

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

**Republic of the Marshall Islands
Sustainable Energy Development Project - Grant
Number D261-MH**

(Financed by the International Development Association)

*Years ended September 30, 2024 and 2023
with Report of Independent Auditors*



Republic of the Marshall Islands
Sustainable Energy Development Project -
Grant Number D261-MH
(Financed by the International Development Association)

Years ended September 30, 2024 and 2023

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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 Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) Sustainable Energy Development Project (the Project) financed by the World Bank's International Development Association - Grant Number D261-MH, which comprises the statements of cash receipts and disbursements for the years ended September 30, 2024 and 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the years ended September 30, 2024 and 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and is not intended to present fairly the 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 Statement

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

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

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

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Project's basic financial statement. The supplementary information, which comprises the Schedule of Grant Drawdowns on page 8, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

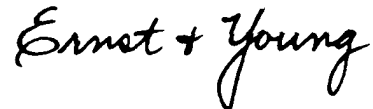
Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements on page 9 but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2025, on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

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

July 18, 2025

Republic of the Marshall Islands
Sustainable Energy Development Project -
Grant Number D261-MH
(Financed by the International Development Association)

Statements of Cash Receipts and Disbursements

	Year ended September 30,	
	2024	2023
Cash receipts:		
IDA grant drawdowns	\$ 6,322,352	\$ 870,599
Bank charges	(20)	(29)
Total cash receipts	<u>6,322,332</u>	<u>870,570</u>
Cash disbursements:		
Component 1: Renewable Energy Investments	5,784,227	293,118
Component 2: Promotion of Energy Efficiency and Loss Reduction Program	28,453	129,180
Component 3: Technical Assistance, Capacity Building, and Project Management	<u>253,832</u>	<u>264,518</u>
Total cash disbursements	<u>6,066,512</u>	<u>686,816</u>
Net change	<u>\$ 255,820</u>	<u>\$ 183,754</u>

Republic of the Marshall Islands
Sustainable Energy Development Project -
Grant Number D261-MH
(Financed by the International Development Association)

Notes to Financial Statement

Years ended September 30, 2024 and 2023

1. Organization

On March 15, 2018, the Republic of Marshall Islands (RMI) through the RMI Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Financing Agreement with the International Development Association (the Association) for the purpose of assisting in financing the implementation of Sustainable Energy Development Project (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR 24,300,000 (\$34,000,000) under IDA Grant No. D261-MH to cover eligible expenditures up to the closing date of December 30, 2022. On December 21, 2022, the initial closing date was extended to October 31, 2024 as approved by the Association.

The objective of the Project is to increase the share of renewable energy generation in the Recipient's territory and enhance the reliability of electricity supply and improve energy efficiency in the Project areas.

The Project consists of the following parts with respective allocations:

Component 1 - Renewable Energy Investments	\$29,554,824
Component 2 - Promotion of Energy Efficiency and Loss Reduction Program	1,465,320
Component 3 - Technical Assistance, Capacity Building, and Project Management	<u>2,979,856</u>
	<u>\$34,000,000</u>

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations while the Marshalls Energy Company, Inc. is designated as the Project Implementation Agency responsible for carrying out of the Project. MOFBPS has established and manages an advance account to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$600,000 of grant proceeds were made available for this purpose. The accompanying financial statement is prepared for and relates 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 or any other departments or agencies of the RMI Government.

Republic of the Marshall Islands
Sustainable Energy Development Project -
Grant Number D261-MH
(Financed by the International Development Association)

Notes to Financial Statement, continued

2. Summary of Significant Accounting Principles

Basis of Accounting

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

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statements are presented in US Dollars, which is the Project's functional and presentation currency.

3. Commitments

The Association has made grant proceeds of \$34,000,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2024, remaining commitments associated with unused grant proceeds amount to \$16,929,318.

4. Subsequent Event

MOFBPS has evaluated subsequent events through July 18, 2025, which is also the date the Project's financial statement is available to be issued. On October 23, 2024, the Association approved a further extension of the closing date to October 31, 2025.

Supplementary and Other Information

Republic of the Marshall Islands
Sustainable Energy Development Project -
Grant Number D261-MH
(Financed by the International Development Association)

Schedule of Grant Drawdowns

Years ended September 30, 2024 and 2023

	WA #	Date Funds Received	2024	2023
Replenishment	WA# 11	October 7, 2022	\$ ---	\$ 393,107
Replenishment	WA# 13	November 3, 2023	---	57,906
Replenishment	WA# 14	December 22, 2022	---	112,678
Replenishment	WA# 15	August 8, 2023	---	306,908
Replenishment	WA# 16	November 30, 2023	341,047	---
Direct Payment	WA# 19	December 4, 2023	203,894	---
Direct Payment	WA# 20	January 4, 2024	286,955	---
Replenishment	WA# 21	February 27, 2024	263,272	---
Direct Payment	WA# 23A	April 30, 2024	1,348,996	---
Direct Payment	WA# 26	May 24, 2024	408,551	---
Direct Payment	WA# 27	June 26, 2024	793,826	---
Replenishment	WA# 27	June 25, 2024	138,632	---
Replenishment	WA# 29	June 25, 2024	162,716	---
Direct Payment	WA# 30	June 28, 2024	1,111,464	---
Direct Payment	WA# 31	June 28, 2024	1,026,509	---
Replenishment	WA# 32	August 9, 2024	176,911	---
Replenishment	WA# 34	October 1, 2024	59,579	---
			<u>\$ 6,322,352</u>	<u>\$ 870,599</u>

Republic of the Marshall Islands
Sustainable Energy Development Project -
Grant Number D261-MH
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Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (March 15, 2018) through September 30, 2024 and the year ended September 30, 2024

	Total Project Budget	Total Cumulative Project Disbursements				Year ended September 30, 2024		
		Cumulative from March 15, 2018 to September 30, 2023	Year ended September 30, 2024	Cumulative from March 15, 2018 to September 30, 2024	Unspent	Budget	Actual	Variance
	Total							
Implementation costs:								
Component 1: Renewable Energy Investments	\$ 29,554,824	\$ 7,748,169	\$ 5,784,227	\$ 13,532,396	\$ 16,022,428	\$ 7,232,568	\$ 5,784,227	\$ 1,448,341
Component 2: Promotion of Energy Efficiency and Loss Reduction Program	1,465,320	1,270,312	28,453	1,298,765	166,555	115,000	28,453	86,547
Component 3: Technical Assistance, Capacity Building, and Project Management	2,979,856	1,985,689	253,832	2,239,521	740,335	699,678	253,832	445,846
Total implementation costs	<u>\$ 34,000,000</u>	<u>\$ 11,004,170</u>	<u>\$ 6,066,512</u>	<u>\$ 17,070,682</u>	<u>\$ 16,929,318</u>	<u>\$ 8,047,246</u>	<u>\$ 6,066,512</u>	<u>\$ 1,980,734</u>

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Republic of the Marshall Islands (RMI) Sustainable Energy Development Project (the Project) financed by the World Bank's International Development Association - Grant Number D261-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2024 and the related notes to the financial statement, and have issued our report thereon dated July 18, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

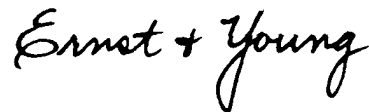
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

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July 18, 2025

*The Auditor's Communication With Those Charged
With Governance*

**Republic of the Marshall Islands
Sustainable Energy Development Project - Grant
Number D261-MH**

(Financed by the International Development Association)

Year ended September 30, 2024



July 18, 2025

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

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Sustainable Energy Development Project (the Project) financed by the World Bank's International Development Association - Grant Number D261-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated July 18, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated April 15, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement and the other supplementary information is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the April 2025 meeting with Management.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**

Management has not selected or changed any significant policies or changed the application of those policies in the current year.

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

Changes to the terms of the audit with no reasonable justification for the change

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

No corrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2024.

Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial

Refer to the "Management Representations Letter" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated July 18, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the April 2025 meeting.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

New accounting pronouncements

No issues have been identified with regard to management's planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Project or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

Ernst & Young

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
RMI Sustainable Energy Development Project

July 18, 2025

Appendix

A - Management Representations Letter

July 18, 2025

A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

July 18, 2025

Ernst & Young LLP
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In connection with your audits of the financial statements of the Republic of the Marshall Islands (RMI) Sustainable Energy Development Project (the Project) financed by the World Bank's International Development Association - Grant Number D261-MH, which comprises the statements of cash receipts and disbursements for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated April 15, 2025, for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.



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A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Management's responsibilities, continued

In preparing the financial statement, we evaluated 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 one year after the date that the financial statement is issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatement, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole. Refer to the "Schedule of Uncorrected Misstatement" in Appendix A.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.



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A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Internal control, continued

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

There have been no significant changes in internal control since September 30, 2024.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2023 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.



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A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the year ended September 30, 2024, the Project did not consult with legal counsel concerning any matters relative to litigation, claims or assessments made against the Project.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statement or as a basis for recording a loss contingency other than those disclosed in the financial statement.

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statement other than those disclosed in the financial statement.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

At September 30, 2024, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2024 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Non-compliance with laws and regulations, including fraud, continued

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

Independence

We have communicated to you the names of the Project’s affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project’s audit.

Conflicts of interest

There are no instances where any officer or employee of the Project has an interest in a company with which the Project does business that would be considered a “conflict of interest.”- Such an interest would be contrary to the Project policy.

Going concern

In preparing the financial statement, we evaluated the entity’s ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.



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Majuro, MH 96960



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A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

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Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “Supplementary Information”):

- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Additional representations

- We recognize that we are responsible for the Project’s compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Additional representations

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the years ended September 30, 2024. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

You have assisted in the preparation of our financial statement based on information in our trial balance and accounting records. It is our understanding that:

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,



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July 18, 2025

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Other matters, continued

- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2024, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services



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A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Appendices

A - Schedule of Uncorrected Misstatements

Summary of uncorrected misstatements

Entity: Sustainable Energy Development Project - Grant Number: D25-1-194 Period Ended: 30-Sep-2024 Currency: USD AD consultation limit: \$6,800 Create communications: ☐

FM: 38,000 TE: 237,000 Nominal amount: \$6,800

No.	U/R ref.	Account (Note 1)	Analysis of misstatements Debit/Credit						Effect on the current period OCI	Income statement effect of the current period	Income statement effect of the prior period
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components				
(misstatements are recorded as journal entries with a description)			Debit/Credit (Note 2)	Debit/Credit (Note 2)	Debit/Credit (Note 2)	Debit/Credit (Note 2)	Debit/Credit (Note 2)	Debit/Credit (Note 2)	Debit/Credit (Note 2)	Debit/Credit (Note 2)	Debit/Credit (Note 2)
Add new misstatement											
Actual misstatements:											
		Overstatement of revenue									
	12/01	Revenue									
		Cash		(53,579)							
Total of uncorrected misstatements before income tax			(53,579)								
Total of uncorrected misstatements			(53,579)								
Financial statement amounts											
Effect of uncorrected misstatements on FTS amounts											
Memo: Total of non-taxable items (marked 'X' above)											
Uncorrected misstatements before income tax											
Less: Tax effect of misstatements at current year marginal rate											
Uncorrected misstatements in income tax											
Cumulative effect of uncorrected misstatements after tax but before turnaround											
Turnaround effect of prior period uncorrected misstatements											
All factual and projected misstatements: Adjusted misstatements (Note 3)											
Cumulative effect of uncorrected misstatements, after turnaround effect											
Current year income before tax											
Current year income after tax											

Management Letter

**Republic of the Marshall Islands
Sustainable Energy Development Project - Grant
Number D261-MH**

(Financed by the International Development Association)

Year ended September 30, 2024



July 18, 2025

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

In planning and performing our audit of the financial statement of the Republic of the Marshall Islands (RMI) Sustainable Energy Development Project (the Project) financed by the World Bank's International Development Association - Grant Number D261-MH for the year ended September 30, 2024 in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 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.

During our audit, we noted the following deficiency in internal control (as described above) and other matters:

Incorrect Recognition of Cash Receipts

Condition: During our audit, we noted that a cash receipt totaling \$59,579 associated with Withdrawal Application # 34 was recorded in the year ended September 30, 2024 accounting period, although the related funds were not received until the subsequent period (October 1, 2024). This resulted in the overstatement of cash and revenue in the earlier period and a corresponding understatement in the subsequent period. As the amount was not considered material to the financial statement, no audit adjustment was proposed.

Recommendation: We recommend that Ministry of Finance management review its procedures for cutoff and ensure that cash receipts are recorded in the appropriate accounting period in accordance with the cash basis of accounting. Strengthening this process will improve the accuracy and reliability of the financial statement.

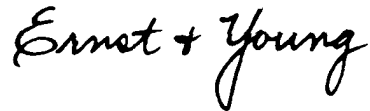
July 18, 2025

This communication is intended solely for the information and use of the Project's management, the World Bank and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We commend management for their continuous effort to improve certain internal control procedures in the accounting and operations department.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Ernst + Young". The signature is written in a cursive, flowing style.