

Report on the

PROJECT FINANCIAL STATEMENTS

of the

GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)

of the Ministry of Finance and Treasury of Bosnia and Herzegovina

financed by:

- GEF Grant TF17727

**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND DECEMBER 31, 2016**

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

CONTENTS

1	Introduction	1
2	Independent Auditor's Report	3
3	Project financial statements for the years 2015 and 2016	5
4	Notes to the project financial statements	8

APPENDICES

A.1.1	Designated account statement - 2015 - GEF Grant TF 17727	9
A.1.2	Designated account statement - 2016 - GEF Grant TF 17727	10
A.2.1	Designated sub-account statement - 2015 - GEF Grant TF 17727	11
A.2.2	Designated sub-account statement - 2016 - GEF Grant TF 17727	12
B.1	SoE Withdrawal Schedule of GEF Grant TF 17727 for the year ended December 31, 2016	13
B.2	SoE Withdrawal Schedule of GEF Grant TF 17727 for the year ended December 31, 2016	14
C.1	Reconciliation between World Bank's disbursement statements in USD and GEF Grant account in USD according to the balance sheet as of December 31, 2015; SoE Withdrawal Schedule of GEF Grant TF 17727	15
C.2	Reconciliation between World Bank's disbursement statements in USD and GEF Grant account in USD according to the balance sheet as of December 31, 2016; SoE Withdrawal Schedule of GEF Grant TF 17727	16

GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I) of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction

1.1 Objective of the Project

The Project's development and global environmental objectives are: (a) to reduce the discharge of pollutants with transboundary importance, particularly Nitrogen, in selected hot-spots of the eastern Adriatic Sea; and (b) to improve the capacity in the Republic of Croatia and Bosnia and Herzegovina to prepare pollution control projects in selected localities of Dalmatia and Herzegovina and to strengthen the capacity to monitor environmentally sensitive areas of the sea.

1.2 Components of the Project

Component 1 – Demonstration investments to reduce nutrient discharges and improve water quality monitoring capacity (USD 2,05 million are GEF financing). This Component will finance:

Design, supply, and installation of equipment for the reduction of nutrient discharges, including, inter alia, upgrading the leachate treatment plant in Mostar's landfill.

The current disposal site in the landfill in Mostar is expected to be closed and replaced by a new one recently completed, which includes adequate lining and leachate collection, but no leachate treatment, thus offering an excellent opportunity to demonstrate the potential for leachate treatment. The new disposal site in the landfill will be operated by a newly created municipal company (J.P. Deponija Mostar, d.o.o.).

Component 2 – Technical Assistance (USD 0,20 million are GEF financing):

This Component will finance consultant services for the preparation of proposals for funding by the EU, including all related analysis required by the EC, such as a Strategic Environmental Assessment of the overall program for leachate treatment; and the assessment of relative sources of nutrients to derive policy recommendations. Such TA is intended to reinforce the potential for replication of the demonstration investments and contribute to the launching of the overall regional Program for the Adriatic. These consultant services will be grouped in the following three activities: :

Consultant services to prepare preliminary designs and project documentation, including preparation of tender documentation to access European Union ("EU") funds, for investments in leachate and wastewater treatment and management to comply with EU requirements in selected locations in Herzegovina and Neum.

The Government of BiH confirmed that Trebinje and Gacko in Eastern Herzegovina, Lise Livno, Glamoc and Posusje in Western Herzegovina, and Neum, on the Adriatic coast, would be eligible for this Project preparation facility, upon confirmation of availability of base documentation and compliance with requirements defined in the ESMF.

GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I) of the Ministry of Finance and Treasury of Bosnia and Herzegovina

1. Introduction (continued)

1.2 Components of the Project (continued)

Component 3 – Project Management and Dissemination (USD 0.19 million are GEF Financing): This component will finance for BiH PMT incremental operating costs incurred by the PMT on account of Project implementation, management, monitoring and supervision (as such expenditures are set forth in the PMT annual budget), including office supplies, office equipment maintenance, communications, evaluation and dissemination of technical solutions, Project results and lessons learned (through publications, web-supported instruments and workshops), travel and per diem, translation, audit reports, bank fees, vehicle operation and maintenance and salaries of the PMT staff (but excluding salaries of civil servants of the Recipient).

1.3 Financing of the Project

The Project is financed by GEF Grant TF 17727 in the amount of **USD 2,440,000**.

Withdrawal of the Proceeds of the Grant for BiH

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consultants' services under the Project in BiH	2,250,000	100%
(2) Incremental Operating Costs (including audit)	190,000	100%
TOTAL AMOUNT	2,440,000	

2. Independent Auditor's Report

To the State of Bosnia and Herzegovina,
Ministry of Finance and Treasury
Attn. of Minister of Finance and Treasury H.E. Mr. Vjekoslav Bevanda

Report on the project financial statements

We have audited the accompanying project financial statements of the Preparation for Adriatic Sea Environment Pollution Control Project (the "Project"), which comprise of Summary of sources and uses of funds, Balance sheet, Designated account statements, Statements of Grant withdrawals as of and for the years ended December 31, 2015 and December 31, 2016 and a summary of significant accounting policies and other explanatory notes for the years then ended, financed under GEF Grant TF 17727. These project financial statements have been prepared on the cash basis of accounting based on International Public Sector Accounting Standard ("IPSAS"), as described in Note 4.1.

Responsibility for the project financial statements

The State of Bosnia and Herzegovina, i.e. the management of the project management team (the "Management") is responsible for the preparation and fair presentation of these project financial statements on the cash basis of accounting based on IPSAS, as described in Note 4.1, and on "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities" issued by Financial Management Sector Board ("FMSB"), and for such internal control as the Management determines is necessary to enable the preparation of the project financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the project financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing and "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities" issued by FMSB. Those Standards and Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the project financial statements are free of material misstatement.

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

We believe that our audit provides a reasonable basis for our opinion.

Report on the project financial statements (continued)

Opinion

In our opinion, the accompanying project financial statements present fairly, in all material aspects, the financial position of the Project as of December 31, 2015 and as of December 31, 2016 and of the funds received and disbursed during the years then ended, in accordance with basis of accounting described in Note 4.1.

Report on other requirements

In addition, with respect to the Statements of Expenditure, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and all expenditures included in withdrawal applications and reimbursed against are eligible for financing under the Project.

Deloitte d.o.o.

Sead Bahtanović, director and licensed auditor



Adna Valjevac, licensed auditor



Sarajevo, Bosnia and Herzegovina

June 23, 2017

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

3. Project financial statements for the years 2015 and 2016

3.1 Summary of sources and uses of funds under the GEF Grant TF 17727

	Ref.	Actual 2016	Cumulative 2016	Actual 2015	Cumulative budget	Cumulative variance
FINANCING						
GEF Grant TF 17727	3.1.1	19,452	219,452	200,000	2,440,000	2,220,548
TOTAL FINANCING	3.2	19,452	219,452	200,000	2,440,000	2,220,548

PROJECT EXPENDITURE

By Category

(1) Goods, works, non-consulting services, and consultants' services under the Project in BiH		34,311	34,311	-	2,250,000	2,215,689
(2) Incremental Operating Costs (including audit)		14,603	22,000	7,397	190,000	168,000
TOTAL EXPENDITURE	3.2	48,914	56,311	7,397	2,440,000	2,383,689

PROJECT EXPENDITURE

By Component

(1) Demonstration investments to reduce nutrient discharges and improve water quality monitoring capacity		34,311	34,311	-	2,050,000	2,015,689
(2) Technical Assistance		-	-	-	200,000	200,000
(3) Project Management and Dissemination		14,603	22,000	7,397	190,000	168,000
TOTAL EXPENDITURE	3.2	48,914	56,311	7,397	2,440,000	2,383,689

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

3. Project financial statements for the years 2015 and 2016 (continued)

3.1.1 Summary of sources and uses of funds under the GEF Grant agreement TF 17727

	Ref.	Actual 2016	Actual 2015	Cumulative 2016	Cumulative budget	Cumulative variance
FINANCING						
GEF Grant TF 17727					2,440,000	
Initial deposit		-	200,000	200,000		
SoE replenishments		7,397	-	7,397		
Direct payments		12,055	-	12,055		
TOTAL FINANCING	3.1	19,452	200,000	219,452	2,440,000	2,220,548
PROJECT EXPENDITURE						
<i>By Category</i>						
(1) Goods, works, non-consulting services, and consultants' services under the Project in BiH		34,311	-	34,311	2,250,000	2,215,689
(2) Incremental Operating Costs (including audit)		14,603	7,397	22,000	190,000	168,000
TOTAL EXPENDITURE	3.2	48,914	7,397	56,311	2,440,000	2,383,689

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

3. Project financial statements for the year 2015 and 2016 (continued)

3.2 Balance sheet as of December 31, 2015 and December 31, 2016 showing accumulated funds of the Project and bank balances concerning World Bank funding

	Ref.	December 31, 2016	December 31, 2015
ASSETS			
Project expenditure under GEF Grant TF 17727	3.1.1	<u>56,311</u>	<u>7,397</u>
		56,311	7,397
Designated account - GEF Grant TF 17727	A.1	163,141	192,603
Designated sub-account - GEF Grant TF 17727	A.2	<u>-</u>	<u>-</u>
		163,141	192,603
Total assets		<u>219,452</u>	<u>200,000</u>
LIABILITIES			
GEF Grant TF 17727	C	<u>219,452</u>	<u>200,000</u>
Total liabilities		<u>219,452</u>	<u>200,000</u>

Signed and authorised by:



Jovanka Aleksić
Project Coordinator



Dijana Dangubić
Financial Officer

Sarajevo, June 23, 2017

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

4. Notes to the project financial statements

4.1 Basis of preparation and accounting records

These project financial statements have been prepared in accordance with the International Public Sector Accounting Standard: "Financial Reporting under the Cash Basis of Accounting" issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the accounting policies below, which have been consistently followed in all material respects and comply with the "Guidelines: Annual Financial Reporting and Auditing for World Bank – Financed Activities", issued by the Financial Management Sector Board.

4.2 Accounting policies

The Project's fiscal year is January 1 to December 31 for the recording of all transactions.

Cash basis of accounting

All receipts and expenses under GEF Grant are recorded on actual receipt and payment basis of accounting as per approved categories.

Project expenditure is stated at original cost on the balance sheet

Direct payments

Direct payments concern the amounts paid directly from the Grant account of the World Bank.

Statement of Expenditure (SoE)

Statements of Expenditure are used to state the expenditure under GEF Grant during a certain period. These statements are sent to the World Bank's disbursement department who authorises the payment of the expenditure through the Designated accounts.

Currency conversions

The reporting currency is USD. Sources and use of funds (payments to suppliers and contractors) in currencies other than USD have been converted to USD using the currency rate at the moment of the transaction.

Bank balances, recorded on the balance sheet at year-end, have been converted at year-end rate.

Designated accounts

This is the total amount of the withdrawals from the Grant account for the Project. The Grant account is in USD.

Interest on Designated account

Interest earned on the Designated account belongs to the Borrower.

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

APPENDIX A.1.1

DESIGNATED ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina

Account No.: BA 391994990031597960

Depository Bank: Sparkasse Bank d.d. BiH

Address: Zmaja od Bosne 7, Sarajevo

Related Credit: GEF Grant TF 17727

Currency: USD

	Ref.	USD
Opening balance September 17, 2015		-
Add:		
World Bank's replenishments	B.1	200,000
		200,000
Deduct:		
Transfer to Designated sub-account - GEF Grant TF 17727	A.2.1	7,397
		7,397
Ending balance December 31, 2015	3.2	192,603

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

APPENDIX A.1.2

DESIGNATED ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina

Account No.: BA 391994990031597960

Depository Bank: Sparkasse Bank d.d. BiH

Address: Zmaja od Bosne 7, Sarajevo

Related Credit: GEF Grant TF 17727

Currency: USD

	Ref.	USD
Opening balance January 1, 2016		<u>192,603</u>
Add:		
World Bank's replenishments	B.1	<u>7,397</u>
		<u>7,397</u>
Deduct:		
Payments to suppliers - Expenditure under GEF Grant TF 17727		2,368
Transfer to Designated sub-account - GEF Grant TF 17727	A.2.2	<u>34,491</u>
		<u>36,859</u>
Ending balance December 31, 2016	3.2	<u>163,141</u>

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

APPENDIX A.2.1

DESIGNATED SUB-ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina

Account No.: 1994990031597960

Depository Bank: Sparkasse Bank d.d. BiH

Address: Zmaja od Bosne 7, Sarajevo

Related Credit: GEF Grant TF 17727

Currency: BAM

	Ref.	BAM	USD
Opening balance September 17, 2015		-	-
Add:			
Transfer from Designated account - GEF Grant TF 17727	A.1.1	13,241	7,397
		13,241	7,397
Deduct:			
Payments to suppliers - Expenditure under GEF Grant TF 17727		13,241	7,397
		13,241	7,397
Ending balance December 31, 2015	3.2	-	-

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

APPENDIX A.2.2

DESIGNATED SUB-ACCOUNT STATEMENT

Account owned by: Ministry of Finance and Treasury of Bosnia and Herzegovina

Account No.: 1994990031597960

Depository Bank: Sparkasse Bank d.d. BiH

Address: Zmaja od Bosne 7, Sarajevo

Related Credit: GEF Grant TF 17727

Currency: BAM

	Ref.	BAM	USD
Opening balance January 1, 2016		-	-
Add:			
Transfer from Designated account - GEF Grant TF 17727	A.1.2	63,996	34,491
		63,996	34,491
Deduct:			
Payments to suppliers - Expenditure under GEF Grant TF 17727		63,996	34,491
		63,996	34,491
Ending balance December 31, 2016	3.2	-	-

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

**APPENDIX B.1 SoE Withdrawal Schedule of GEF Grant TF 17727 for the year ended
December 31, 2015**

	Initial deposit	Goods, works, non-consulting services, and consultants' services under the Project in BiH	Incremental Operating Costs (including audit)	Total application	Total disbursed
Application 1	200,000	-		-	200,000
Total Initial deposits	200,000	-		-	200,000
Application 3*	-	-	7,397	7,397	-
Total SoE applications	-	-	7,397	7,397	-
Total 2015	200,000	-	7,397	7,397	200,000
Cumulative 2015	200,000	-	7,397	7,397	200,000

* Application No. 3 was replenished in 2016, but expenses were made in 2015.

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

**APPENDIX B.2 SoE Withdrawal Schedule of GEF Grant TF 17727 for the year ended
December 31, 2016**

	Initial deposit	Goods, works, non- consulting services, and consultants' services under the Project in BIH	Incremental Operating Costs (including audit)	Total application	Total disbursed
Previous periods	200,000	-	7,397	7,397	200,000
Application 2	-	12,055		12,055	12,055
Total direct payments		12,055		12,055	12,055
Application 3*	-	-		-	7,397
Application 4**		22,256	14,603	36,859	-
Total SoE applications	-	22,256	14,603	36,859	7,397
Total 2016	-	34,311	14,603	48,914	19,452
Cumulative 2016	200,000	34,311	22,000	56,311	219,452

* Applications No. 3 were replenished in 2016, but expenses were made in 2015.

** Applications No.4 were replenished in 2017, but expenses were made in 2016.

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

**APPENDIX C.1 Reconciliation between World Bank's disbursement statements in USD
and GEF Grant account in USD according to the balance sheet as of
December 31, 2015; SoE Withdrawal Schedule of GEF Grant TF 17727**

	Changes in GEF Grant (in USD)
Original amount	<u>2,440,000</u>
Withdrawal 1	<u>200,000</u>
Total disbursed in 2015	<u>200,000</u>
Cumulative disbursements	<u>200,000</u>
Calculated undisbursed balance as of December 31, 2015	<u>2,240,000</u>
Undisbursed balance as per World Bank Summary for December 2015	<u>2,240,000</u>

**GEF ADRIATIC SEA ENVIRONMENTAL POLLUTION CONTROL PROJECT (I)
of the Ministry of Finance and Treasury of Bosnia and Herzegovina**

Project financial statements for the years ended
December 31, 2015 and December 31, 2016

(all amounts in USD, unless otherwise stated)

**APPENDIX C.2 Reconciliation between World Bank's disbursement statements in USD
and GEF Grant account in USD according to the balance sheet as of
December 31, 2016; SoE Withdrawal Schedule of GEF Grant TF 17727**

	Changes in GEF Grant (in USD)
Original amount	<u>2,440,000</u>
Disbursed in previous years	<u>200,000</u>
Withdrawal 2	12,055
Withdrawal 3	<u>7,397</u>
Total disbursed in 2016	<u>19,452</u>
Cumulative disbursements	<u>219,452</u>
Calculated undisbursed balance as of December 31, 2016	<u>2,220,548</u>
Undisbursed balance as per World Bank Summary for December 2016	<u>2,220,548</u>