connection drawing of 2 apartment blocks with service facilities was selected, signed agreement on 30 October 2014 who conducted the due design work. The organization who conducted the design work is Monshift LLC (state registration 901115120; register number 2884771; special permission ZT11-514/12); partner Khartsgai LLC (state registration 9011234105; register number 2554844; special permission ZT16-742/10)

Invitation for bids for construction work was published on 2 daily newspapers on 25 October 2014. Bid opening was conducted on 25 November 2014. Winners of the bid for construction was "Us Orchin" LLC for construction in Selbe sub-center (state registration 9011013120; register 2657694; special permission BU11-1483/13) and "Ekh Terguun" LLC for construction in Bayankhoshuu sub-center (state registration 9011089078; register 2599252; special permission BU19-337/15).

The contractor built 2 apartment blocks, each with capacity to reside 50 households and social service facilities in the named 2 sub-centers with accompanying facilities (steam boiler, coal storage house etc.,) and some infrastructure with corresponding furniture.

Selbe sub-center construction and facilities were built by "Us Orchin" LLC (refer to photos herewith) at **3,208,000,000.0** togrog cost and Bayankhoshuu sub-center construction and facilities were built by "Ekh Terguun" LLC (refer to photos herewith) at **3,479,000,000.0** togrog cost.

Two apartment blocks with same design, same dimensions and designed for temporary use of households who vacate their residential land have dimensions of 37.6 x 12.8 m wall axis, underground spaces (B1), 2 entrances, and 6 floors. Design:

- Basis - collar basis
- Footwall design – casted iron-concrete carcass
- Wall – soft block filling
- Cover – casted iron-concrete

- Roof – technoeast EKP (with rocks) flat roof

B1 and 1 floors are planned to reside khoroo office rooms, community clinics, and a police unit. Floors 2-6 reside 30.78 – 37.65 m² square one-room apartments, 20, 40.71 – 46.68 m² square, 2-room apartments, 30, total 50 apartments for temporary use of project impacted households. Total living space of the constructions is 2,962.4 m², work and residence area is 2,597.58 m².

Sukhbaatar district 14 khoroo Selbe sub-center temporary residence block of 50 apartments is connected to central grid of electricity and water and is connected to local steam boiler for heat and hot water. It is not connected to the sewerage pipes but connected to 30 m³ temporary borehole.

Process and cost of infrastructure for Selbe sub-center, 50 apartment block:

1. Heat supply:
 - Steam boiler building has concrete line basis, 510 mm brick wall, assembled iron-concrete cover, in compliance with design for construction.
 - Heating of the building is supplied by small-scale steam boiler that has 2 boiling pots of Q=600 kWt capacity produced by “Khalaaltyn Togoo” LLC.
 - Total budgeted cost for steam boiler is 72,753,506.00 togrog.
 - Budgeted cost for boiling pots is 11,353,229.00 togrog.
 - Budgeted cost for heating equipment is 47,284,880.00 togrog.
2. External water supply:
 - Water supply to the building is connected to water supply system existing in Dambadarjaa ger district through strengthened plastic pipes /HDPE SDR-11/.
 - Budgeted cost is 28,274,375.00 togrog.
3. External sewerage:
 - Sewerage from the building is temporarily connected to 30 m³ borehole.
 - Construction work of Selbe sewerage collection pipes has started at the same time as with the construction of this 50 apartment block, additional pipes for the building is planned, conducted, connected to central connection and now awaits the main collector to come into utilization. Budgeted cost is 87,444,268.00 togrog.

Infrastructure work cost is 247,110,258.00 togrog. This amount is deducted from the total construction cost (3,208,000,000.00) and divided into work and residence area (2,597.58) to get unit cost of 1,139,865.00 togrog per unit of area which is lower than the average unit cost of standard residential places.

Songino Khaikhan district 8 khoroo Bayankhoshuu sub-center temporary residence block of 50 apartments is connected to central grid of electricity and water and is connected to local steam boiler for heat and hot water. It is not connected to the sewerage pipes but connected to 40 m³ temporary borehole. Four options of sewerage pipe of 400-450 mm diameter and 3200-4350 m length are being studied at the feasibility study level.

Process and cost of infrastructure for Bayankhoshuu sub-center, 50 apartment block:

1. Heat supply:
 - Steam boiler building has concrete line basis, 510 mm brick wall, assembled iron-concrete cover, in compliance with design for construction.
 - Heating of the building is supplied by small-scale steam boiler that has 2 boiling pots of Q=600 kWt capacity produced by “Khalaaltyn Togoo” LLC.
 - Total budgeted cost for steam boiler is 85,728,358.00 togrog
 - Budgeted cost for boiling pots is 28,987,165.00 togrog
 - Budgeted cost for heating equipment is 36,128,460.00 togrog
2. External water supply:
 - Water supply to the building is connected to water supply system existing in Bayankhoshuu ger district through strengthened plastic pipes /HDPE SDR-11/.

- Budgeted cost is **6,083,275.00** togrog.
- 3. External sewerage:
Sewerage from the building is temporarily connected to 40 m³ borehole.
- 4. External electrical supply:
 - Sub-station building has concrete line basis, 380 mm brick wall, assembled iron-concrete cover, in compliance with design for construction.
 - Total budgeted cost for sub-station is **54,390,178.00** togrog.
 - Equipment, cable budgeted cost is **136,708,755.00** togrog.

Infrastructure work cost is **348,026,191.00** togrog. This amount is deducted from the total construction cost (**3,479,000,000.00**) and divided into work and residence area (**2,597.58**) to get unit cost of **1,205,342.60** togrog per unit of area which is similar to the average unit cost of standard residential places in 2015.

Professional construction organizations who built the 2 buildings, winners of bid selection, abided the Mongolian Law on Construction, national standards of construction sector, construction norms and rules (BNbD) in the construction and hand-over of the buildings. These buildings are in good quality with no flaws. Sewerage pipe issue is being under consideration.

**Temporary residence apartment. SBD 14 khoroo, Selbe sub-center
Contractor "Us Orchin" LLC**



Photo 1. North-western side



Photo 2. South-eastern side, steam boiler, coal storage house



Photo 3. Furnishing of underground floor



Photo 4. Interior of apartment

"MALAYAN ALUMIN" Co., Ltd
Notes to the Financial Statement
CONTINUED FROM PREVIOUS PAGE
8.1.1.3.1.1.1

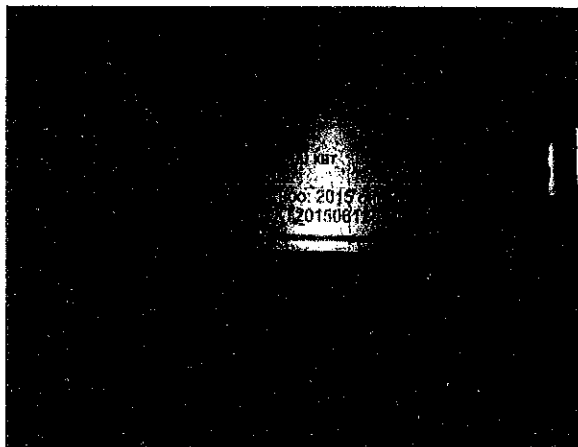


Photo 5. Boiler pot specification



Photo 6. Underground floor

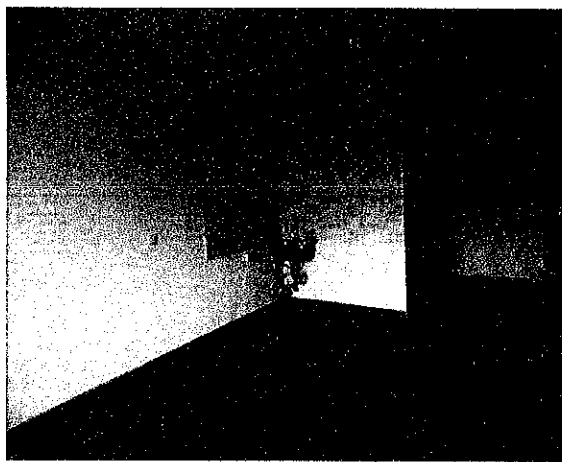


Photo 7. Interior of apartment

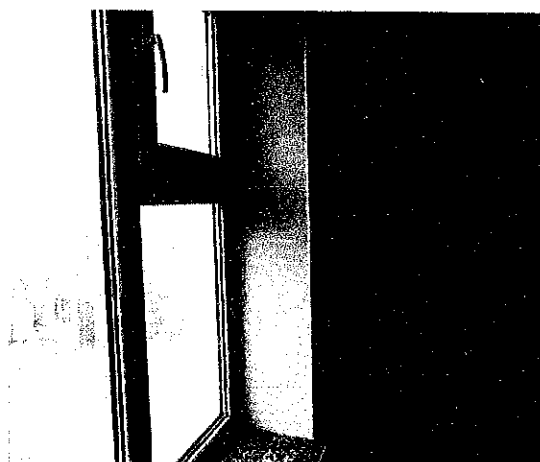


Photo 8. Window design, wall thickness



Photo 9. Ceiling, fire alarm, ventilation

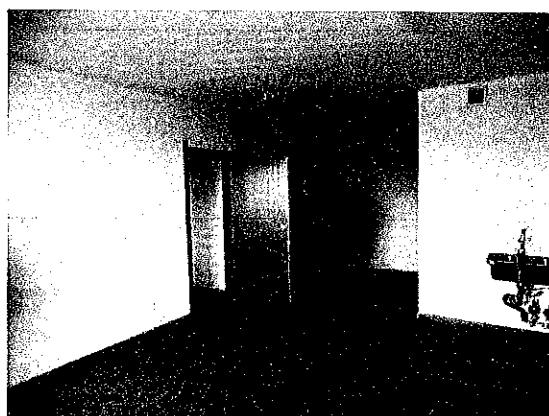


Photo 10. Interior of apartment

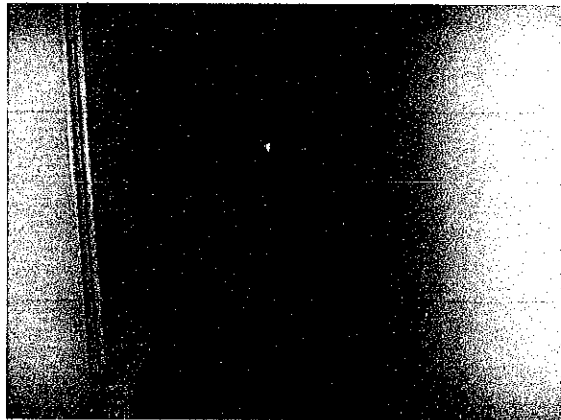


Photo 11. Hallway of apartment



Photo 12. Interior of apartment

4. Items of the financial statements

a) Cash and cash equivalent

Balances of cash and cash equivalent as of 31 December 2015 are shown below:

Cash and cash equivalent	2015.12.31 US dollar	2014.12.31 US dollar
Cash in bank account:		
ADB financing account		
State bank imprest account (US dollar)	716,733.88	
State bank sub account (MN togrog)	-	
MUB financing account		
State fund operational cost account (MN togrog)	-	
State fund construction work execution account (MN togrog)	-	
State fund inspection cost account (MN togrog)	-	
State fund bid income account (MN togrog)	300.60	
Total	716,733.88	

Imprest account no.106000029973 of US dollar to receive financing from ADB's Special Funds resources (Loan number 3099) was opened in State Bank on 10 November 2014 by authorization of the Ministry of Finance. Advance of 1.500.000 US dollar was received in the imprest account on 30 December 2014.

Sub-account no. 200051111 of MN togrog was opened in State bank on 30 October 2014. Payroll costs of the PIU consultants are paid from this account.

Transactions from the imprest account are endorsed by first signatory the State Secretary of the Ministry of Finance and second signatory the project coordinator. Transactions from the sub-account are endorsed by first signatory the project coordinator and second signatory the project financial officer.

Four accounts no. 200051324, 200051092, 200051113, 200051364 were opened for transfer and use of the Municipality of Ulaanbaatar financing in State bank on 30 October 2014.

Transactions from these 4 accounts are endorsed by first signatory the project coordinator and second signatory the project financial officer.

The PIU uses Acolous 3.0 software developed by "Sankhuugiin Tootsoolokh Group" LLC in its accounting. With this audit, we checked all transactions conducted from all imprest accounts, sub-accounts and cash transfer against primary accounting documents, accounting ledgers, and statements of expenditures (SOE)

that accompany requests for replenishment. No expenditures that are unacceptable or that lack supporting documents were found. All transactions were confirmed with supporting documents, registered in accounting in authentic amounts, and recorded in statements of expenditures in the same amounts as registered in accounting and duly financed. Shortcomings identified by the audit work are included in the management letter.

b) Expenditures

1. Detailed design and construction supervision (ADB financing)

In 2015, "Dohwa Engineering" company, contractor of the detailed design and construction supervision work, was paid 402,424.00 US dollar advance from ADB financing.

Type of payment	Date of payment	Total amount (US dollar)	Contractor's name
From imprest account	2015.08.17	402,424.00	"Dohwa Engineering" company (contractor of the detailed design and construction supervision work)
Total		402,424.00	

2. Project management support and administration (ADB financing)

In 2015, "Agis International Joint Venture Agis EU", provider of support to project management, was paid 425,125.73 US dollar for advance, costs of PIU consultants payroll, design of collection pipes of sewerage in Bayankhoshuu and Selbe sub-centers, and payment for consultants team to develop bid documents from ADB loan financing.

Type of payment	Date of payment	Total amount (US dollar)	Contractor's name
From imprest account	2015.11.26	42,559.53	"Agis International Joint Venture Agis EU" company (PIU support provider)
	2015.12.08	37,644.43	
From imprest account	2015.01.01-2015.12.31	125,676.48	Consultants' team to develop design of sewerage collection pipes in Bayankhoshuu and Selbe sub-centers and bid documents
From sub-account	2015.04.02	5,641.39	
From sub-account	2015.01.01-2015.12.31	213,603.90	PIU consultants salaries
Total		425,125.73	

3. Consulting service (ADB financing)

In 2015, "Union Habitat" organization, contractor of consulting service, was paid 233,312.00 US dollar advance from ADB loan financing.

Type of payment	Date of payment	Total amount (US dollar)	Contractor's name
Direct payment (WA 002)	2015.10.08	233,312.00	"Union Habitat" (Provider of capacity-building and small- and medium-enterprises development support to residents of 8 khoros)
Total		233,312.00	

4. Construction work (Municipality of Ulaanbaatar financing)

To ensure prerequisites and duties of the loan agreement signed with ADB and by decree no. A/87 of the Mayor of Ulaanbaatar City dated 15 October 2014, it was decided to build an apartment block of 50 apartments and service facilities in each of 8 khoroo of Songino-Khairkhan district and 14 khoroo of Sukhbaatar district (to temporarily reside households that will be settled due to vacating of lands for Bayankhoshuu and Selbe sub-centers).

Type of payment	Date of payment	Total amount (US dollar)	Total amount (in MNT)	Contractor's name
State fund construction work execution account	2015.06.22	195,785.12	390,783,181.00	"Ekh Terguun" LLC (to construct an apartment block of 50 apartments in 8 khoroo of Songino-Khairkhan district)
	2015.07.08	278,943.98	556,766,600.00	
	2015.08.18	324,161.98	647,020,838.00	
	2015.10.27	179,106.84	357,493,676.00	
	2015.11.26	142,931.61	285,288,635.00	
	2015.12.11	69,670.60	139,061,131.00	
	2015.12.16	89,404.95	178,450,491.00	
Total		1,280,005.08	2,554,864,552.00	
State fund construction work execution account	2015.06.30	160,768.30	320,890,316.00	"Us Orchin" LLC (to construct an apartment block of 50 apartments in 14 khoroo of Sukhbaatar district)
	2015.07.30	321,835.22	642,376,660.00	
	2015.08.18	154,101.13	307,582,700.00	
	2015.08.31	158,037.64	315,439,978.00	
	2015.09.29	211,045.46	421,242,524.00	
	2015.10.27	156,719.36	312,808,713.00	
	2015.11.26	164,964.45	329,265,737.00	
	2015.12.11	50,100.70	100,000,000.00	
	2015.12.15	19,116.43	38,156,018.00	
Total		1,396,688.69	2,787,762,646.00	
Total		2,676,693.77	5,342,627,198.00	

5. Consulting services (Municipality of Ulaanbaatar financing)

Type of payment	Date of payment	Total amount (US dollar)	Total amount (in MNT)	Contractor's name
State fund construction work execution account	2015.04.08	37,112.97	74,076,750.00	"Monshrift" LLC (Design of 50 apartment blocks to be built in 8 khoroo of Songino Khairkhan district and 14 khoroo of Sukhbaatar district)
	2015.06.30	29,615.40	59,111,750.00	
State fund construction supervision account	2015.06.30	7,497.57	14,965,000.00	
Total		74,225.94	148,153,500.00	

6. Project management (Municipality of Ulaanbaatar financing)

The Municipality of Ulaanbaatar finances all operational costs except payroll costs of the PIU consultants.

The Municipality of Ulaanbaatar 160,562,757.00 MN togrog or 85,024.02 US dollar in 2014 and 458,097,081.83 MN togrog or 229,509.86 US dollar in 2015 for PIU operational costs.

Of 85,024.02 US dollar paid in 2014, 57 percent was paid for the PIU consultants' payroll costs, 26 percent was paid for procurement of furniture, 12 percent was paid for repair of rental venue, and 5 percent was paid for fuel, stationary and other miscellaneous costs.

Of 229,509.86 US dollar paid in 2015, 49 percent was paid for procurement of vehicles (Toyota Land Cruiser 200, Hyundai Starex, Hyundai Sonata-7), 19 percent was paid for procurement of furniture and computers, 18 percent was paid for fuel, stationary and other miscellaneous costs, and 14 percent was paid for rental fee and repair of rental venue, respectively.

c) ADB financing

ADB financing	2015.12.31 US dollar	2014.12.31 US dollar
ADB loan no. 3099	1,500,000.00	1,500,000.00
Interest and commitment charge	25,868.24	8,708.33
Total	1,525,868.24	1,508,708.33

In 2014-2015, ADB made financing of 1,500,000 US dollars. From financing of 22,500,000.00 US dollars, total amount entitled under the Loan agreement, 1,500,000.00 US dollar financing or 6.6% of the total entitled financing has been received.

The Borrower is supposed to pay ADB interest and commitment charge on the outstanding amount from the amount withdrawn from the loan account as specified in 2.2 of the Loan agreement annually and twice a year, 15 May and 15 November. The sum of the interest is according to (a) and (b) of 2.2 of the Loan agreement. Accordingly, interest and commitment charge of 53,329.53 US dollars was estimated by ADB.

d) Municipality of Ulaanbaatar financing

Municipality of Ulaanbaatar financing	2015.12.31 US dollar	2014.12.31 US dollar
Municipality of Ulaanbaatar financing	3,124,868.49	85,024.02
Total	3,124,868.49	85,024.02

In 2014-2015, the Municipality of Ulaanbaatar made financing of 6,228,031,520 MN togrog or 3,124,868.49 US dollar.

e) Other revenue

The PIU made revenue of 7,550,000.00 MN togrog or 3,782.60 US dollar from tenders. Of such revenue, 6,950,000.00 MN togrog or 3,482.00 US dollar was used for printing of bid-related documents and stationary.