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

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project - Grant Number D452-MH

(Financed by the International Development Association)

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

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Ernst & Young (RMI), Inc.
P.O. Box 1288
Majuro, Republic of the Marshall Islands 96960

Tel: 692 625 7387
ey.com

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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) Marshall Islands Maritime Investment Project (the Project) financed by the World Bank's International Development Association - Grant Number D452-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.

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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.

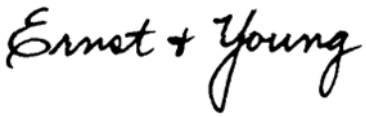
Other Information

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 March 10, 2026, on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.



March 10, 2026

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project -
Grant Number D452-MH
(Financed by the International Development Association)

Statements of Cash Receipts and Disbursements

	Year ended September 30, 2024	2023
Cash receipts:		
IDA grant drawdowns	$ 4,937,802	$ 1,910,208
Bank charges	(75)	(202)
Total cash receipts	4,937,727	1,910,006
Cash disbursements:		
Component 1: Maritime Infrastructure	190,457	---
Component 2: Maritime Safety and Security	100,410	718,167
Component 3: Technical Assistance for Port Planning and Project Management	2,472,104	2,324,456
Component 4: Contingent Emergency Response Component	---	---
Total cash disbursements	2,762,971	3,042,623
Net change	$ 2,174,756	$(1,132,617)

See accompanying notes.

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project -
Grant Number D452-MH
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Notes to Financial Statement

Years ended September 30, 2024 and 2023

1. Organization

On June 30, 2019, the Republic of Marshall Islands 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 Marshall Islands Maritime Investment Project (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR23,700,000 ($33,120,000) under IDA Grant No. D452-MH to cover eligible expenditures up to the closing date of August 1, 2024. On April 9, 2024, the Association approved a partial cancellation of grant proceeds in the amount of SDR12,100,000 reducing the approved grant amount from $33,120,000 to $17,120,000. On July 31, 2024, the Association approved a further partial cancellation of grant proceeds in the amount of SDR2,402,171 reducing the approved grant amount from $17,120,000 to $15,499,656.

The objective of the Project is to improve the safety, efficiency, and climate resilience of maritime infrastructure and operations in the Recipient's territory, and in the event of an eligible crisis or emergency, to provide an immediate response to the eligible crisis or emergency.

The Project consists of the following parts with respective allocations:

Component 1 - Maritime Infrastructure	$ 192,382
Component 2 - Maritime Safety and Security	847,790
Component 3 - Technical Assistance for Port Planning and Project Management	14,459,484
Component 4 - Contingent Emergency Response Component	---
	$15,499,656

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations as well as the Project Implementation Agency and is responsible for carrying out 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 $500,000 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.

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 statement is presented in US Dollars, which is the Project's functional and presentation currency.

3. Commitments

The Association originally made grant proceeds of $33,120,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. During the year ended September 30, 2024, grant proceeds available was reduced to $15,499,656. As of September 30, 2024 and 2023, remaining commitments associated with unused grant proceeds amounts to $4,766,129 and $25,149,444, respectively.

4. Subsequent Event

MOFBPS has evaluated subsequent events through March 10, 2026, which is also the date the Project's financial statement is available to be issued.

Supplementary and Other Information

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project -
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Schedule of Grant Drawdowns

Year ended September 30, 2024

	WA #	Date Funds Received	Total
Replenishment	WA# 14	October 17, 2023	$ 280,226
Replenishment	WA# 15A	October 19, 2023	440,129
Replenishment	WA# 15	October 19, 2023	499,033
Replenishment	WA# 16	October 19, 2023	405,902
Replenishment	WA# 17	October 19, 2023	458,358
Replenishment	WA# 18	February 2, 2024	497,148
Replenishment	WA# 19	February 2, 2024	257,035
Replenishment	WA# 20	March 19, 2024	428,444
Replenishment	WA# 21	May 9, 2024	374,680
Replenishment	WA# 22	July 9, 2024	435,756
Replenishment	WA# 26	July 30, 2024	489,388
Replenishment	WA# 27	July 29, 2024	371,703
			$ 4,937,802

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Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (June 30, 2019) through September 30, 2024 and for the year ended September 30, 2024

	Total Project Budget	Total Cumulative Project Disbursements				Year ended September 30, 2024		
	Total	Cumulative from June 30, 2019 to September 30, 2023	Year ended September 30, 2024	Cumulative from June 30, 2019 to September 30, 2024	Unspent	Budget	Actual	Variance
Implementation costs:								
Component 1: Maritime Infrastructure	$ 192,382	$ ---	$ 190,457	$ 190,457	$ 1,925	$ 3,520,000	$ 190,457	$ 3,329,543
Component 2: Maritime Safety and Security	847,790	746,852	100,410	847,262	528	4,494,051	100,410	4,393,641
Component 3: Technical Assistance for Port Planning and Project Management	14,459,484	7,223,704	2,472,104	9,695,808	4,763,676	3,248,721	2,472,104	776,617
Component 4: Contingent Emergency Response Component	---	---	---	---	---	---	---	---
Total implementation costs	$ 15,499,656	$ 7,970,556	$ 2,762,971	$ 10,733,527	$ 4,766,129	$ 11,262,772	$ 2,762,971	$ 8,499,801

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Ernst & Young (RMI), Inc.
P.O. Box 1288
Majuro, Republic of the Marshall
Islands 96960

Tel: 692 625 7387
ey.com

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) Marshall Islands Maritime Investment Project (the Project) financed by the World Bank's International Development Association - Grant Number D452-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 March 10, 2026.

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.

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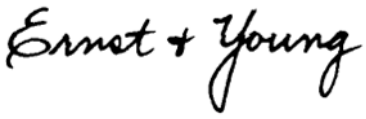
Report on Compliance and Other Matters

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.



March 10, 2026