

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

**Republic of the Marshall Islands
RMI Urban Resilience Project - Grant Number D996-
MH**

(Financed by the International Development Association)

*Year ended September 30, 2023
with Report of Independent Auditors*



Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Year ended September 30, 2023

Contents

Report of Independent Auditors.....	1
Audited Financial Statement	
Statement of Cash Receipts and Disbursements.....	5
Notes to Financial Statement	6
Supplementary and Other Information	
Schedule of Grant Drawdowns	8
Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements	9
Report on Internal Control and Compliance	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10

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) RMI Urban Resilience Project (the Project) financed by the World Bank's International Development Association - Grant Number D996-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 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 year ended September 30, 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis for Opinion

We conducted our audit 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 audit. 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.

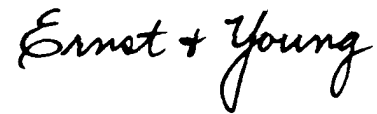
Other Information

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 August 27, 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.

August 27, 2025

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Statement of Cash Receipts and Disbursements

Year ended September 30, 2023

Cash receipts:	
IDA grant drawdowns	\$ 2,000,000
Interest	<u>261</u>
Total cash receipts	<u>2,000,261</u>
Cash disbursements:	
Component 1: Risk-informed Adaptation Planning	51,103
Component 2: Coastal Resilience Investments	---
Component 3: Resilient Public Facilities	---
Component 4: Project Management and Implementation Support	<u>292,052</u>
Total cash disbursements	<u>343,155</u>
Net change	<u><u>\$ 1,657,106</u></u>

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Notes to Financial Statement

Year ended September 30, 2023

1. Organization

On June 30, 2022, the Republic of Marshall Islands (RMI) through the 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 the RMI Urban Resilience Project (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR 21,600,000 (\$30,000,000) under IDA Grant No. D996-MH to cover eligible expenditures up to the closing date of July 31, 2028.

The objective of the Project is to strengthen the resilience of select urban areas in the Republic of Marshall Islands to the impacts of natural hazards and climate change.

The Project consists of the following parts with respective allocations:

Component 1 – Risk-informed Adaptation Planning	\$ 2,000,000
Component 2 – Coastal Resilience Investments	16,000,000
Component 3 – Resilient Public Facilities	8,000,000
Component 4 – Project Management and Implementation Support	<u>4,000,000</u>
	<u>\$30,000,000</u>

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations as well as the Project Implementation Agency, is 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 \$2,000,000 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 does 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
RMI Urban Resilience Project -
Grant Number D996-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 \$30,000,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2023, remaining commitments associated with unused grant proceeds amount to \$29,656,845.

4. Subsequent Event

MOFBPS has evaluated subsequent events through August 27, 2025, which is also the date the Project's financial statement is available to be issued.

Supplementary and Other Information

Republic of the Marshall Islands
 RMI Urban Resilience Project -
 Grant Number D996-MH
 (Financed by the International Development Association)

Schedule of Grant Drawdowns

Year ended September 30, 2023

	<u>WA #</u>	<u>Date Funds Received</u>	<u>Total</u>
Advance	WA# 1	February 3, 2023	\$ <u><u>2,000,000</u></u>

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (June 30, 2022) through September 30, 2023 and as of the period ended September 30, 2023

	Total Project Budget	Total Cumulative Project Disbursements					
		Cumulative from June 30, 2022 to		Cumulative from June 30, 2022 to		Year ended September 30, 2023	
		September 30, 2022	Year ended September 30, 2023	September 30, 2023	Unspent	Year ended September 30, 2023	
						Budget	Actual
	Total						Variance
Implementation costs:							
Component 1: Risk-informed Adaptation Planning	\$ 2,000,000	\$ ---	\$ 51,103	\$ 51,103	\$ 1,948,897	\$ 50,000	\$ 51,103 \$(1,103)
Component 2: Coastal Resilience Investments	16,000,000	---	---	---	16,000,000	200,000	---
Component 3: Resilient Public Facilities	8,000,000	---	---	---	8,000,000	200,000	---
Component 4: Project Management and Implementation Support	4,000,000	---	292,052	292,052	3,707,948	500,000	292,052
Total implementation costs	<u>\$ 30,000,000</u>	<u>\$ ---</u>	<u>\$ 343,155</u>	<u>\$ 343,155</u>	<u>\$ 29,656,845</u>	<u>\$ 950,000</u>	<u>\$ 343,155</u>
							<u>\$ 606,845</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) RMI Urban Resilience (the Project) financed by the World Bank's International Development Association - Grant Number D996-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023 and the related notes to the financial statement, and have issued our report thereon dated August 27, 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.

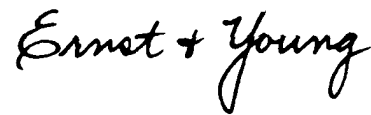
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

August 27, 2025