

**REPUBLIC OF THE MARSHALL ISLANDS**

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**BASIC FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT**

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**YEAR ENDED SEPTEMBER 30, 2014**

# REPUBLIC OF THE MARSHALL ISLANDS

## FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2014

### TABLE OF CONTENTS

	<u>Page No.</u>
I. Independent Auditors' Report	1
II. Management's Discussion and Analysis (Unaudited)	4
III. Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Governmental Fund Financial Statements:	
Balance Sheet	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
Discretely Presented Component Unit Financial Statements:	
Combining Statement of Net Position	23
Combining Statement of Revenues, Expenses and Changes in Net Position	24
Notes to the Basic Financial Statements	25
IV. Required Supplementary Information - Other than Management's Discussion and Analysis	66
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	67
Notes to Required Supplementary Information - Budgetary Reporting	68
V. Other Supplementary Information	69
Combining Schedule of Expenditures by Account - Governmental Funds	70
General Fund:	71
Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance (Fund 100100)	72
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Fund 100100)	74

REPUBLIC OF THE MARSHALL ISLANDS

FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS, CONTINUED

	<u>Page No.</u>
V. Other Supplementary Information, Continued	
Nonmajor Governmental Funds - Special Revenue Funds:	76
Combining Balance Sheet	79
Combining Schedule of Revenues, Expenditures by Function, and Changes in Fund Balances	81
Combining Schedule of Revenues, Expenditures by Account, and Changes in Fund Balances	83
Fiduciary Funds - Private Purpose Trusts:	85
Combining Schedule of Fiduciary Net Position	86
Combining Schedule of Changes in Fiduciary Net Position	87
Fiduciary Funds - Agency:	88
Statement of Changes in Assets and Liabilities	89
Nonmajor Component Units:	90
Combining Schedule of Net Position	92
Combining Schedule of Revenues, Expenses, and Changes in Net Position	93
Grants Assistance Fund:	94
Combining Balance Sheet	96
Combining Schedule of Revenues, Expenditures by Functions, and Changes in Fund Balances (Deficits)	97
Combining Schedule of Revenues, Expenditures by Account, and Changes in Fund Balances (Deficits)	98
Compact of Free Association Sector Grants:	99
Combining Balance Sheet	101
Combining Schedule of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)	102
Combining Schedule of Revenues, Expenditures by Account, and Changes in Fund Balances (Deficits)	103
General Fund:	104
Combining Balance Sheet	106
Combining Schedule of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)	107
Combining Schedule of Expenditures by Account	108



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## **INDEPENDENT AUDITORS' REPORT**

Her Excellency Hilda C. Heine  
President  
Republic of the Marshall Islands:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements as set forth in Section III of the foregoing table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marshall Islands National Telecommunications Authority, which represents 17 percent, 4 percent, and 7 percent, respectively, of the total assets, net position, and program revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marshall Islands National Telecommunications Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective net position or financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis-of-Matters***

### *Social Security Obligations*

As discussed in Note 13 to the financial statements, the Marshall Islands Social Security Administration may be unable to meet its future benefit obligations.

### *Debt Guarantee*

As discussed in Note 13 to the financial statements, the Marshall Islands National Telecommunications Authority is in default of certain debt to the Rural Utilities Service for which RepMar is the guarantor.

### *Restatement*

As discussed in Note 15 to the financial statements, beginning net position of the aggregate discretely presented component units has been restated to correct an error.

Our opinion is not modified with respect to these matters.

## ***Other Matters***

### *Required Supplementary Information:*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as set forth in Section II of the foregoing table of contents, as well as the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, as set forth in Section IV of the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

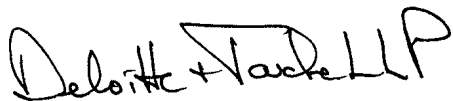
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RepMar's basic financial statements. The Other Supplementary Information, as set forth in Section V of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Supplementary 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 statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information set forth in Section V of the foregoing table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2016, on our consideration of RepMar's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

February 23, 2016

# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2014

As management of the Government of the Republic of the Marshall Islands (RepMar), we offer readers of RepMar's financial statements this narrative overview and analysis of the financial activities of RepMar for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with RepMar's basic financial statements, which follow this section. Fiscal year 2013 comparative information has been included, where appropriate.

### FINANCIAL HIGHLIGHTS

- The assets of RepMar exceeded its liabilities at the close of the most recent fiscal year by \$118.6 million (net position), increasing by \$16.3 million (or 16%) from \$102.3 million in the prior year. Of this amount, \$78 million represents RepMar's investment in capital assets; \$69 million represents amounts restricted for various purposes, with the remaining deficiency of \$28.4 million to be funded from future governmental activities.
- During the current fiscal year, RepMar's expenses for governmental activities were \$102 million, including special appropriations made to the autonomous agencies, and were funded in part by \$63.9 million in program revenues, \$53.3 million in taxes and other general revenues, and \$3.5 million in contributions to permanent funds. Program revenues increased by \$1.7 million (or 2.6%) from \$62.2 million in the prior year to \$63.9 million, which was attributable primarily to the increase in grants and contributions. Taxes and other general revenues increased by \$2.6 million (or 5.2%) from \$50.7 million in the prior year to \$53.3 million, which was attributable primarily to the increase in unrestricted grants and contributions. Expenses decreased \$10.3 million (or 9.2%) from \$112.3 million in the prior year to \$102 million, which was attributable primarily to a decrease in education, health, and general government expenses.
- The Compact Trust Fund had total revenues of \$3.5 million in the current fiscal year, increasing RepMar's trust fund balance to \$55.9 million from \$52.4 million in the prior year (up 6.6%).
- For the current fiscal year, General Fund revenues (and other financing sources) of \$47.9 million exceeded General Fund expenditures (and other financing uses) of \$45.9 million. General fund revenues (and other financing sources) were down \$1.5 million (or 2.9%) from prior year primarily due to an increase in fishing revenue contributions from the Marshall Islands Marine Resources Authority (MIMRA) of \$3.6 million offset by a decrease in loan proceeds received of \$4.9 million. Concurrently, General Fund expenditures (and other financing uses) marginally decreased by \$0.5 million (or 1.1%) from prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to RepMar's basic financial statements, which comprise of the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information in the form of a budgetary schedule, which is prepared on the budgetary basis of accounting, and other supplementary information, in addition to the basic financial statements themselves, which includes combining statements for governmental funds, fiduciary funds and component units.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of RepMar's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of RepMar's assets and liabilities, with the difference between the two reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report RepMar's net position and how such has changed. Net position, being the difference between RepMar's assets and liabilities, is one way to measure RepMar's financial health or position.

# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2014

- Over time, increases or decreases in RepMar's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of RepMar, additional non-financial factors such as changes in RepMar's tax base, the condition of RepMar's roads and infrastructure, and the quality of services needs to be considered.

The government-wide financial statements of RepMar are divided into two categories:

- Primary government - this grouping comprises governmental activities, which includes most of RepMar's basic services such as education, health, special appropriations, finance, judiciary, and general administration. Compact and other federal grants finance most activities of the primary government.
- Discretely presented component units - RepMar includes numerous other entities in its report. Although legally separate, these "component units" are important because RepMar is financially accountable for them.

The government-wide financial statements can be found on pages 16 and 17 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. RepMar, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal matters.

- Some funds are required by Nitijela legislation.
- RepMar establishes other funds to control and manage money for particular purposes (like the Republic of China Projects Fund) or to show that it is properly using certain grants (like federal grants reported in the U.S. Federal Grants Fund).

All of the funds of RepMar can be divided into two categories - governmental and fiduciary.

Governmental funds - These are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of RepMar's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance RepMar's programs.

The basic governmental fund financial statements can be found on pages 18 and 19 of this report.

Fiduciary funds - These are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support RepMar's own programs. RepMar is the trustee, or fiduciary, for other assets that because of trust arrangements, can be used only for the trust beneficiaries. RepMar is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of RepMar's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of change in fiduciary net position.

The basic fiduciary fund financial statements can be found on pages 21 and 22 of this report.

Discretely presented component unit financial statements are presented for entities where RepMar has financial accountability, but are independent of the core RepMar operations. Most operate similar to private-sector businesses.



# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2014

The discretely presented component unit financial statements can be found on pages 23 and 24 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 65 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons. Required supplementary information can be found on pages 66 through 68 of this report.

The other supplementary information referred to earlier is presented immediately following the required supplementary information on budgetary comparisons, and can be found on pages 69 through 108 of this report.

## A FINANCIAL ANALYSIS OF REPMAR AS A WHOLE

### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of RepMar, assets exceeded liabilities by \$118.6 million at the close of the most recent fiscal year; however, such is either restricted as to the purpose it can be used for or is invested in capital assets. RepMar uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although RepMar's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities. The majority of RepMar's net position is comprised of its capital assets and long-term liabilities. Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year, respectively. RepMar's current assets amounted to \$32.4 million while its current liabilities were \$17.2 million. Restricted net position represents resources that are subject to external constraints. The table below summarizes RepMar's net position at the close of the current year compared with prior year.

#### RepMar's Net Position As of September 30

	Governmental Activities 2014	Governmental Activities 2013	Total Percentage Change 2014-2013
Current and other assets	\$ 99,017,848	\$ 92,403,926	7.2%
Capital assets	98,493,078	91,465,639	7.7%
<b>Total assets</b>	<b>197,510,926</b>	<b>183,869,565</b>	<b>7.4%</b>
Long-term debt outstanding	62,217,164	64,704,881	-3.8%
Other liabilities	16,682,792	16,878,677	-1.2%
<b>Total liabilities</b>	<b>78,899,956</b>	<b>81,583,558</b>	<b>-3.3%</b>
Net position:			
Net investment in capital assets	77,960,748	71,659,544	8.8%
Restricted	69,036,059	63,596,489	8.6%
Unrestricted	(28,385,837)	(32,970,026)	-13.9%
<b>Total net position</b>	<b>\$ 118,610,970</b>	<b>\$ 102,286,007</b>	<b>16.0%</b>

# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2014

At the end of the current fiscal year, RepMar's unrestricted net position deficiency was \$28.4 million, a decrease of the prior year amount by \$4.6 million (or 13.9%). This deficiency is the result of having long-term commitments that are greater than currently available resources. Specifically, RepMar did not include in past annual budgets the full amounts needed to finance future liabilities arising from ADB loans as well as to pay for unused employee annual leave balances. RepMar will include these amounts in future years' budgets as they become due.

### Changes in Net Position

As discussed earlier, net position of the primary government increased by \$16.3 million, which represents an increase of 16% from the prior year's amount of \$102.3 million. This result indicates that RepMar's financial condition, as a whole, improved from the prior year. The table below summarizes RepMar's change in net position for the current fiscal year as compared with prior year.

### RepMar's Changes in Net Position For the Years Ended September 30

	Governmental Activities 2014	Governmental Activities 2013	Total Percentage Change 2014-2013
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 9,297,966	\$ 9,293,900	0.0%
Operating grants and contributions	40,945,983	45,863,801	-10.7%
Capital grants and contributions	<u>13,612,257</u>	<u>7,105,803</u>	91.6%
	<u>63,856,206</u>	<u>62,263,504</u>	2.6%
General revenues:			
Taxes	24,380,420	26,384,532	-7.6%
Grants and contributions	22,840,180	19,251,725	18.6%
Ship registry	4,750,000	4,000,000	18.8%
Other general revenues	<u>1,367,265</u>	<u>1,087,839</u>	25.7%
	<u>53,337,865</u>	<u>50,724,096</u>	5.2%
<b>Total revenues</b>	<b><u>117,194,071</u></b>	<b><u>112,987,600</u></b>	<b>3.7%</b>
<b>Expenses:</b>			
Education	27,937,195	29,311,237	-4.7%
Health and environment	22,201,817	23,168,997	-4.2%
Finance	7,876,010	9,734,460	-19.1%
Special appropriations	8,966,243	12,493,140	-28.2%
Foreign affairs and trade	3,637,240	5,268,354	-31.0%
Public works	5,728,306	3,980,514	43.9%
Justice	3,649,650	3,835,625	-4.8%
Internal affairs	2,957,162	3,623,753	-18.4%
Capital projects	1,761,495	3,171,933	-44.5%
Resources and development	2,497,861	2,407,803	3.7%
Transportation and communication	2,999,987	2,169,841	38.3%
President and cabinet	1,854,809	1,868,738	-0.7%
Nitijela	1,649,090	1,648,254	0.1%
Nuclear claims related	1,512,101	1,396,644	8.3%
Interest	908,157	1,135,501	-20.0%
Other	<u>5,848,269</u>	<u>7,080,298</u>	-17.4%
<b>Total expenses</b>	<b><u>101,985,392</u></b>	<b><u>112,295,092</u></b>	<b>-9.2%</b>
	<b>15,208,679</b>	<b>692,508</b>	2096.2%
Special item	(2,363,634)	-	
Contributions to permanent funds	<u>3,479,918</u>	<u>6,064,866</u>	-42.6%
<b>Change in net position</b>	<b>16,324,963</b>	<b>6,757,374</b>	<b>141.6%</b>
<b>Net position, beginning of year</b>	<b><u>102,286,007</u></b>	<b><u>95,528,633</u></b>	<b>7.1%</b>
<b>Net position, end of year</b>	<b><u>\$ 118,610,970</u></b>	<b><u>\$ 102,286,007</u></b>	<b>16.0%</b>

# REPUBLIC OF THE MARSHALL ISLANDS

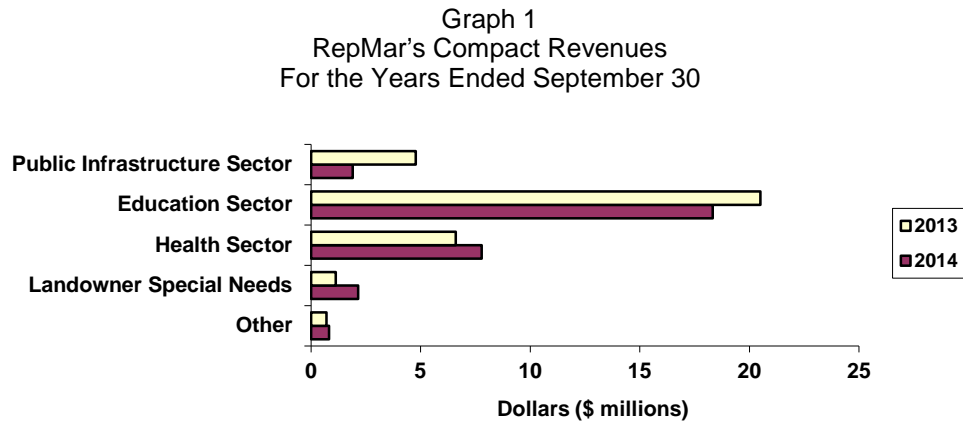
## Management's Discussion and Analysis Year Ended September 30, 2014

### Changes in Net Position, Continued

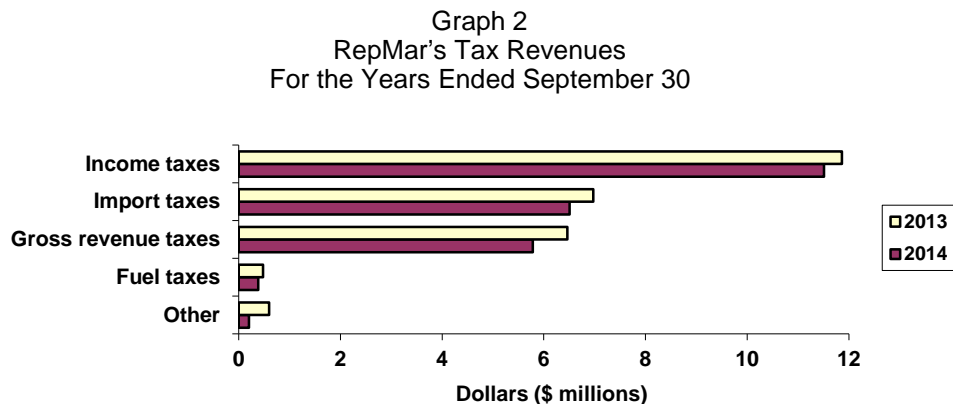
Key elements of the increase in net position are as follows:

- Total revenues increased in the current year by \$4.2 million (or 3.7%) due primarily to an increase in program revenues of \$1.7 million (or 2.6%) as compared with the prior year and an increase in taxes and other general revenues of \$2.6 million (or 5.2%) as compared with the prior year. The increase in taxes and other general revenues reflects a \$3.6 million increase in contributions from MIMRA.
- At the same time, cost of governmental activities decreased in the current year by \$10.3 million (or 9.2%), which was attributable primarily to a decrease in education, health, and general government expenses. Conversely, RepMar recognized a special item pertaining to the write-off of capitalized costs of \$2.4 million associated with the Majuro Hospital Redevelopment project.
- Compact trust fund revenues amounted to \$3.5 million in the current fiscal year, increasing RepMar's trust fund balance to \$55.9 million (up 6.6%) from \$52.4 million in the prior year.

A significant portion of RepMar's program revenues involve contributions from the Government of the United States under the Compact of Free Association. Overall funding from Compact sector grant revenues decreased by \$2.7 million (or 8%) from prior year primarily due to a decrease in public infrastructure sector funding. A graphic summary of overall Compact sector grant revenues received by RepMar for the current year compared with prior year follows:



A significant portion of RepMar's general revenues involves tax revenue collections. At \$24.4 million in the current year, tax revenues were lower by \$2.0 million (or 7.6%) than the \$26.4 million collected in the prior year. A graphic summary of RepMar's tax revenue collections for the current year compared with prior year follows:



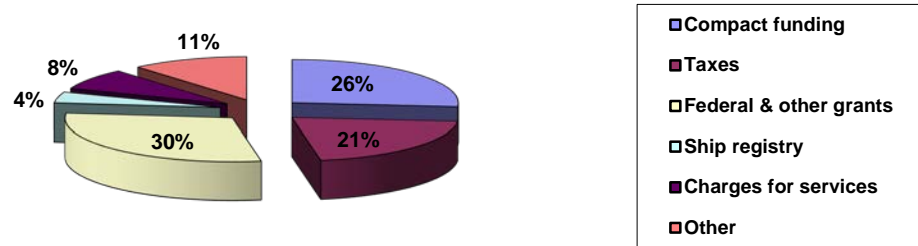
# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2014

### Changes in Net Position, Continued

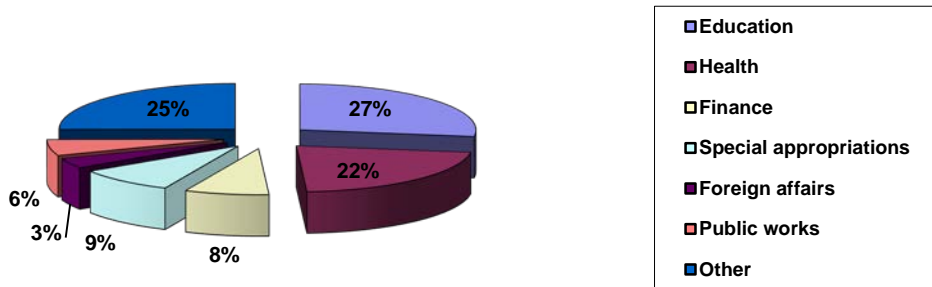
Graphs 3 and 4 below indicate the major components of revenues and cost of governmental activities.

Graph 3  
RepMar's Revenue Sources  
For the Year Ended September 30, 2014



Compact funding, local taxes and federal and other grants are the major sources of revenue for RepMar, which comprise 77% of total revenues for the current year. The remaining 23% is primarily comprised of ship registry fees, fishing revenue contributions from MIMRA, and various fees and service charges.

Graph 4  
RepMar's Cost of Governmental Activities  
For the Year Ended September 30, 2014



Other expenses that make up a portion of the costs of governmental activities include ministerial expenses within the Ministry of Justice (\$3.6 million), the Ministry of Internal Affairs (\$3 million), the Ministry of Transportation and Communication (\$3 million), and the Ministry of Resources and Development (\$2.5 million); legislative expenses within the Nitijela (\$1.6 million); and executive expenses within the President's Office and Cabinet (\$1.9 million).

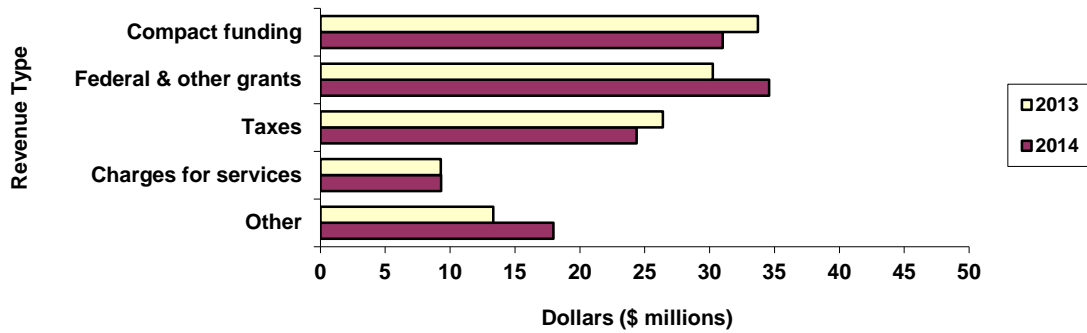
**REPUBLIC OF THE MARSHALL ISLANDS**

Management's Discussion and Analysis  
Year Ended September 30, 2014

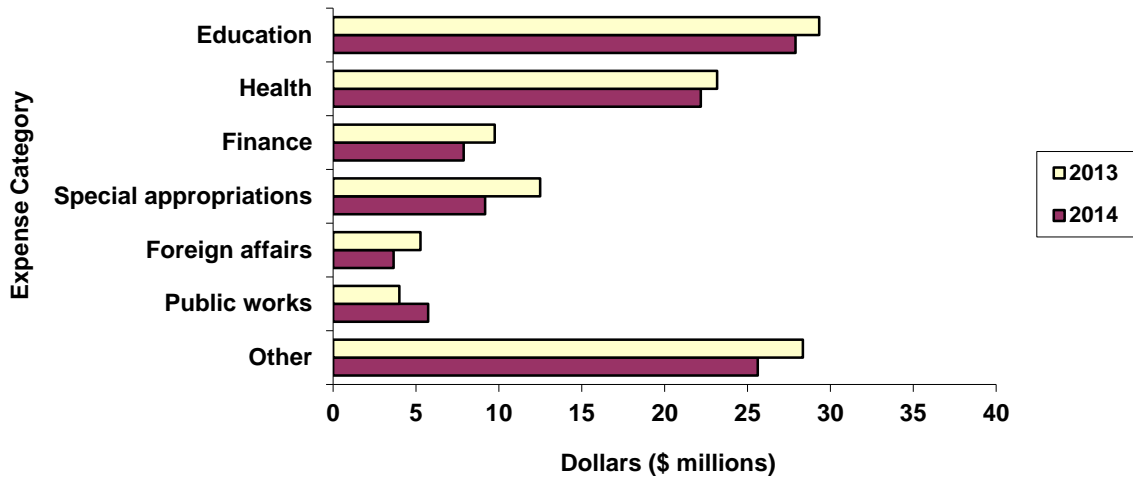
**Changes in Net Position, Continued**

Graphs 5 and 6 below show a comparison of the major components of revenues and cost of governmental activities for fiscal years 2014 and 2013.

Graph 5  
RepMar's Revenue Sources  
For the Years Ended September 30



Graph 6  
RepMar's Cost of Governmental Activities  
For the Years Ended September 30



Other expenses in the current year includes ministerial expenses within the Ministry of Resources & Development of \$2.5 million, up from \$2.4 million in the prior year; the Ministry of Transportation and Communication of \$3 million, up from \$2.2 million in the prior year; the Ministry of Justice of \$3.6 million, down from \$3.8 million in the prior year; the Ministry of Internal Affairs of \$3 million, down from \$3.6 million in the prior year; legislative expenses within the Nitijela of \$1.6 million, consistent with the prior year; and executive expenses within the President's Office and Cabinet of \$1.9 million, also consistent with the prior year.

# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2014

### Analysis of Changes in Net Position

During the current fiscal year, RepMar's total net position increased by \$16.3 million compared with an increase in the prior fiscal year of \$6.8 million. This represents an increase year on year in the change in net position of \$9.6 million (or 142%). The key elements of this increase are: (1) an increase in contributions from component units of \$3.6 million; (2) an increase in ship registry revenue of \$0.75 million; (3) a decrease in tax revenues of \$2 million; (4) a decrease in Compact Trust earnings of \$2.6 million; (5) a decrease in expenses, net of program revenues, of \$11.9 million; and (6) the write-off of previously capitalized costs of \$2.4 million. The elements of these changes are reflected below:

	Governmental Activities 2014	Governmental Activities 2013	Total Percentage Change 2014-2013
<b>General revenues:</b>			
Taxes	\$ 24,380,420	\$ 26,384,532	-7.6%
Grants and contributions	11,000,000	11,005,000	0.0%
Contributions from component units	11,840,180	8,246,725	43.6%
Ship registry	4,750,000	4,000,000	18.8%
Other general revenues	1,367,265	1,087,839	25.7%
<b>Total general revenues</b>	<b>53,337,865</b>	<b>50,724,096</b>	<b>5.2%</b>
<b>Expenses, net of program revenues:</b>			
Education	7,234,090	6,785,025	6.6%
Health and environment	2,844,379	4,396,178	-35.3%
Special appropriations	8,916,243	12,493,140	-28.6%
Finance	2,513,624	3,708,337	-32.2%
Public works	5,556,772	3,917,331	41.9%
Resources and development	2,172,300	2,281,513	-4.8%
Justice	2,700,480	3,204,464	-15.7%
Internal affairs	2,739,315	3,259,352	-16.0%
Foreign affairs and trade	3,322,640	3,314,289	0.3%
President and cabinet	1,854,809	1,868,738	-0.7%
Capital projects	(139,762)	(3,933,870)	-96.4%
Nitijela	1,649,030	1,618,505	1.9%
Transportation and communication	(8,447,688)	2,168,816	-489.5%
Nuclear claims related	300,097	(133,790)	-324.3%
Interest	908,157	1,135,501	-20.0%
Other	4,004,700	3,948,059	1.4%
<b>Total expenses</b>	<b>38,129,186</b>	<b>50,031,588</b>	<b>-23.8%</b>
	<b>15,208,679</b>	<b>692,508</b>	<b>2096.2%</b>
Special items	(2,363,634)	-	
Contributions to permanent fund	3,479,918	6,064,866	-42.6%
<b>Change in net position</b>	<b>\$ 16,324,963</b>	<b>\$ 6,757,374</b>	<b>141.6%</b>

General revenues increased by \$2.6 million (or 5.2%) from the previous fiscal year. The increase was primarily due to increases in fishing revenue contributions from MIMRA and ship registry revenues of \$3.6 million (or 43.6%) and \$0.75 million (or 18.8%), respectively, compared with prior year offset by decreases in tax collections of \$2 million (or 7.6%) compared with prior year.

Expenses, net of program revenues, decreased by \$11.9 million (or 23.8%) from the previous fiscal year. The decrease was primarily due to the cost of donated capital assets of \$11.7 million from the Government of Japan (\$11.4 million) and the Republic of China (\$0.3 million).

# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2014

### FINANCIAL ANALYSIS OF REPMAR'S FUNDS

As noted earlier, RepMar uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus of RepMar's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing RepMar's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, RepMar's governmental funds reported combined ending fund balances of \$88.3 million, which represents an increase of \$8 million (or 10%) in comparison with the prior year. This increase is primarily attributable to an increase in the fair value of RepMar's investments in the Compact Trust Fund of \$3.5 million, excess of Compact receipts over expenditures of \$0.9 million, operating surplus of \$1.6 million generated by the Health Care Revenue Fund, and operating surplus of \$2 million generated by RepMar's General Fund. Of this total combined fund balance, \$66.9 million is designated as nonspendable and cannot be spent either because it is not in a spendable form or because of legal or contractual constraints; \$10.5 million is designated as restricted and is constrained for specific purposes which are externally imposed; and \$12 million is designated as committed and is constrained for specific purposes which are internally imposed. The combined unassigned fund balance of RepMar's governmental funds is a negative \$1.1 million, indicating a deficit in unassigned fund balances.

The General Fund is the chief operating fund of RepMar. At the end of the current fiscal year, the unassigned fund balance of the General Fund was negative \$0.9 million. Total fund balance was \$15.7 million compared with a total fund balance of \$13.7 million at the end of the prior fiscal year, an increase of \$2 million. The increase in the overall fund balance of the General Fund was primarily the result of the increase in contributions from MIMRA.

The Grants Assistance Fund has a total fund balance of \$9.1 million, which primarily represents Republic of China (ROC) and Compact Sector grant revenues received not yet expended at year end. The net increase in fund balance during the current year in the Grants Assistance Fund was \$1.5 million (or 19.4%).

The Compact Trust Fund has a total fund balance of \$55.9 million, all of which is reserved for the funding of future operations of the primary government commencing in fiscal year 2023. The net increase in fund balance during the current year in the Compact Trust Fund was \$3.5 million (or 6.6%), which reflects a net increase in the value of trust fund investments.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the fiscal year, budget revisions of \$7.4 million were made by management and elected officials of RepMar to the General Fund budget. Revenues collected (including transfers in) of \$46.9 million were higher than budgeted amounts of \$45.8 million due primarily to ship registry collections, which exceeded budgeted amounts by \$0.75 million, and additional operating transfers in from other governmental funds. In addition, charges to appropriations (including transfers out) of \$47.5 million were marginally lower than budgeted amounts of \$47.6 million.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

RepMar's investment in capital assets for its governmental activities as of September 30, 2014 amounted to \$200.5 million, net of accumulated depreciation of \$102 million, leaving a net book value of \$98.5 million. This represents an increase of \$7 million (or 7.7%) from the \$91.4 million reported in the prior year. RepMar's capital assets include electrical and water infrastructure, roads and bridges, heavy equipment, ships, buildings, and various projects under construction.

**REPUBLIC OF THE MARSHALL ISLANDS**

Management's Discussion and Analysis  
Year Ended September 30, 2014

RepMar's Capital Assets  
September 30,  
(Net of depreciation)

	Governmental Activities 2014	Governmental Activities 2013	Total Percentage Change 2014-2013
Electrical distribution	\$ 1,438,566	\$ 1,549,359	-7.2%
Buildings	69,930,966	68,997,266	1.4%
Water infrastructure system	2,664,817	3,043,471	-12.4%
Docks, roads and bridges	4,860,368	5,155,590	-5.7%
Ships	15,108,262	5,183,512	191.5%
Software	530,001	636,001	-16.7%
Heavy equipment	3,905,490	3,366,104	16.0%
Construction in progress	54,608	3,534,336	-98.5%
<b>Total</b>	<b>\$ 98,493,078</b>	<b>\$ 91,465,639</b>	<b>7.7%</b>

Major capital asset additions during the current year were as follows:

- Completion of the following Compact funded education facilities infrastructure projects:

<u>Infrastructure Project</u>	<u>Current Year Additions (\$ millions)</u>	<u>Completed Cost (\$ millions)</u>
Wotho Elementary School	\$ 0.1	\$ 0.3
Ujae and Lae Elementary Schools	\$ 0.4	\$ 1.1
Jaluit Elementary School	\$ 0.4	\$ 0.5

- Acquisition of MV Majuro and MV Kwajalein in the amount of \$11.4 million funded by Government of Japan grassroots grants, the Long Island Hotel in the amount of \$3.8 million, and various heavy equipment in the amount of \$1.1 million.

During the year ended September 30, 2014, RepMar recognized an impairment loss of \$3.1 million associated with certain capital assets that were currently sitting idle or currently in a state of disrepair. Furthermore, RepMar wrote off certain capitalized construction in progress costs of \$2.4 million associated with the termination of contract for the Majuro Hospital Redevelopment project.

Additional information on RepMar's capital assets can be found in note 5 to the financial statements.



# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2014

### Long-term Debt

The Government Borrowing Act of 1985 authorizes RepMar to borrow for such purposes as approved by the Nitijela. Since 1991, RepMar has entered into fourteen separate loans with the ADB (See table below). Long-term debt obligations decreased by \$2.5 million (or 3.8%) in the current fiscal year.

#### RepMar's Outstanding Debt Asian Development Bank September 30,

	Governmental Activities 2014	Governmental Activities 2013	Total Percentage Change 2014-2013
Fisheries Development Project	\$ 2,395,970	\$ 2,536,688	-5.5%
Typhoon Rehabilitation	376,841	397,211	-5.1%
Basic Education Project	6,084,480	6,318,491	-3.7%
Majuro Water Supply Project No. 1	548,293	577,270	-5.0%
Health and Population Project	4,178,055	4,282,556	-2.4%
Majuro Water Supply Project No. 2	6,807,377	6,973,677	-2.4%
Public Sector Reform Program	9,596,859	9,822,636	-2.3%
Ebeye Health and Infrastructure Project	6,342,160	6,715,227	-5.6%
Skills Training and Vocational Education Project	3,795,080	4,000,219	-5.1%
Fiscal and Financial Management Program No. 1	1,027,900	1,471,300	-30.1%
Fiscal and Financial Management Program No. 2	5,767,415	6,291,725	-8.3%
Outer Island Transport Infrastructure Project	422,927	444,074	-4.8%
Public Sector Program Loan	9,979,846	9,979,846	0.0%
Fiscal Reform and Debt Management Project	<u>4,893,961</u>	<u>4,893,961</u>	0.0%
<b>Total</b>	<b>\$ <u>62,217,164</u></b>	<b>\$ <u>64,704,881</u></b>	<b>-3.8%</b>

As mentioned above, total long-term debt decreased by \$2.5 million (or 3.8%) during the current year. This decrease resulted from declining principal balances associated with debt service payments.

Additional information on RepMar's long-term debt can be found in notes 7 and 8 to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In fiscal year 2014, the continued positive revenue and fund balance trends noted in this report as compared to fiscal year 2013 reflect as much an increase in unrestricted grants and subsidies from internal and external sources as they do any significant increase in tax growth from a fundamentally improving economy. The economically robust fishing sector has allowed contributions from MIMRA to RepMar to significantly increase and this trend is expected to continue in fiscal years 2015 and 2016 as favorable market conditions allow MIMRA to increase its daily fishing fees.

Government spending is the main driver of economic growth in the Republic of the Marshall Islands (RMI). Current government spending was up by 12.8% in the first half of FY2015 from a year earlier on higher outlays for goods and services, intergovernmental grants, and transfers to households. Capital spending was up by 86.4% year on year in the same period.

Inflation in the RMI is still expected to rise slightly in FY2015. Consumer prices, mainly for apparel and food, rose by 1.3% in the first quarter of FY2015. Prices for household utilities, transport, health care, communication services, and education were largely unchanged, while prices for alcoholic beverages and recreation declined.

## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2014

The implementation of new infrastructure projects and those delayed from financial year (FY) 2014 will support strong growth in construction and related services in FY2015. However, as infrastructure projects are completed and wind down, forecast growth is seen to drop in FY2016.

In the RMI, the cost of imports from the US declined as food and fuel prices fell. Projected current account deficits are unchanged.

Finally, management recognizes the necessity for continued reforms at State Owned Enterprises (SOE's), several of which continue to pose drains on limited RepMar resources. Air Marshall Islands, Marshall Islands Resort, MINTA and Tobolar all have negative cash flows and persist in needing RepMar subsidies each year. Among its component units, only MIMRA has been a net revenue provider to the primary government but the long-term future of continued support from the fishing sector cannot be taken for granted.

For the medium-term, RepMar will continue to execute fiscally conservative budgets and implement the necessary financial and structural reforms to boost revenues, promote economic growth, reduce subsidies to SOE's, and pay down its long-term debt.

#### **CONTACTING REPMAR'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors a general overview of RepMar's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Secretary of Finance, P.O. Box D, Majuro, MH 96960.

**REPUBLIC OF THE MARSHALL ISLANDS**

Statement of Net Position  
September 30, 2014

	Primary Government	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 8,384,815	\$ 8,502,692
Time certificates of deposit	497,218	12,441,433
Receivables, net of allowance for uncollectibles	17,151,310	41,965,786
Advances	252,283	-
Inventories	-	6,070,554
Due from component units	347,350	237,341
Due from external parties	1,155,727	-
Other current assets	-	731,330
Restricted assets:		
Cash and cash equivalents	4,627,625	-
Total current assets	32,416,328	69,949,136
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	-	553,787
Time certificates of deposit	-	2,953,173
Investments	55,896,306	-
Investments	998,250	6,951,963
Due from component units	9,706,964	-
Capital assets:		
Nondepreciable capital assets	54,608	31,355,147
Other capital assets, net of accumulated depreciation	98,438,470	103,378,676
Other noncurrent assets	-	511,756
Total noncurrent assets	165,094,598	145,704,502
Total assets	\$ 197,510,926	\$ 215,653,638
<u>LIABILITIES</u>		
Current liabilities:		
Bank overdraft	\$ -	\$ 72,103
Short-term debt	-	3,571,207
Current portion of long-term obligations	2,720,209	30,756,016
Accounts payable	6,236,973	15,547,675
Customer deposits	-	1,964,031
Other liabilities and accruals	5,358,248	7,853,693
Retention payable	543,637	-
Contracts payable	-	1,372,860
Accrued interest payable	398,503	-
Compensated absences payable	1,126,256	-
Due to primary government	-	5,249,954
Due to component units	551,741	237,341
Unearned revenues	250,000	4,020,147
Total current liabilities	17,185,567	70,645,027
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	59,496,955	9,471,411
Compensated absences payable, net of current portion	1,817,434	-
Other noncurrent liabilities	400,000	-
Due to primary government	-	9,706,964
Total noncurrent liabilities	61,714,389	19,178,375
Total liabilities	78,899,956	89,823,402
Commitments and contingencies		
<u>NET POSITION</u>		
Net investment in capital assets	77,960,748	99,824,878
Restricted for:		
Future operations - nonexpendable	55,896,306	-
Compact related	5,451,568	-
Other purposes	7,682,243	1,621,997
Unrestricted (deficit)	(28,379,895)	24,383,361
Total net position	118,610,970	125,830,236
Total liabilities and net position	\$ 197,510,926	\$ 215,653,638

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Statement of Activities Year Ended September 30, 2014

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
<b>Primary government:</b>						
<b>Governmental activities:</b>						
President and Cabinet	\$ 1,854,809	\$ -	\$ -	\$ -	\$ (1,854,809)	\$ -
Office of the Chief Secretary	1,224,174	-	664,528	-	(559,646)	-
Special appropriations	8,966,243	-	50,000	-	(8,916,243)	-
Council of Iroij	438,536	-	-	-	(438,536)	-
Nitijela	1,649,090	60	-	-	(1,649,030)	-
Office of the Auditor-General	1,255,947	-	437,248	-	(818,699)	-
Public Service Commission	469,913	-	-	-	(469,913)	-
Judiciary	994,421	85,813	-	-	(908,608)	-
Office of the Attorney General	733,022	97,900	-	-	(635,122)	-
Education	27,937,195	-	20,703,105	-	(7,234,090)	-
Health and Environment	22,201,817	7,721,756	11,635,682	-	(2,844,379)	-
Transportation and Communication	2,999,987	6,675	-	11,441,000	8,447,688	-
Resources and Development	2,497,861	28,128	297,433	-	(2,172,300)	-
Internal Affairs	2,957,162	26,605	191,242	-	(2,739,315)	-
Justice	3,649,650	679,170	-	270,000	(2,700,480)	-
Finance	7,876,010	529,603	4,832,783	-	(2,513,624)	-
Foreign Affairs and Trade	3,637,240	65,610	248,990	-	(3,322,640)	-
Public Works	5,728,306	56,646	114,888	-	(5,556,772)	-
Environmental Protection Authority	732,256	-	558,080	-	(174,176)	-
Nuclear claims related	1,512,101	-	1,212,004	-	(300,097)	-
Capital projects	1,761,495	-	-	1,901,257	139,762	-
Unallocated interest - long-term debt	908,157	-	-	-	(908,157)	-
<b>Total primary government</b>	<b>\$ 101,985,392</b>	<b>\$ 9,297,966</b>	<b>\$ 40,945,983</b>	<b>\$ 13,612,257</b>	<b>(38,129,186)</b>	<b>-</b>
<b>Component units:</b>						
Air Marshall Islands, Inc.	3,513,633	2,099,660	-	311,672	-	(1,102,301)
College of the Marshall Islands	11,691,078	1,813,783	6,918,983	309,596	-	(2,648,716)
Marshalls Energy Company, Inc.	51,630,572	51,224,100	-	-	-	(406,472)
Marshall Islands Development Bank	2,624,432	4,294,410	158,385	-	-	1,828,363
Marshall Islands Marine Resources Authority	14,253,966	19,815,209	14,000	-	-	5,575,243
Marshall Islands National Telecom. Authority	9,497,987	8,329,666	-	982,250	-	(186,071)
RMI Ports Authority	6,266,569	4,184,459	-	7,752,755	-	5,670,645
Other nonmajor component units	22,734,818	14,303,408	99,472	967,533	-	(7,364,405)
<b>Total component units</b>	<b>\$ 122,213,055</b>	<b>\$ 106,064,695</b>	<b>\$ 7,190,840</b>	<b>\$ 10,323,806</b>	<b>-</b>	<b>1,366,286</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Income taxes					11,508,824	-
Import taxes					6,505,552	-
Gross revenue taxes					5,782,229	-
Fuel taxes					383,658	-
Penalties and interest					65,860	-
Other					134,297	-
Grants and contributions not restricted to specific programs					11,000,000	-
Contributions from component units					11,840,180	-
Ship registry					4,750,000	-
Unrestricted investment earnings					180,979	1,569,301
Contributions from primary government					-	10,288,584
Other					1,186,286	-
<b>Total general revenues</b>					<b>53,337,865</b>	<b>11,857,885</b>
Special item: Write-off of capital assets					(2,363,634)	-
Contributions to permanent funds					3,479,918	-
<b>Total general revenues, special items, and contributions</b>					<b>54,454,149</b>	<b>11,857,885</b>
<b>Change in net position</b>					<b>16,324,963</b>	<b>13,224,171</b>
Net position at the beginning of the year, as previously reported					102,286,007	112,795,361
Prior-period adjustment (note 15)					-	(189,296)
Net position at the beginning of the year, as restated					<u>102,286,007</u>	<u>112,606,065</u>
Net position at the end of the year					<u>\$ 118,610,970</u>	<u>\$ 125,830,236</u>

See accompanying notes to basic financial statements.

**REPUBLIC OF THE MARSHALL ISLANDS**

**Balance Sheet  
Governmental Funds  
September 30, 2014**

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,008,054	\$ -	\$ -	\$ 4,376,761	\$ 8,384,815
Time certificates of deposit	-	-	-	497,218	497,218
Investments	998,250	-	-	-	998,250
Receivables, net:					
Taxes	2,263,335	-	-	89,358	2,352,693
Federal agencies	658,815	8,475,538	-	-	9,134,353
General	310,825	3,813,662	-	1,300,133	5,424,620
Other	-	-	-	239,644	239,644
Due from other funds	5,591,931	5,730,702	-	2,819,652	14,142,285
Due from component units	10,054,314	-	-	-	10,054,314
Advances	100,600	88,432	-	63,251	252,283
Restricted assets:					
Cash and cash equivalents	4,627,625	-	-	-	4,627,625
Investments	-	-	55,896,306	-	55,896,306
Total assets	<u>\$ 28,613,749</u>	<u>\$ 18,108,334</u>	<u>\$ 55,896,306</u>	<u>\$ 9,386,017</u>	<u>\$ 112,004,406</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 2,340,538	\$ 2,323,176	\$ -	\$ 1,573,259	\$ 6,236,973
Other liabilities and accruals	2,389,048	510,818	-	258,382	3,158,248
Retention payable	-	543,637	-	-	543,637
Due to component units	551,741	-	-	-	551,741
Due to other funds	7,394,627	5,591,931	-	-	12,986,558
Unearned revenues	250,000	-	-	-	250,000
Total liabilities	<u>12,925,954</u>	<u>8,969,562</u>	<u>-</u>	<u>1,831,641</u>	<u>23,727,157</u>
Fund balances:					
Nonspendable	11,052,564	-	55,896,306	-	66,948,870
Restricted	2,942,922	6,591,357	-	991,245	10,525,524
Committed	2,593,846	2,788,089	-	6,563,131	11,945,066
Unassigned	(901,537)	(240,674)	-	-	(1,142,211)
Total fund balances	<u>15,687,795</u>	<u>9,138,772</u>	<u>55,896,306</u>	<u>7,554,376</u>	<u>88,277,249</u>
Total liabilities and fund balances	<u>\$ 28,613,749</u>	<u>\$ 18,108,334</u>	<u>\$ 55,896,306</u>	<u>\$ 9,386,017</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					98,493,078
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds. The liabilities include:					
Accrued interest payable				(398,503)	
Loans payable				(62,217,164)	
Compensated absences payable				(2,943,690)	
Other long-term liabilities payable				<u>(2,600,000)</u>	
					<u>(68,159,357)</u>
Net position of governmental activities					<u>\$ 118,610,970</u>

See accompanying notes to basic financial statements.

**REPUBLIC OF THE MARSHALL ISLANDS**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2014**

	General	Special Revenue	Permanent	Other Governmental Funds	Total
		Grants Assistance	Compact Trust		
<b>Revenues:</b>					
Taxes	\$ 24,380,420	\$ -	\$ -	\$ -	\$ 24,380,420
Federal and other grants	4,411,102	49,140,501	-	295,637	53,847,240
Sales	-	-	-	95,888	95,888
Ship registry	4,750,000	-	-	-	4,750,000
Net change in the fair value of investments	-	-	3,479,918	-	3,479,918
Interest and dividends	166,721	-	-	14,258	180,979
Fees and charges	294,983	-	-	8,907,095	9,202,078
Contributions from component units	11,840,180	-	-	-	11,840,180
Other	1,186,286	-	-	-	1,186,286
<b>Total revenues</b>	<b>47,029,692</b>	<b>49,140,501</b>	<b>3,479,918</b>	<b>9,312,878</b>	<b>108,962,989</b>
<b>Expenditures:</b>					
<b>Current:</b>					
President and Cabinet	1,854,467	1,000	-	-	1,855,467
Office of the Chief Secretary	577,547	652,785	-	-	1,230,332
Special appropriations	9,813,651	1,552,592	-	-	11,366,243
Council of Iroij	439,307	-	-	-	439,307
Nitijela	1,641,991	9,000	-	-	1,650,991
Office of the Auditor-General	823,332	437,248	-	-	1,260,580
Public Service Commission	435,850	23,995	-	-	459,845
Judiciary	583,213	19,840	-	398,046	1,001,099
Office of the Attorney General	738,210	-	-	-	738,210
<b>Ministries:</b>					
Education	5,619,118	19,472,415	-	1,945,330	27,036,863
Health and Environment	3,325,531	11,496,219	-	6,958,855	21,780,605
Transportation and Communication	484,984	1,299,057	-	-	1,784,041
Resources and Development	1,119,132	1,304,394	-	-	2,423,526
Internal Affairs	2,281,642	765,750	-	7,821	3,055,213
Justice	3,336,524	-	-	323,489	3,660,013
Finance	4,132,547	3,923,248	-	-	8,055,795
Foreign Affairs and Trade	3,087,244	376,362	-	23,093	3,486,699
Public Works	1,058,722	441,569	-	43,879	1,544,170
Environmental Protection Authority	163,203	573,203	-	-	736,406
Nuclear claims related	-	-	-	1,512,101	1,512,101
<b>Debt service:</b>					
Principal repayment	2,487,717	-	-	-	2,487,717
Interest	749,571	-	-	-	749,571
Capital outlay	-	2,663,150	-	-	2,663,150
<b>Total expenditures</b>	<b>44,753,503</b>	<b>45,011,827</b>	<b>-</b>	<b>11,212,614</b>	<b>100,977,944</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,276,189</b>	<b>4,128,674</b>	<b>3,479,918</b>	<b>(1,899,736)</b>	<b>7,985,045</b>
<b>Other financing sources (uses):</b>					
Operating transfers in	913,232	-	-	3,270,869	4,184,101
Operating transfers out	(1,182,025)	(2,646,344)	-	(355,732)	(4,184,101)
<b>Total other financing sources (uses), net</b>	<b>(268,793)</b>	<b>(2,646,344)</b>	<b>-</b>	<b>2,915,137</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>2,007,396</b>	<b>1,482,330</b>	<b>3,479,918</b>	<b>1,015,401</b>	<b>7,985,045</b>
<b>Fund balances at the beginning of the year</b>	<b>13,680,399</b>	<b>7,656,442</b>	<b>52,416,388</b>	<b>6,538,975</b>	<b>80,292,204</b>
<b>Fund balances at the end of the year</b>	<b>\$ 15,687,795</b>	<b>\$ 9,138,772</b>	<b>\$ 55,896,306</b>	<b>\$ 7,554,376</b>	<b>\$ 88,277,249</b>

See accompanying notes to basic financial statements.

**REPUBLIC OF THE MARSHALL ISLANDS**

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year ended September 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 7,985,045
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Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts consist of:

Capital outlays, net of disposals	17,437,279	
Depreciation expense, net	<u>(4,973,175)</u>	
		12,464,104

Some of the capital assets acquired this year were financed by a purchase agreement. The amount financed by the purchase agreement has no impact on governmental funds whereas the liability associated with the purchase agreement constitutes a long-term liability in the statement of net position.

(1,800,000)

Net effect of various miscellaneous transactions involving capital assets. For the current year, these amounts consist of:

Loss on impairment of capital assets	(3,073,031)	
Special item write-off of capital assets	<u>(2,363,634)</u>	
		(5,436,665)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. For the current year, these amounts consist of:

Repayment of ADB loans	2,487,717	
Repayment of asset purchase agreement	<u>400,000</u>	
		2,887,717

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. For the current year, these activities consist of:

Change in accrued interest payable	(158,586)	
Change in compensated absences payable	<u>383,348</u>	
		<u>224,762</u>

Change in net position of governmental activities	\$ <u>16,324,963</u>
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See accompanying notes to basic financial statements.

**REPUBLIC OF THE MARSHALL ISLANDS**

Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2014

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 986,958	\$ -
Receivables, net:		
Contributions	1,825,889	-
Other	570,819	-
Investments	71,090,567	-
Due from other funds	712,705	164,484
Capital assets, net of accumulated depreciation	<u>86,151</u>	<u>-</u>
Total assets	<u>75,273,089</u>	<u>\$ 164,484</u>
<b><u>LIABILITIES</u></b>		
Accounts payable	55,412	\$ -
Other liabilities and accruals	103,110	164,484
Due to other funds	<u>2,032,916</u>	<u>-</u>
Total liabilities	<u>2,191,438</u>	<u>\$ 164,484</u>
<b><u>NET POSITION</u></b>		
Held in trust for:		
Social security benefits	72,366,657	
Nuclear claims	57,862	
Land use distributions	<u>657,132</u>	
Total net position	<u>\$ 73,081,651</u>	

See accompanying notes to basic financial statements.



**REPUBLIC OF THE MARSHALL ISLANDS**

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended September 30, 2014

	<u>Private Purpose Trust</u>
Additions:	
Contributions:	
Private employees	\$ 8,195,219
Government employees	4,326,039
Penalties and interest	<u>180,351</u>
Total contributions	<u>12,701,609</u>
Investment income:	
Net change in the fair value of investments	4,354,809
Interest and dividends	<u>549,234</u>
Total investment income	4,904,043
Less investment expense	<u>116,857</u>
Net investment income	<u>4,787,186</u>
Other:	
Compact funding	18,000,000
Other	<u>1,241,613</u>
	<u>19,241,613</u>
Total additions	<u>36,730,408</u>
Deductions:	
Land use distributions	17,988,691
Benefits	18,447,543
Administrative expenses	<u>904,390</u>
Total deductions	<u>37,340,624</u>
Change in net position held in trust for:	
Social security benefits	(621,525)
Land use distributions	11,309
Net position at the beginning of the year	<u>73,691,867</u>
Net position at the end of the year	<u>\$ 73,081,651</u>

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Statement of Net Position Component Units September 30, 2014

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Nonmajor Component Units	Total
<b>ASSETS</b>									
<b>Current assets:</b>									
Cash and cash equivalents	\$ 102,750	\$ 547,430	\$ 530,983	\$ 75,423	\$ 3,866,888	\$ 1,389,030	\$ 605,945	\$ 1,384,243	\$ 8,502,692
Time certificates of deposit	-	-	1,017,926	-	9,662,801	1,334,409	426,297	-	12,441,433
Receivables, net	66,410	1,428,443	8,835,064	21,610,338	6,132,559	969,342	1,325,606	1,598,024	41,965,786
Inventories	470,142	703,184	2,569,491	-	-	335,565	-	1,992,172	6,070,554
Due from component units	-	-	-	-	-	-	237,341	-	237,341
Other current assets	41,406	165,888	114,284	-	-	-	49,190	360,562	731,330
<b>Total current assets</b>	<b>680,708</b>	<b>2,844,945</b>	<b>13,067,748</b>	<b>21,685,761</b>	<b>19,662,248</b>	<b>4,028,346</b>	<b>2,644,379</b>	<b>5,335,001</b>	<b>69,949,136</b>
<b>Noncurrent assets:</b>									
<b>Restricted:</b>									
Cash and cash equivalents	-	-	-	553,787	-	-	-	-	553,787
Time certificates of deposit	-	-	-	1,253,173	-	-	1,700,000	-	2,953,173
Investments	-	1,054,293	-	366,748	5,530,922	-	-	-	6,951,963
<b>Capital assets:</b>									
Nondepreciable capital assets	-	372,306	4,516,063	57,453	-	1,077,709	25,029,222	302,394	31,355,147
Capital assets, net of accumulated depreciation	6,478,160	17,117,224	5,263,673	1,061,217	206,048	28,503,014	37,495,549	7,253,791	103,378,676
Other noncurrent assets	420,541	-	83,107	8,108	-	-	-	-	511,756
<b>Total noncurrent assets</b>	<b>6,898,701</b>	<b>18,543,823</b>	<b>9,862,843</b>	<b>3,300,486</b>	<b>5,736,970</b>	<b>29,580,723</b>	<b>64,224,771</b>	<b>7,556,185</b>	<b>145,704,502</b>
<b>Total assets</b>	<b>\$ 7,579,409</b>	<b>\$ 21,388,768</b>	<b>\$ 22,930,591</b>	<b>\$ 24,986,247</b>	<b>\$ 25,399,218</b>	<b>\$ 33,609,069</b>	<b>\$ 66,869,150</b>	<b>\$ 12,891,186</b>	<b>\$ 215,653,638</b>
<b>LIABILITIES</b>									
<b>Current liabilities:</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,103	\$ 72,103
Short-term debt	-	-	2,571,141	-	-	-	-	1,000,066	3,571,207
Current portion of long-term debt	895,026	-	1,121,635	1,095,950	-	27,296,244	306,334	40,827	30,756,016
Accounts payable	2,531,001	850,651	7,452,461	212,764	610,918	455,607	261,930	3,172,343	15,547,675
Customer deposits	-	-	-	1,405,909	-	558,122	-	-	1,964,031
Other liabilities and accruals	300,279	1,175,360	1,317,062	31,045	124,278	255,442	169,437	4,480,790	7,853,693
Contracts payable	-	-	-	-	-	-	1,372,860	-	1,372,860
Due to primary government	3,116,890	-	347,350	-	-	1,000,000	785,714	-	5,249,954
Due to component units	237,341	-	-	-	-	-	-	-	237,341
Unearned revenues	72,964	1,540,920	2,054,065	277,713	-	-	-	74,485	4,020,147
<b>Total current liabilities</b>	<b>7,153,501</b>	<b>3,566,931</b>	<b>14,863,714</b>	<b>3,023,381</b>	<b>735,196</b>	<b>29,565,415</b>	<b>2,896,275</b>	<b>8,840,614</b>	<b>70,645,027</b>
<b>Noncurrent liabilities:</b>									
Noncurrent portion of long-term debt	1,481,108	-	4,251,520	2,513,101	-	-	883,780	341,902	9,471,411
Due to primary government	-	-	7,754,852	1,952,112	-	-	-	-	9,706,964
<b>Total noncurrent liabilities</b>	<b>1,481,108</b>	<b>-</b>	<b>12,006,372</b>	<b>4,465,213</b>	<b>-</b>	<b>-</b>	<b>883,780</b>	<b>341,902</b>	<b>19,178,375</b>
<b>Total liabilities</b>	<b>8,634,609</b>	<b>3,566,931</b>	<b>26,870,086</b>	<b>7,488,594</b>	<b>735,196</b>	<b>29,565,415</b>	<b>3,780,055</b>	<b>9,182,516</b>	<b>89,823,402</b>
<b>NET POSITION</b>									
Net investment in capital assets	6,478,160	17,489,530	4,646,317	1,118,670	206,048	1,284,479	61,334,657	7,267,017	99,824,878
Restricted	-	1,054,293	-	279,581	-	-	-	288,123	1,621,997
Unrestricted	(7,533,360)	(721,986)	(8,585,812)	16,099,402	24,457,974	2,759,175	1,754,438	(3,846,470)	24,383,361
<b>Total net position</b>	<b>(1,055,200)</b>	<b>17,821,837</b>	<b>(3,939,495)</b>	<b>17,497,653</b>	<b>24,664,022</b>	<b>4,043,654</b>	<b>63,089,095</b>	<b>3,708,670</b>	<b>125,830,236</b>
	<b>\$ 7,579,409</b>	<b>\$ 21,388,768</b>	<b>\$ 22,930,591</b>	<b>\$ 24,986,247</b>	<b>\$ 25,399,218</b>	<b>\$ 33,609,069</b>	<b>\$ 66,869,150</b>	<b>\$ 12,891,186</b>	<b>\$ 215,653,638</b>

See accompanying notes to basic financial statements.

**REPUBLIC OF THE MARSHALL ISLANDS**

Combining Statement of Revenues, Expenses, and Changes in Net Position  
Component Units  
Year Ended September 30, 2014

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Nonmajor Component Units	Total
<b>Operating revenues:</b>									
Charges for services	\$ 1,769,699	\$ 587,277	\$ 19,435,950	\$ 4,147,787	\$ 19,668,686	\$ 8,329,666	\$ 3,758,254	\$ 9,203,211	\$ 66,900,530
Sales	-	977,550	31,788,150	-	-	-	-	4,704,460	37,470,160
Other	329,961	248,956	-	146,623	146,523	-	426,205	395,737	1,694,005
Total operating revenues	<u>2,099,660</u>	<u>1,813,783</u>	<u>51,224,100</u>	<u>4,294,410</u>	<u>19,815,209</u>	<u>8,329,666</u>	<u>4,184,459</u>	<u>14,303,408</u>	<u>106,064,695</u>
<b>Operating expenses:</b>									
Cost of services	1,881,789	8,251,943	48,085,723	319,819	2,546,692	4,926,165	2,818,940	17,863,735	86,694,806
Administration costs	739,854	2,814,261	1,716,188	2,031,077	-	631,493	-	3,101,029	11,033,902
Depreciation and amortization	711,111	1,606,578	1,332,788	273,536	135,634	2,611,922	3,308,278	1,677,831	11,657,678
Total operating expenses	<u>3,332,754</u>	<u>12,672,782</u>	<u>51,134,699</u>	<u>2,624,432</u>	<u>2,682,326</u>	<u>8,169,580</u>	<u>6,127,218</u>	<u>22,642,595</u>	<u>109,386,386</u>
Operating income (loss)	<u>(1,233,094)</u>	<u>(10,858,999)</u>	<u>89,401</u>	<u>1,669,978</u>	<u>17,132,883</u>	<u>160,086</u>	<u>(1,942,759)</u>	<u>(8,339,187)</u>	<u>(3,321,691)</u>
<b>Nonoperating revenues (expenses):</b>									
Contributions from the primary government	887,901	2,874,880	694,400	-	-	12,000	-	5,819,403	10,288,584
Equity in net earnings of joint venture	-	-	-	-	1,150,490	-	-	-	1,150,490
Net change in the fair value of investments	-	(25,982)	-	145,068	-	7,852	-	-	126,938
Interest income	-	-	-	18,003	188,181	-	85,689	-	291,873
Interest expense	(180,879)	-	(495,873)	-	-	(1,328,407)	(98,206)	(94,281)	(2,197,646)
Grants and other contributions	-	6,918,983	-	158,385	14,000	-	-	99,472	7,190,840
Contributions to the primary government	-	-	-	-	(11,549,000)	-	-	-	(11,549,000)
Other	-	981,704	-	-	(22,640)	-	(41,145)	2,058	919,977
Total nonoperating revenues (expenses), net	<u>707,022</u>	<u>10,749,585</u>	<u>198,527</u>	<u>321,456</u>	<u>(10,218,969)</u>	<u>(1,308,555)</u>	<u>(53,662)</u>	<u>5,826,652</u>	<u>6,222,056</u>
Capital contributions	311,672	309,596	-	-	-	982,250	7,752,755	967,533	10,323,806
Change in net position	<u>(214,400)</u>	<u>200,182</u>	<u>287,928</u>	<u>1,991,434</u>	<u>6,913,914</u>	<u>(166,219)</u>	<u>5,756,334</u>	<u>(1,545,002)</u>	<u>13,224,171</u>
Net position at the beginning of the year, as previously reported	(840,800)	17,621,655	(4,227,423)	15,506,219	17,750,108	4,209,873	57,332,761	5,442,968	112,795,361
Prior-period adjustment (note 15)	-	-	-	-	-	-	-	(189,296)	(189,296)
Net position at the beginning of the year, as restated	<u>(840,800)</u>	<u>17,621,655</u>	<u>(4,227,423)</u>	<u>15,506,219</u>	<u>17,750,108</u>	<u>4,209,873</u>	<u>57,332,761</u>	<u>5,253,672</u>	<u>112,606,065</u>
Net position at the end of the year	<u>\$ (1,055,200)</u>	<u>\$ 17,821,837</u>	<u>\$ (3,939,495)</u>	<u>\$ 17,497,653</u>	<u>\$ 24,664,022</u>	<u>\$ 4,043,654</u>	<u>\$ 63,089,095</u>	<u>\$ 3,708,670</u>	<u>\$ 125,830,236</u>

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

## (1) Summary of Significant Accounting Policies

The Republic of the Marshall Islands (“RepMar”) was constituted on May 1, 1979, under the provisions of the Constitution of the Republic of the Marshall Islands (the “Constitution”) as approved by the people of the Marshall Islands. The Constitution provides for the separation of powers of the executive, legislative, and judicial branches of the government. RepMar assumes responsibility for general government, public safety, health, education, and economic development.

The accompanying financial statements of RepMar have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of RepMar's accounting policies are described below.

### A. Reporting Entity

The Government of RepMar is a constitutional government comprised of three branches: the Legislative Branch (the Nitijela), consisting of 33 members elected for a term of four years; the Executive Branch, consisting of the Cabinet; and the Judiciary Branch made up of the High Court, the Supreme Court, and the Traditional Rights Court that advises the High Court on matters concerning customary law and traditional practice. The Nitijela elects one of its members at its first session following an election to serve as President. The President, in turn, appoints six to ten members of the Nitijela to serve as Ministers who collectively comprise the Cabinet.

For financial reporting purposes, RepMar has included all funds, organizations, agencies, boards, commissions and institutions. RepMar has also considered all potential component units for which it is financially accountable as well as other entities for which the nature and significance of their relationship with RepMar are such that exclusion would cause RepMar's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether RepMar, as the primary government, has appointed a voting majority of an organization's governing body and either has the ability to impose its will on that organization or there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on RepMar. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

Each blended and discretely presented component unit of RepMar has a September 30 year-end except for the Four-Atoll Medical Fund, which has a December 31 year-end.

The financial statements of the component units have been included in the financial reporting entity in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Component units are entities that are legally separate organizations for which RepMar's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with RepMar are such that exclusion would cause RepMar's basic financial statements to be misleading or incomplete. RepMar is financially accountable because it appoints the members of the governing authorities of each of the component units and because it is able to impose its will on these organizations or because the organizations provide specific financial benefits or impose specific financial burdens on RepMar.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

## (1) Summary of Significant Accounting Policies, Continued

### A. Reporting Entity, Continued

Blended component units are entities that are legally separate from RepMar, but are so related to RepMar that they are, in substance, the same as RepMar or entities providing services entirely or almost entirely to RepMar. The net position and results of operations of the following legally separate entities are presented as part of RepMar's operations:

- Marshall Islands Scholarship Grant and Loan Board, a Governmental Fund Type - Special Revenue Fund. This fund was established under Public Law No. 1979-19 to account for all disbursements of scholarship funds and is governed by a seven-member Board appointed by the Cabinet of RepMar.
- Marshall Islands Judiciary Fund, a Governmental Fund Type - Special Revenue Fund. This fund was established to account for all activities of the Marshall Islands Judiciary not accounted for within the General Fund.
- Health Care Revenue Fund, a Governmental Fund Type - Special Revenue Fund. This fund was established under Public Law No. 1989-59 within the Ministry of Health and Environment to control the expenditure of funds for health care related services.
- Marshall Islands Health Fund, a Governmental Fund Type - Special Revenue Fund. This fund was established under Public Law No. 1990-75, as amended by Public Law Nos. 2001-31 and 2001-35, to account for the operations of the Basic and Supplemental Health Funds delivering comprehensive medical care.

Discretely presented component units are entities which are legally separate from RepMar, but are financially accountable to RepMar, or whose relationships with RepMar are such that exclusion would cause RepMar's basic financial statements to be misleading or incomplete. The component units' column of the basic financial statements includes the financial data of the following major component units:

- Air Marshall Islands, Inc. (AMI): AMI was granted a corporate charter by the Cabinet of RepMar on October 12, 1989 to provide domestic and international carrier service within and from the Marshall Islands. AMI is governed by a seven-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to AMI through legislative appropriations.
- College of the Marshall Islands (CMI): CMI was established as an independent institution pursuant to the College of the Marshall Islands Act of 1992 (Public Law No. 1992-13) to provide post-secondary education services to meet the needs of the Marshall Islands. CMI is governed by a nine-member Board of Regents appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to CMI through legislative appropriations.
- Marshalls Energy Company, Inc. (MEC): MEC was granted a corporate charter by the Cabinet of RepMar on February 2, 1984 to engage in the business of generating and transmitting electricity, and the import and marketing of petroleum products. MEC is governed by a seven-member Board of Directors appointed by the Cabinet of RepMar. RepMar guarantees principal and interest payments to the Rural Utilities Service in the event of default by MEC on a Federal Financing Bank loan. RepMar provides financial support to MEC through legislative appropriations.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

## (1) Summary of Significant Accounting Policies, Continued

### A. Reporting Entity, Continued

- Marshall Islands Development Bank (MIDB): MIDB was established under Public Law No. 1988-1 to promote development and expansion of the Marshall Islands economy and is governed by a seven-member Board of Directors appointed by the Cabinet. MIDB has received funds under Sections 111 and 211 of the Compact of Free Association and funds from the U.S. Department of Agriculture under the Rural Housing and Community Development Service Housing Preservation Grant. RepMar has the ability to impose its will on MIDB.
- Marshall Islands Marine Resources Authority (MIMRA): MIMRA was established as a body corporate pursuant to the Marshall Islands Marine Resources Authority Act of 1997 (Public Law No. 1997-60) to facilitate the sustainable and responsible use of the marine resources in the Marshall Islands. MIMRA is governed by a seven-member Board of Directors, including the Minister of Resources and Development, the Minister of Foreign Affairs, the Minister of Internal Affairs, and four members appointed by the President. RepMar has the ability to impose its will on MIMRA.
- Marshall Islands National Telecommunications Authority (MINTA): MINTA was incorporated under Public Law No. 1990-105 to engage in the business of providing local and international telecommunication services. MINTA is governed by an eight-member Board of Directors elected by a majority vote of its shareholders. RepMar owns a voting majority of MINTA stock. RepMar guarantees principal and interest payments to the Rural Utilities Service in the event of default by MINTA on Rural Electrification and Telephone Revolving Fund loans.
- RMI Ports Authority (RMIPA): RMIPA was incorporated under Public Law No. 2003-81 to engage in the operation and maintenance of commercial port facilities in the Marshall Islands. RMIPA is governed by a seven-member Board of Directors appointed by the President upon the approval of the Cabinet of RepMar. RepMar has the ability to impose its will on RMIPA.

The component units' column of the basic financial statements also includes the financial data of the following nonmajor component units: Kwajalein Atoll Joint Utilities Resources, Inc., Majuro Atoll Waste Company, Inc., Majuro Resort, Inc., Majuro Water and Sewer Company, Inc., Marshall Islands Postal Service Authority, Marshall Islands Shipping Corporation, Marshall Islands Visitors Authority, Office of Commerce and Investment, RMI Environmental Protection Authority, and Tobolar Copra Processing Authority.

In addition, the fiduciary component units are subject to legislative and executive controls. These component units, while meeting the definition of a component unit and while legally separate, are presented in the fund financial statements of RepMar. They have been omitted from the government-wide financial statements as their resources are not available to fund operations of RepMar. The fiduciary component units are as follows:

- Marshall Islands Social Security Administration (MISSA), a Fiduciary Fund Type - Private Purpose Trust Fund. MISSA was established to provide a financially sound social security system with pension benefits and early retirement and operates under the authority of a seven-member Board of Directors appointed by the Cabinet of RepMar.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

## (1) Summary of Significant Accounting Policies, Continued

### A. Reporting Entity, Continued

RepMar's component units, departments, and funds that are separately audited issue their own financial statements. These statements may be obtained by directly contacting the various entities or obtaining them directly from the Office of the Auditor-General:

P.O. Box 245  
Majuro, Marshall Islands 96960

RepMar is also responsible for appointing voting members to the governing boards of the following legally separate organizations, but RepMar's financial accountability for these organizations does not extend beyond making the appointments. Therefore, the financial data of these entities are excluded from RepMar's financial statements. Those organizations are Alele Museum, Inc. and the Republic of the Marshall Islands Private Industry Council, Inc.

### B. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report financial information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from these statements except for other charges between the primary government and the discretely presented component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Primary government activities are defined as either governmental or business-type activities. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services. As such, business-type activities account for operations similarly to a for-profit business. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Discretely presented component unit activities are presented with their business-type focus.

The Statement of Net Position presents all of the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law.
- Unrestricted net position consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is designated, (for example, internally restricted), to indicate that management does not consider such to be available for general operations.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

## (1) Summary of Significant Accounting Policies, Continued

### B. Government-Wide Financial Statements, Continued

The government-wide Statement of Net Position reports \$69,030,117 of restricted net position, of which \$7,682,243 is restricted by enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are, instead, reported as general revenue.

### C. Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with nonmajor governmental funds being combined into a single column.

RepMar reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

### D. Measurement Focus and Basis of Accounting

*Government-Wide Financial Statements* - the government-wide financial statements are reported using the economic resources management focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenue is derived from taxation, investment income and other fees that are not allocated to specific programs.

*Governmental Fund Financial Statements* - the governmental fund financial statements account for the general governmental activities of RepMar and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, RepMar considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.



# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

## (1) Summary of Significant Accounting Policies, Continued

### D. Measurement Focus and Basis of Accounting, Continued

Significant revenues susceptible to accrual include income and gross revenue taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Miscellaneous revenues from other financing sources are recognized when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

*Fiduciary funds and discretely presented component units financial statements* - the fiduciary funds and discretely presented component units financial statements are reported using the economic measurement focus and the accrual basis of accounting, similar to government-wide financial statements, as described above.

Discretely presented component units distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a component unit's principal ongoing operations. All other revenues are reported as nonoperating. Operating expenses includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus*, sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses for either fund category or the governmental and enterprise combined) for the determination of major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining statements.

RepMar reports the following major funds:

- General Fund - This fund is the primary operating fund of RepMar. It is used to account for all governmental transactions, except those required to be accounted for in another fund.
- Grants Assistance Fund - a Special Revenue Fund that accounts for all financial transactions that are subgranted to RepMar, including United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(a) and approved by Nitijela resolution 123 to promote economic advancement and budgetary self-reliance as well as other direct grants that RepMar received from the United States government and other donor countries.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

## (1) Summary of Significant Accounting Policies, Continued

### D. Measurement Focus and Basis of Accounting, Continued

- Compact Trust Fund - a Permanent Fund that accounts for RepMar's contributions to the Trust Fund established in accordance with Section 216 of the Compact of Free Association, as amended, to provide for an additional source of revenue for the government budget that will be needed to substitute for the absence of Compact of Free Association funding.

The nonmajor governmental funds are comprised of special revenue funds, which account for financial resources obtained from specific revenue sources and used for restricted purposes.

In addition, RepMar reports the following fund types:

- Private Purpose Trust Funds - these funds are used to account for resources held in trust under which principal and income benefit certain individuals. These include funds held in trust by the Marshall Islands Social Security Administration (MISSA) for the beneficiaries of the MISSA Retirement Fund; funds received under the Interim Use Agreement for the benefit of Kwajalein landowners; and funds received under Section 177 of the Compact of Free Association for the benefit of victims related to the United States Nuclear Testing Program.
- Agency Funds - this fund is used to report resources held by the primary government relating to unclaimed property in a purely custodial capacity.

### E. Cash and Cash Equivalents and Time Certificates of Deposit

RepMar pools cash resources of its various funds in order to facilitate the management of cash. Unless otherwise required by law, interest income received on pooled cash accrues to the General Fund. Cash and cash equivalents applicable to a particular fund are readily identifiable. Cash and cash equivalents include cash on hand, demand deposits, and short-term investments in U.S. Treasury obligations with a maturity date within three months of the date acquired by RepMar. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified on the statement of net position/balance sheet.

### F. Investments

Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Investments of 20% or more of the voting stock of an investee are presumed to give the investor significant influence and are carried using the equity method. Under the equity method, the investor records, as earnings or loss, its proportionate share of the investee's earnings or loss.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

## (1) Summary of Significant Accounting Policies, Continued

### G. Receivables

In general, tax revenue is recognized on the government-wide financial statements, when assessed or levied and on the governmental fund financial statements to the extent that it is both measurable and available. Receivables are stated net of estimated allowances for uncollectible accounts. Reimbursements due to RepMar for expenditures on federally funded reimbursement and grant programs are reported as "receivables from federal agencies" on the governmental fund balance sheet.

Receivables of the primary government and the discretely presented component units are primarily due from businesses and individuals residing on the islands of Majuro and Ebeye. The allowance for uncollectible accounts primarily represents estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

### H. Inventories

Inventories of the discretely presented component units are valued at the lower of cost (FIFO) or market.

### I. Interfund Receivables/Payables

During the course of its operations, RepMar records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as "due from other funds" or "due to other funds" on the governmental fund balance sheet. Receivables and payables resulting from transactions between component units and the primary government are classified as "due to/from primary government" or "due to/from component units" on the governmental fund balance sheet and the statement of net position. Interfund receivables and payables have been eliminated from the statement of net position.

### J. Restricted Assets

Certain assets of the primary government and the discretely presented component units are classified as restricted assets because their use is restricted through loan agreements or enabling legislation.

### K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, docks, water and sewer lines, water catchments, and other similar items), are reported in the governmental activity column of the government-wide financial statements. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. RepMar currently holds no title to land. Singular pieces of machinery and equipment that equal or exceed \$50,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds \$100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(1) Summary of Significant Accounting Policies, Continued

K. Capital Assets, Continued

Capital assets of the primary government and the component units are depreciated using the straight-line method over their estimated useful lives, with a full year's depreciation charged in the year of acquisition and disposal, regardless of date.

L. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. RepMar has no items that qualify for reporting in this category.

M. Unearned Revenue

In the government-wide financial statements, unearned revenue is recognized when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, unearned revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. Unearned revenue of the discretely presented component units primarily represents amounts received for tuition and fees, certain auxiliary activities, and fuel sales prior to the end of the fiscal year but related to the subsequent accounting period.

N. Long-term Debt

The liabilities reported in the government-wide financial statements include long-term obligations incurred under various Asian Development Bank loans and compensated absences payable. Long-term obligations financed by component units are recorded as liabilities in the discretely presented component unit's column.

O. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Annual leave accumulates at the rate of one working day per bi-weekly pay period.

P. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. RepMar has no items that qualify for reporting in this category.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

## (1) Summary of Significant Accounting Policies, Continued

### Q. Fund Equity

Fund balance classifications are based on the extent to which RepMar is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Unassigned includes negative fund balances in other governmental funds.

RepMar has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of RepMar is to use committed resources first followed by unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

A formal minimum fund balance policy has not been adopted.

### R. Risk Financing

RepMar is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, RepMar management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, RepMar reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these policies in any of the past three fiscal years.

### S. New Accounting Standards

During fiscal year 2014, RepMar implemented the following pronouncements:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

## (1) Summary of Significant Accounting Policies, Continued

### S. New Accounting Standards, Continued

- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement.

The implementation of these statements did not have a material effect on the accompanying financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(1) Summary of Significant Accounting Policies, Continued

T. Encumbrances

RepMar utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2014, RepMar has significant encumbrances summarized as follows:

<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 4,703,068	\$ 9,577,733	\$ -	\$ 94,274	\$ 14,375,075

U. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

V. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with RepMar's financial statements for the year ended September 30, 2013 from which summarized information was derived.

(2) Deposits and Investments

The deposit and investment policies of RepMar are governed by 3 MIRC 7, *Investment of Public Funds*, and 11 MIRC 1, *Financial Management*, in conjunction with various trust agreements. Under 3 MIRC 7, the Secretary of Finance, subject to approval of the Cabinet, may transfer specific amounts of money from the General Fund, and invest such money in financial institution investment accounts, provided however that:

- (a) Public monies shall not be deposited with any financial institution that is not a member of the Federal Deposit Insurance Corporation (FDIC) of the United States or the Federal Savings and Loan Insurance Corporation (FSLIC) of the United States, unless the Secretary of Finance is satisfied, on the advice of the Banking Commissioner, that a financial institution (although not a member of the FDIC or FSLIC), owns sufficient assets to cover the total amount of the deposit;
- (b) The demand deposit account shall be continuously maintained to cover not less than seventy-five percent of the cash expenditures projected to be expended over the next succeeding ninety day period;
- (c) All deposits, accounts and funds maintained pursuant to this Act shall be subordinate deposits, accounts and funds of the General Fund; and

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(2) Deposits and Investments, Continued

- (d) No withdrawal of monies shall be made out of or charged against time or savings deposits, accounts or funds maintained pursuant to this Act except to transfer funds into the demand deposit account of the General Fund. All expenditures shall be made out of or charged against the demand deposit account of the General Fund only.

Under 11 MIRC 1, the Secretary of Finance may invest any monies of RepMar, which:

- (a) Are funds that have not been appropriated by an Act;
- (b) In his judgment are in excess of the amounts necessary for meeting the immediate requirements of RepMar; and
- (c) In his judgment will not impede or hamper the necessary financial operations of RepMar.

Any of such investments shall be due to mature no later than one (1) year from the date of investment, unless otherwise directed and authorized by the Cabinet for a longer period. Income derived from investments may be reinvested, unless the Cabinet decides otherwise, at the discretion of the Secretary of Finance and shall be recognized as revenue in accordance with generally accepted accounting principles. Long-term investments shall be in time certificates of deposits, bonds, notes, prime commercial paper or other low-risk investments.

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, RepMar's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. RepMar does not have a deposit policy for custodial credit risk.

As of September 30, 2014, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit was \$13,509,658 and the corresponding bank balances were \$15,381,310. Of the bank balances, \$14,048,197 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2014, bank deposits in the amount of \$1,123,620 were FDIC insured. Bank deposits of \$1,333,113 are maintained in financial institutions not subject to depository insurance. RepMar does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2014, the carrying amount of the fiduciary fund's total cash and cash equivalents was \$986,958 and the corresponding bank balances were \$1,343,043. Of the bank balances, \$297,803 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2014, bank deposits in the amount of \$250,000 were FDIC insured. Bank deposits of \$1,045,240 are maintained in financial institutions not subject to depository insurance. RepMar does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.



REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

(2) Deposits and Investments, Continued

A. Deposits, Continued

As of September 30, 2014, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$24,451,085 and the corresponding bank balances were \$25,742,778. Of the bank balances, \$8,757,485 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2014, bank deposits in the amount of \$2,599,010 were FDIC insured. Bank deposits of \$16,985,293 are maintained in financial institutions not subject to depository insurance. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

B. Investments

Primary Government

Investments of the primary government as of September 30, 2014, are as follows:

Compact Trust Fund:	
Equity mutual funds	\$ 34,877,050
Fixed income mutual funds	10,687,400
Hedge funds	5,880,997
Real estate funds	3,251,584
Private markets	736,407
Other	<u>462,868</u>
	\$ <u>55,896,306</u>

Additionally, as of September 30, 2014, the primary government holds approximately 13% of the outstanding shares of Pacific Islands Development Bank with a carrying amount of \$998,250. As the fair market value of this investment is not readily available, such has been recorded at cost.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, RepMar will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. RepMar's investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all of these investments were held in RepMar's name by RepMar's custodial financial institutions at September 30, 2014.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. RepMar does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of September 30, 2014, there were no investments in any one issuer that exceeded 5% of total investments.

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(2) Deposits and Investments, Continued

B. Investments, Continued

Fiduciary Funds

Investments in marketable securities of the fiduciary funds as of September 30, 2014, are as follows:

Marshall Islands Social Security Administration (MISSA):	
Money market funds	\$ 15,626
Common equity securities	6,288,991
Mutual funds	<u>52,554,234</u>
	\$ <u>58,858,851</u>
 Nuclear Claims Trust Fund (NCTF):	
Money market funds	\$ <u>2,289</u>

Additionally, as of September 30, 2014, MISSA holds approximately 10% of the outstanding shares of Marshall Islands Service Corporation, totaling \$30,000, which is accounted for at cost, and approximately 35% of the outstanding shares of Marshall Islands Holdings, Inc. (MIHI), totaling \$12,199,427, which is accounted for under the equity method. During the year ended September 30, 2014, MISSA received dividend payments from MIHI of \$359,429.

For the year ended September 30, 2014, net increase in fair value of investments included equity in net earnings of MIHI amounting to \$1,766,423.

The deposit and investment policies of MISSA are governed by its enabling legislation. The Board is required to engage one or more fund custodians to assume responsibility for the physical possession of MISSA's investments. Legally authorized investments are as follows:

- (i) Government obligations - Obligations issued or guaranteed as to principal and interest by RepMar or by the Government of the United States, provided that the total market value of the investments in obligations guaranteed by RepMar shall at the time of purchase not exceed twenty-five percent (25%) of the total market value of all investments of MISSA, and further provided that the principal and interest on each obligation are payable in the currency of the United States.
- (ii) Corporate obligations and mortgage-backed securities - Obligations of any public or private entity or corporation created or existing under the laws of RepMar or of the United States or any state, territory or commonwealth thereof, or obligations of any other government or economic community which are payable in United States dollars, or pass through and other mortgage-backed securities provided that the obligation is from an agency of the United States Government or is rated in one of the four highest categories by two nationally recognized rating agencies in the United States. No investment under this heading shall exceed five percent of the market value of the Fund or ten percent of the outstanding value of the issue at the time of purchase.

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(2) Deposits and Investments, Continued

B. Investments, Continued

Fiduciary Funds, Continued

- (iii) Preferred and common stocks - Shares of preferred or common stocks of any corporation created or existing under the laws of RepMar or under the laws of the United States or any state, territory or commonwealth thereof provided that the purchase of such shares shall be considered reasonable and prudent by MISSA's investment advisor at the time of purchase, that not more than fifteen percent (15%) of the market value of the Fund shall be invested in the stock of any one corporation, and that not more than twenty-five percent (25%) of the market value of the Fund shall be invested in any one industry group.
  
- (iv) Insurance company obligations - Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in the Republic or in any state, territory or commonwealth of the United States provided that the total market value of these investments at no time shall exceed ten percent (10%) of all investments of the Fund.

The deposit and investment policies of the NCTF are governed by an agreement between the Government of the United States and RepMar for the implementation of Section 177 of the Compact of Free Association. Generally, the Fund shall be invested in bonds, notes and other instruments of investment grade and of United States nationality, including debt and equity issues, common or preferred stocks, money market funds, certificates of indebtedness and mutual funds.

MISSA and NCTF investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all of these investments were held respectively in the name of MISSA and NCTF by their custodial financial institutions at September 30, 2014.

MISSA and NCTF do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Furthermore, as of September 30, 2014, there were no investments in any one issuer that exceeded 5% of total investments.

Discretely Presented Component Units

Investments of the discretely presented component units as of September 30, 2014, are as follows:

College of the Marshall Islands (CMI):	
Money market funds	\$ 11,429
Common equity securities	191,178
Mutual funds	<u>851,686</u>
	<u>\$ 1,054,293</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units, Continued

The deposit and investment policies of CMI are governed by the Board of Regents. As such, the Board of Regents is authorized to delegate certain responsibilities to third parties. Investment managers have discretion to purchase, sell, or hold the specific securities to meet the objectives set forth in the investment policy. Generally, CMI can invest in cash and cash equivalents, bonds, U.S. and non-U.S. equities, Real Estate Investment Trusts, and commodities.

Marshall Islands Development Bank:  
Common equity securities \$ 366,748

The deposit and investment policies of MIDB are governed by MIDB's Board of Directors. Generally, MIDB can provide financial assistance to enterprises operating in the Republic, including making equity investments in such enterprises.

Marshall Islands Marine Resources Authority (MIMRA):  
Investment in joint venture \$ 4,550,922

On May 1, 2005, MIMRA entered into a joint venture agreement with a third party to form the Marshall Islands Fishing Corporation (MIFCO), an ongoing association for the purpose of engaging in the purse seine fishing business. The association was formally organized during fiscal year 2006 with the purchase of the vessel, RMI201. MIMRA's contributed capital was \$2,940,000, which represented a 49% interest of the vessel's value of \$6,000,000.

A summary of audited financial information as of and for the year ended December 31, 2014, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>18,181,823</u>
Liabilities	\$ <u>8,634,103</u>
Net earnings	\$ <u>1,044,906</u>

For the year ended September 30, 2014, MIMRA recognized equity in net earnings of MIFCO of \$1,150,490.

Additionally, as of September 30, 2014, MIMRA holds approximately 15% of the outstanding shares of Marshall Islands National Telecommunications Authority, a component unit of RepMar, totaling \$980,000, which is accounted for at cost,

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

**(3) Receivables**

**Primary Government**

Receivables as of September 30, 2014, for the primary government's individual major governmental funds, nonmajor governmental funds in the aggregate, and fiduciary funds, including applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
Receivables:						
Taxes	\$ 2,263,335	\$ -	\$ -	\$ 89,358	\$ -	\$ 2,352,693
Federal agencies	658,815	8,475,538	-	-	-	9,134,353
General	1,154,341	4,005,598	-	7,085,555	-	12,245,494
Contributions	-	-	-	-	8,919,653	8,919,653
Loans	4,368,787	-	-	19,747,124	-	24,115,911
Other	-	-	-	239,644	72,525	312,169
	<u>8,445,278</u>	<u>12,481,136</u>	<u>-</u>	<u>27,161,681</u>	<u>8,992,178</u>	<u>57,080,273</u>
Less: allowance for uncollectible accounts	<u>(5,212,303)</u>	<u>(191,936)</u>	<u>-</u>	<u>(25,532,546)</u>	<u>(6,595,470)</u>	<u>(37,532,255)</u>
Net receivables	<u>\$ 3,232,975</u>	<u>\$ 12,289,200</u>	<u>\$ -</u>	<u>\$ 1,629,135</u>	<u>\$ 2,396,708</u>	<u>\$ 19,548,018</u>

Loans receivable of the primary government are summarized as follows:

**General Fund:**

Notes receivable from four fishing companies incorporated and operating in the Republic of the Marshall Islands, due August 1992, interest at 6% per annum, interest and principal payable on demand. These notes have been fully provided for in the allowance for uncollectible accounts. \$ 1,780,000

Loan receivable from Ebje Ruktok/Rukjenlein Fishing Company, Inc., interest at 8.5% per annum, with repayments commencing March 1995. The loan is a subsidiary loan of a loan agreement (Loan Number 1102 MAR (SF)) between RepMar and the Asian Development Bank. This loan has been fully provided for in the allowance for uncollectible accounts. 2,588,787

**\$ 4,368,787**

**Nonmajor Governmental Funds:**

Loans to qualified Marshallese students under a student financial assistance program, interest free, uncollateralized with no set repayment terms, and may be converted to grants at a later date if the recipients meet certain criteria. These loans have been fully provided for in the allowance for uncollectible accounts. During the year ended September 30, 2014, loans in the amount of \$418,353 were converted to grants as the recipients met the criteria for conversion. **\$ 19,747,124**

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(3) Receivables, Continued

Discretely Presented Component Units

Receivables as of September 30, 2014, for the discretely presented component units, including applicable allowance for uncollectible accounts, are as follows:

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Non-major Component Units	Totals
Receivables:									
Federal agencies	\$ -	\$ 98,791	\$ -	\$ -	\$ -	\$ -	\$ 1,119,333	\$ -	\$ 1,218,124
General	708,884	2,496,365	12,790,150	-	6,158,024	1,095,135	1,385,313	6,728,009	31,337,812
Loans	-	-	-	33,599,622	-	-	-	-	33,599,622
Other	-	141,090	2,008,637	627,354	1,004,694	248,679	118,574	376,311	4,549,407
	708,884	2,736,246	14,798,787	34,226,976	7,162,718	1,343,814	2,623,220	7,104,320	70,704,965
Less: allowance for uncollectible Accounts	<u>(642,474)</u>	<u>(1,307,803)</u>	<u>(5,963,723)</u>	<u>(12,616,638)</u>	<u>(1,030,159)</u>	<u>(374,472)</u>	<u>(1,297,614)</u>	<u>(5,506,296)</u>	<u>(28,739,179)</u>
Net receivables	<u>\$ 66,410</u>	<u>\$ 1,428,443</u>	<u>\$ 8,835,064</u>	<u>\$ 21,610,338</u>	<u>\$ 6,132,559</u>	<u>\$ 969,342</u>	<u>\$ 1,325,606</u>	<u>\$ 1,598,024</u>	<u>\$ 41,965,786</u>

Loans receivable of the discretely presented component units are as follows:

Marshall Islands Development Bank (MIDB):

MIDB's loan portfolio is comprised of consumer, housing and business loans. Majority of the loan portfolio is unsecured, while remaining portion is secured by various forms of collateral. Additionally, these loans are cosigned by third parties. The basis for expected repayment of a majority of the consumer loans and housing loans is the continued employment of the borrower and allotment agreements between MIDB and the borrower's employer. Details of these loans by funding source are as follows:

Investment Development Fund	\$ 1,176,157
Compact Section 211	286,613
Republic of the Marshall Islands	32,126,930
Housing Preservation Grant	<u>9,922</u>
	<u>\$ 33,599,622</u>

All loans are at fixed rates ranging from 5.5% - 6.5% for Investment Development Fund loans, 4% - 6.5% for Compact Section 211 loans, 4% - 12% for Republic of Marshall Islands loans, and 2% - 6% for Housing Preservation Grant loans.

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

**(4) Interfund Receivables and Payables**

**Primary Government**

Receivables and payables between funds reflected as due to/from other funds in the governmental funds balance sheet at September 30, 2014, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	Grants Assistance	\$ 5,591,931	\$ 5,591,931
Grants Assistance	General	5,730,702	5,730,702
Nonmajor governmental funds	General	786,736	786,736
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	2,032,916	-
Fiduciary Funds - Private Purpose Trust	General	-	712,705
Fiduciary Funds - Agency	General	-	<u>164,484</u>
		14,142,285	12,986,558
Fiduciary Funds - Private Purpose Trust	General	712,705	2,032,916
Fiduciary Funds - Agency	General	<u>164,484</u>	<u>-</u>
		<u>\$ 15,019,474</u>	<u>\$ 15,019,474</u>

Receivables and payables between funds reflected as due to/from component units at September 30, 2014, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Marshall's Energy Company, Inc.	\$ 8,102,202	\$ -
Marshall Islands Development Bank	1,952,112	-
Marshall Islands Marine Resources Authority	-	330,000
RMI Ports Authority	-	152,678
Nonmajor component units	<u>-</u>	<u>69,063</u>
	<u>\$ 10,054,314</u>	<u>\$ 551,741</u>

The amount recorded by the General Fund due from the Marshall's Energy Company, Inc. of \$8,102,202 represents a subsidiary loan agreement under an Asian Development Bank (ADB) loan (Loan Number 2659 RMI (SF)) received by RepMar from the ADB. Interest accrues at the rate of 1% per annum through September 30, 2018 and at 1.5% per annum thereafter with principal and interest payments due of \$37,960 and matures on May 31, 2034.

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 347,350	\$ 108,170	\$ 455,520
2016	379,709	75,811	455,520
2017	383,523	71,997	455,520
2018	419,833	35,687	455,520
2019	361,707	93,813	455,520
2020 - 2024	1,883,270	394,330	2,277,600
2025 - 2029	2,023,927	253,673	2,277,600
2030 - 2034	<u>2,302,883</u>	<u>133,120</u>	<u>2,436,003</u>
	<u>\$ 8,102,202</u>	<u>\$ 1,166,601</u>	<u>\$ 9,268,803</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(4) Interfund Receivables and Payables, Continued

Primary Government, Continued

The amount recorded by the General Fund due from the Marshall Islands Development Bank (MIDB) of \$1,952,112 accrues interest at the rate of 4% per annum and matures on May 8, 2018. In the event that RepMar redeems this receivable at an earlier date, receipt of funds may be dependent upon the underlying collectability of loans issued by MIDB, as MIDB does not appear to have readily available cash reserves to meet early redemption. Furthermore, in the event that RepMar is unable to liquidate this amount at an earlier date, such may be deemed to constitute a cash transfer out to MIDB (see Note 14).

The amount recorded as due from component units of the primary government of \$10,054,314 does not equal the corresponding due to primary government of the discretely presented component units of \$14,956,918 due to an allowance for doubtful accounts recorded by the General Fund and the Grants Assistance Fund of \$3,302,604 and \$1,600,000, respectively. The amount recorded as due to component units of the primary government of \$551,741 does not equal the corresponding due from primary government of the discretely presented component units due to allowance for doubtful accounts recorded by the respective component units of \$551,741.

Discretely Presented Component Units

Receivables and payables between funds reflected as due to/from primary government at September 30, 2014, are summarized as follows:

	Due From	Due To
Air Marshall Islands, Inc.:		
General Fund	\$ -	\$ 1,516,890
Grants Assistance Fund	-	1,600,000
Marshalls Energy Company, Inc.:		
General Fund	-	8,102,202
Marshall Islands Development Bank:		
General Fund	-	1,952,112
Marshall Islands National Telecommunications Authority:		
General Fund	-	1,000,000
RMI Ports Authority:		
General Fund	-	785,714
	\$ -	\$ 14,956,918

The amount recorded by the Marshall Islands National Telecommunications Authority (MINTA) due to the General Fund of \$1,000,000 represents Compact of Free Association Infrastructure Maintenance Sector grant funds borrowed by MINTA. This loan is unsecured and interest free with annual payments due of \$100,000 commencing March 2012 to be deposited into a savings account established in accordance with Section 211(d)(2) of the Compact of Free Association, as amended. MINTA is currently in default and, as a result, all amounts due have been reclassified as current liabilities.



**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

**(4) Interfund Receivables and Payables, Continued**

**Discretely Presented Component Units, Continued**

Receivables and payables between funds reflected as due to/from component units at September 30, 2014, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
RMI Ports Authority:		
Air Marshall Islands, Inc.	\$ 237,341	\$ -
Air Marshall Islands, Inc.:		
RMI Ports Authority	-	237,341
	<u>\$ 237,341</u>	<u>\$ 237,341</u>

The amount recorded by the RMI Ports Authority due from Air Marshall Islands, Inc. of \$237,341 accrues interest at the rate of 8% per annum and matured on March 30, 2013.

**(5) Capital Assets**

Capital asset activities for the year ended September 30, 2014, are as follows:

**Primary Government**

	Estimated Useful <u>Lives</u>	Balance October <u>1, 2013</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Balance September <u>30, 2014</u>
Depreciable capital assets:						
Electrical distribution	30 yrs	\$ 30,540,465	\$ -	\$ -	\$ -	\$ 30,540,465
Buildings	30 - 40 yrs	113,579,076	3,800,000	2,014,362	(7,200,204)	112,193,234
Water infrastructure system	25 yrs	9,616,908	-	-	-	9,616,908
Docks, roads and bridges	25 - 30 yrs	14,486,813	-	200,085	-	14,686,898
Ships	25 yrs	13,793,254	11,441,000	-	(1,152,000)	24,082,254
Software	10 yrs	2,539,710	-	-	-	2,539,710
Heavy equipment	3 - 10 yrs	5,725,980	1,097,926	-	-	6,823,906
		<u>190,282,206</u>	<u>16,338,926</u>	<u>2,214,447</u>	<u>(8,352,204)</u>	<u>200,483,375</u>
Less accumulated depreciation:						
Electrical distribution		(28,991,106)	(110,793)	-	-	(29,101,899)
Buildings		(44,581,812)	(2,360,589)	-	4,680,133	(42,262,268)
Water infrastructure system		(6,573,437)	(378,654)	-	-	(6,952,091)
Docks, roads and bridges		(9,331,223)	(495,307)	-	-	(9,826,530)
Ships		(8,609,742)	(963,290)	-	599,040	(8,973,992)
Software		(1,903,709)	(106,000)	-	-	(2,009,709)
Heavy equipment		(2,359,874)	(558,542)	-	-	(2,918,416)
		<u>(102,350,903)</u>	<u>(4,973,175)</u>	<u>-</u>	<u>5,279,173</u>	<u>(102,044,905)</u>
Total depreciable capital assets, net		87,931,303	11,365,751	2,214,447	(3,073,031)	98,438,470
Nondepreciable capital assets:						
Construction in progress		3,534,336	1,098,353	(2,214,447)	(2,363,634)	54,608
		<u>\$ 91,465,639</u>	<u>\$ 12,464,104</u>	<u>\$ -</u>	<u>\$ (5,436,665)</u>	<u>\$ 98,493,078</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(5) Capital Assets, Continued

Primary Government, Continued

During the year ended September 30, 2014, RepMar recognized an impairment loss of \$552,960 associated with the MV Landrik, which is currently sitting idle, and an impairment loss of \$2,520,071 associated with the Capitol Building, which is currently in a state of disrepair. In addition, RepMar recorded a special item of \$2,363,634 representing the write-off of construction in progress costs associated with the termination of a contract for the Majuro Hospital Redevelopment project.

Depreciation expense was charged to functions/programs of the primary government's governmental activities as follows:

President and Cabinet	\$ 3,186
Public Service Commission	15,000
Education	1,426,426
Health and Environment	507,393
Transportation and Communication	666,670
Resources and Development	80,225
Internal Affairs	51,123
Justice	313,202
Finance	39,825
Foreign Affairs and Trade	164,656
Public Works	1,704,166
Nitijela	<u>1,303</u>
	<u>\$ 4,973,175</u>

Discretely Presented Component Units

	Estimated Useful Lives	Balance October 1, 2013	Additions	Retirements	Balance September 30, 2014
Depreciable capital assets:					
Buildings	3 - 34 yrs	\$ 50,633,229	\$ 833,788	\$ (189,213)	\$ 51,277,804
Utility plant	3 - 40 yrs	96,775,780	1,492,870	-	98,268,650
Machinery and equipment	2 - 25 yrs	45,550,686	1,913,268	(734,094)	46,729,860
Infrastructure	5 - 50 yrs	<u>47,199,948</u>	<u>-</u>	<u>(36,656)</u>	<u>47,163,292</u>
		240,159,643	4,239,926	(959,963)	243,439,606
Less accumulated depreciation		<u>(129,320,389)</u>	<u>(11,643,982)</u>	<u>903,441</u>	<u>(140,060,930)</u>
Total depreciable capital assets, net		110,839,254	(7,404,056)	(56,522)	103,378,676
Nondepreciable capital assets:					
Land		372,306	-	-	372,306
Construction in progress		<u>20,136,325</u>	<u>10,970,324</u>	<u>(123,808)</u>	<u>30,982,841</u>
		<u>20,508,631</u>	<u>10,970,324</u>	<u>(123,808)</u>	<u>31,355,147</u>
		<u>\$131,347,885</u>	<u>\$ 3,566,268</u>	<u>\$ (180,330)</u>	<u>\$134,733,823</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

**(6) Short-term Debt**

**Discretely Presented Component Units**

**Marshalls Energy Company, Inc. (MEC):**

On June 6, 2014, MEC obtained a short-term bank loan to finance fuel purchases in the amount of \$1,000,000, interest at 4.5% per annum, payable in monthly installments of principal and interest of \$85,350, due May 31, 2015, collateralized by a guarantee from RepMar. On July 7, 2014, MEC obtained a short-term bank loan to finance the construction of a warehouse in the amount of \$1,900,000, interest at 7.5% per annum, due and payable on December 31, 2014, collateralized by a guarantee from RepMar. At September 30, 2014, the amount outstanding against these loan facilities was \$2,571,141.

**Marshall Islands Development Bank (MIDB):**

On December 12, 2012, MIDB obtained a short-term bank loan to finance equipment purchases in the amount of \$95,000, interest at 5% per annum, due November 30, 2013. The loan has been fully paid as of September 30, 2014.

**Tobolar Copra Processing Authority (TCPA):**

On October 4, 2013, TCPA obtained a bank credit line of \$1,700,000 to finance the buying of copra, interest at 7.5% per annum, due and payable on September 30, 2015, collateralized by a guarantee from RepMar. At September 30, 2014, the amount outstanding against this loan facility was \$1,000,066.

Short-term debt activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
MEC:				
Bank loan	\$ 161,588	\$ 2,900,000	\$ (490,447)	\$ 2,571,141
MIDB:				
Bank loan	14,161	-	(14,161)	-
TCPA:				
Bank credit line	<u>-</u>	<u>1,196,000</u>	<u>(195,934)</u>	<u>1,000,066</u>
	<u>\$ 175,749</u>	<u>\$ 4,096,000</u>	<u>\$ (700,542)</u>	<u>\$ 3,571,207</u>

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2014

### (7) Long-term Obligations

#### Primary Government

Under the Government Borrowing Act of 1985, RepMar may borrow money for such purposes as approved by the Nitijela of RepMar. As of September 30, 2014, the primary government had the following long-term debt outstanding and payable to the Asian Development Bank (ADB):

Loan Number 1102 MAR (SF) - Fisheries Development Project Loan (SDR 2,432,599), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced January 1, 2002 in an amount of SDR 24,300, increasing to SDR 48,600 on January 1, 2012.	\$ 2,395,970
Loan Number 1218 MAR (SF) - Typhoon Rehabilitation Loan (SDR 364,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced May 15, 2003 in an amount of SDR 3,600, increasing to SDR 7,300 on May 15, 2013.	376,841
Loan Number 1249 MAR (SF) - Basic Education Project Loan (SDR 5,717,446), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced April 15, 2004 in an amount of SDR 57,200, increasing to SDR 114,300 on April 15, 2014.	6,084,480
Loan Number 1250 MAR (SF) - Majuro Water Supply Project Loan No. 1 (SDR 478,496), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced November 15, 2003 in an amount of SDR 4,800, increasing to SDR 9,600 on November 15, 2013.	548,293
Loan Number 1316 RMI (SF) - Health and Population Project Loan (SDR 3,858,516), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced January 1, 2005 in an amount of SDR 38,600, increasing to SDR 77,200 on January 1, 2015.	4,178,055
Loan Number 1389 RMI (SF) - Majuro Water Supply Project Loan No. 2 (SDR 6,062,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced March 1, 2006 in an amount of SDR 60,700, increasing to SDR 121,200 on March 1, 2016.	6,807,377
Loan Number 1513 RMI (SF) - Public Sector Reform Program Loan (SDR 8,241,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced June 1, 2007 in an amount of SDR 82,400, increasing to SDR 164,800 on June 1, 2017.	9,596,859

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

## (7) Long-term Obligations, Continued

### Primary Government, Continued

Loan Number 1694 RMI (SF) - Ebeye Health and Infrastructure Project Loan (SDR 6,918,118), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced February 1, 2008 in an amount of SDR 144,127. 6,342,160

Loan Number 1791 RMI (SF) - Skills Training and Vocational Education Project Loan (SDR 3,483,174), non-interest bearing with a service charge of 1.5% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced May 15, 2009 in an amount of SDR 72,566. 3,795,080

Loan Number 1828 RMI - Fiscal and Financial Management Program Loan No. 1 (\$4,000,000), interest at the ADB's pool-based variable lending rate system for U.S. dollar loans (5.85% at September 30, 2014), a front-end fee of 1%, and a commitment charge of 0.75% per annum on the amount of the loan unwithdrawn from the Loan Account. Semi-annual loan payments commenced November 15, 2004 in an initial amount of \$89,900 with graduated increases of 5% to \$276,100 through May 15, 2016. 1,027,900

Loan Number 1829 RMI (SF) - Fiscal and Financial Management Program Loan No. 2 (SDR 6,320,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence November 15, 2009 in an amount of SDR 197,500, at which time the service charge increases to 1.5% per annum. 5,767,415

Loan Number 1948 RMI (SF) - Outer Island Transport Infrastructure Project (SDR 5,304,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence February 1, 2011 in an amount of SDR 110,500, at which time the service charge increases to 1.5% per annum. 422,927

Loan Number 2659 RMI (SF) - Public Sector Program Loan (SDR 6,413,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence February 15, 2019 in an amount of SDR 200,406, at which time the service charge increases to 1.5% per annum. Concurrently, RepMar entered into a subsidiary loan agreement with the Marshalls Energy Company, Inc. whereby RepMar will on lend a portion of the loan proceeds for the purpose of restructuring certain commercial bank debt. 9,979,846

Loan Number 2950 RMI (SF) - Fiscal Reform and Debt Management Project (SDR 3,242,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence May 15, 2021 in an amount of SDR 101,313, at which time the service charge increases to 1.5% per annum. 4,893,961

\$ 62,217,164

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(7) Long-term Obligations, Continued

Primary Government, Continued

The abovementioned ADB loans payable are uncollateralized and are backed by the full faith and credit of RepMar. The abovementioned loans are designated and measured by the ADB using Special Drawing Rights. (SDRs). The value of a SDR is defined by a weighted currency basket of four major currencies; the U.S. dollar, the euro, the British pound, and the Japanese yen. The International Monetary Fund re-evaluates this currency basket every five years. The effects of foreign currency transaction gains or losses resulting from this re-evaluation are included in the government-wide financial statements in the period when such re-evaluation occurs.

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,720,209	\$ 721,977	\$ 3,442,186
2016	2,936,607	661,438	3,598,045
2017	2,510,509	603,690	3,114,199
2018	2,623,411	574,028	3,197,439
2019	2,623,411	544,077	3,167,488
2020 - 2024	17,323,713	2,481,722	19,805,435
2025 - 2029	15,692,536	1,473,134	17,165,670
2030 - 2034	13,014,507	579,498	13,594,005
2035 - 2037	<u>2,772,261</u>	<u>41,206</u>	<u>2,813,467</u>
	<u>\$ 62,217,164</u>	<u>\$ 7,680,770</u>	<u>\$ 69,897,934</u>

Discretely Presented Component Units

As of September 30, 2014, the discretely presented component units had the following long-term debt outstanding:

Air Marshall Islands, Inc. (AMI):

Note payable to Marshall Islands Development Bank, dated May 30, 2013, interest at 6.5% per annum, with principal and interest due in monthly installments of \$51,100, due May 30, 2018. The loan has been collateralized by certain aircraft operated by AMI and a guarantee from RepMar (see Note 14). Loan proceeds of \$2,500,000 were used to fund Dash 8 aircraft improvements. \$ 2,376,134

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 895,026	\$ 240,109	\$ 1,135,135
2016	533,701	79,452	613,153
2017	568,940	44,213	613,153
2018	<u>378,467</u>	<u>8,756</u>	<u>387,223</u>
	<u>\$ 2,376,134</u>	<u>\$ 372,530</u>	<u>\$ 2,748,664</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

Marshalls Energy Company, Inc. (MEC):

Loan payable to the Federal Financing Bank (FFB), dated November 17, 1997, interest based on the FFB rates at the date of the loan advances and range from 5.49% to 7.25% per annum, with principal and interest payable in quarterly installments of \$273,770 through January 2, 2018, with loan repayments guaranteed by the Rural Utilities Service (RUS). The mortgage notes have been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS in the event of default by MEC, and have been collateralized by a leasehold mortgage and security agreement over the assets of MEC. These notes are subject to certain coverage ratio requirements. MEC is not in compliance with these ratio requirements as of September 30, 2014. \$ 5,133,420

Short-term loan renegotiated to mature on July 20, 2015 with interest at 7.5% per annum, with principal and interest payable in monthly installments of \$27,444, collateralized by a guarantee from RepMar. 239,735

\$ 5,373,155

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,121,635	\$ 322,101	\$ 1,443,736
2016	938,650	257,833	1,196,483
2017	999,682	196,801	1,196,483
2018	1,064,111	132,372	1,196,483
2019	1,132,862	63,621	1,196,483
2020 – 2021	<u>116,215</u>	<u>4,693</u>	<u>120,908</u>
	<u>\$ 5,373,155</u>	<u>\$ 977,421</u>	<u>\$ 6,350,576</u>

Marshall Islands Development Bank (MIDB):

Bank loan dated June 14, 2012, interest at 5% per annum, principal and interest due in monthly installments of \$40,000 through March 14, 2017, collateralized by loans receivable in the amount of \$15,232,330. Loan proceeds of \$2,000,000 were used to fund housing loans. \$ 1,095,673

Bank loan dated August 15, 2012, interest at 5% per annum, principal and interest due in monthly installments of \$18,920 through August 31, 2017, collateralized by the MAKO Building and a time certificate of deposit. Loan proceeds of \$1,000,000 were used to fund housing loans. 614,373

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

Marshall Islands Development Bank (MIDB), Continued:

Bank loan dated May 30, 2013, interest at 5.5% per annum, principal and interest due in monthly installments of \$47,773 through May 31, 2018, collateralized by time certificate of deposit and assignment of loans receivable. Loan proceeds of \$2,500,000 were used to fund a loan to Air Marshall Islands, Inc.

1,899,005

\$ 3,609,051

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,095,950	\$ 184,366	\$ 1,280,316
2016	1,168,788	111,528	1,280,316
2017	975,112	45,808	1,020,920
2018	<u>369,201</u>	<u>12,983</u>	<u>382,184</u>
	<u>\$ 3,609,051</u>	<u>\$ 354,685</u>	<u>\$ 3,963,736</u>

Marshall Islands National Telecommunications Authority (MINTA):

Loans payable to the RUS (formerly the Rural Electrification Administration) from the Rural Electrification and Telephone Revolving Fund, dated August 17, 1989 of \$18,800,000, increased by \$3,999,000 on April 23, 1993, and further increased by \$18,500,000, with interest at 3.64% to 5% per annum. Certain portions of these loans have been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS in the event of default by MINTA. Mortgages over specific MINTA ground leases and essentially all assets of MINTA have collateralized both loans.

\$ 27,296,244

MINTA previously defaulted on its loan payments to RUS. In April 2013, MINTA began making reduced monthly loan payments covering slightly more than loan interest. At September 30, 2014, MINTA owed \$1,763,000 in RUS arrearages. Since the loan is currently in default, all amounts due have been reclassified as current liabilities. Subsequent to year end, MINTA received a subsidy of \$1,863,000 from RepMar (see Note 14).

RMI Ports Authority (RMIPA):

Bank loan dated October 12, 2012, interest at 7.5% per annum, principal and interest due in monthly installments of \$20,125 through October 30, 2017, collateralized by time certificate of deposit. Loan proceeds of \$1,000,000 were used to fund various capital improvement projects.

\$ 661,563



**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

RMI Ports Authority (RMIPA), Continued:

Bank loan dated January 11, 2013, interest at 7% per annum, principal and interest due in monthly installments of \$12,300 through December 31, 2018, collateralized by time certificate of deposit. Loan proceeds of \$700,000 were used to fund various capital improvement projects.

528,551

\$ 1,190,114

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 306,334	\$ 82,766	\$ 389,100
2016	333,653	55,447	389,100
2017	359,723	29,377	389,100
2018	159,032	8,518	167,550
2019	<u>31,372</u>	<u>445</u>	<u>31,817</u>
	<u>\$ 1,190,114</u>	<u>\$ 176,553</u>	<u>\$ 1,366,667</u>

Majuro Atoll Waste Company (MAWC):

Bank loan dated September 26, 2013, interest at 8% per annum, principal and interest due in monthly installments of \$2,935 through September 30, 2017, collateralized by a 2013 Freightliner Garbage Truck. Loan proceeds of \$120,000 were used to fund various operating expenses.

\$ 93,561

Annual repayment requirements to maturity for principal and interest are as follow:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 28,775	\$ 6,445	\$ 35,220
2016	31,151	4,069	35,220
2017	<u>33,635</u>	<u>1,470</u>	<u>35,105</u>
	<u>\$ 93,561</u>	<u>\$ 11,984</u>	<u>\$ 105,545</u>

Tobolar Copra Processing Authority (TCPA):

Bank loan dated August 15, 2013, interest at 7.5% per annum, principal and interest due in monthly installments of \$2,781 through October 15, 2028, collateralized by a general security agreement over all assets of TCPA and a guarantee from RepMar. Loan proceeds of \$300,000 were used to fund capital expenditures.

\$ 289,168

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

Tobolar Copra Processing Authority (TCPA), Continued:

Annual repayment requirements to maturity for principal and interest are as follow:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 12,052	\$ 21,320	\$ 33,372
2016	12,988	20,384	33,372
2017	13,996	19,376	33,372
2018	15,084	18,288	33,372
2019	16,254	17,118	33,372
2020 - 2024	102,274	64,586	166,860
2025 - 2029	116,520	19,202	135,722
	<u>\$ 289,168</u>	<u>\$ 180,274</u>	<u>\$ 469,442</u>

(8) Change in Long-term Obligations

Primary Government

Other long-term liabilities will be liquidated in the future primarily from the General Fund and the Grants Assistance Fund. During the year ended September 30, 2014, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net position:

	<u>Balance October 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2014</u>	<u>Due Within One Year</u>
Loans payable:					
ADB loans	\$ 64,704,881	\$ -	\$ (2,487,717)	\$ 62,217,164	\$ 2,720,209
Other:					
Compensated absences	3,327,038	1,510,177	(1,893,525)	2,943,690	1,126,256
Other	<u>1,200,000</u>	<u>3,800,000</u>	<u>(2,400,000)</u>	<u>2,600,000</u>	<u>2,200,000</u>
	<u>\$ 69,231,919</u>	<u>\$ 5,310,177</u>	<u>\$ (6,781,242)</u>	<u>\$ 67,760,854</u>	<u>\$ 6,046,465</u>

On April 23, 2013, RepMar acquired Ann's Palace at a cost of \$1,500,000 and entered into a purchase agreement with the owner that required a down payment of \$300,000 within seven days of execution of the agreement with the remaining amount owed to be paid in quarterly instalments of \$100,000 commencing October 5, 2013. As of September 30, 2014, the amount owing under this purchase agreement is \$800,000.

On May 15, 2014, RepMar acquired the Long Island Hotel at a cost of \$3,800,000 for the exclusive use of the University of South Pacific Marshall Islands. RepMar entered into a purchase agreement with the owner that required a down payment of \$2,000,000 upon transfer of ownership with the remaining amount owed to be paid within two years. The outstanding amount owed of \$1,800,000 was paid in full in 2015.

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(8) Change in Long-term Obligations, Continued

Discretely Presented Component Units

Changes in long-term liabilities of discretely presented component units for the year ended September 30, 2014, are as follows:

	Balance October 1, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2014</u>	Due Within <u>One Year</u>
Loans payable:					
AMI	\$ 2,500,000	\$ -	\$ (123,866)	\$ 2,376,134	\$ 895,026
MEC	6,083,979	-	(710,824)	5,373,155	1,121,635
MIDB	5,067,312	-	(1,458,261)	3,609,051	1,095,950
MINTA	27,348,003	-	(51,759)	27,296,244	27,296,244
RMIPA	1,481,007	-	(290,893)	1,190,114	306,334
MAWC	120,000	-	(26,439)	93,561	28,775
TCPA	<u>300,000</u>	<u>-</u>	<u>(10,832)</u>	<u>289,168</u>	<u>12,052</u>
	42,900,301	-	(2,672,874)	40,227,427	30,756,016
Due to primary government	<u>15,254,314</u>	<u>75,058</u>	<u>(372,454)</u>	<u>14,956,918</u>	<u>5,249,954</u>
	<u>\$ 58,154,615</u>	<u>\$ 75,058</u>	<u>\$ (3,045,328)</u>	<u>\$ 55,184,345</u>	<u>\$ 36,005,970</u>

(9) Restricted Assets

Primary Government

Restricted cash and cash equivalents of the primary government are as follows:

Escrow account established for the benefit of landowners of Kwajalein Atoll.	\$ 291,270
Savings account established in accordance with Section 211(d)(2) of the Compact of Free Association, as amended, for the purpose of funding RepMar's infrastructure maintenance plan.	835,425
Savings account established in accordance with Section 211(e) of the Compact of Free Association, as amended, for the purpose of funding RepMar's disaster assistance emergency fund.	1,785,601
Deposit account established for the purpose of receiving payments pursuant to the Compact of Free Association, as amended.	2,142
Savings accounts collateralizing a credit card facility.	62,589
Deposit account established in accordance with ADB Loan 2659-RMI (SF).	1,572,544
Savings account established for the purpose of accounting for funds held by RepMar in a custodial capacity relating to unclaimed property.	<u>78,054</u>
	<u>\$ 4,627,625</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(9) Restricted Assets, Continued

Primary Government, Continued

Restricted investments of the primary government are as follows:

Investments held in a trust fund for the purpose of accumulating resources to fund RepMar government operations after fiscal year 2023. \$ 55,896,306

Discretely Presented Component Units

Restricted assets of the discretely presented component units are as follows:

Marshall Islands Development Bank:

Savings account collateralizing loans funded by Rural Housing Service (RHS).	\$ 553,787
Time certificate of deposit collateralizing bank loans payable.	<u>1,253,173</u>
	<u>1,806,960</u>

RMI Ports Authority:

Time certificate of deposit collateralizing bank loans payable.	<u>1,700,000</u>
	<u>\$ 3,506,960</u>

(10) Operating Transfers In/Out

Operating transfers in/out for each major governmental fund and nonmajor governmental funds in the aggregate, for the year ended September 30, 2014, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Grants Assistance Fund	\$ -	\$ 557,500
Nonmajor governmental funds	<u>1,182,025</u>	<u>355,732</u>
	<u>1,182,025</u>	<u>913,232</u>
Grants Assistance Fund:		
General Fund	557,500	-
Nonmajor governmental funds	<u>2,088,844</u>	<u>-</u>
	<u>2,646,344</u>	<u>-</u>
Nonmajor governmental funds:		
General Fund	355,732	1,182,025
Grants Assistance Fund	<u>-</u>	<u>2,088,844</u>
	<u>355,732</u>	<u>3,270,869</u>
	<u>\$ 4,184,101</u>	<u>\$ 4,184,101</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

**(10) Operating Transfers In/Out, Continued**

Transfers are used to 1) move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) record reductions in interfund loans for amounts that are not expected to be repaid. Specifically, RepMar transferred \$2,088,844 from the Grants Assistance Fund to the Nonmajor Governmental Funds to finance scholarships and Four-atoll medical costs; \$1,182,025 from the General Fund to the Nonmajor Governmental Funds to primarily finance Judicial branch operations and scholarships; \$557,500 from the Grants Assistance Fund to the General Fund to finance certain debt service payments; and \$355,732 from the Nonmajor Governmental Funds to the General Fund to finance general operations.

**(11) Fund Balances**

Classifications of fund balances comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following table enumerates the fund balance classifications:

	<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Fund balances:					
Nonspendable:					
Pacific Islands Development Bank investment	\$ 998,250	\$ -	\$ -	\$ -	\$ 998,250
Loan receivable – MEC	8,102,202	-	-	-	8,102,202
Loan receivable – MIDB	1,952,112	-	-	-	1,952,112
Permanent fund principal	-	-	55,896,306	-	55,896,306
Restricted:					
Education	-	746,186	-	-	746,186
Health	-	148,956	-	-	148,956
Capacity building	-	203,373	-	-	203,373
Environmental	-	10,487	-	-	10,487
Ebeye special needs	-	21,720	-	-	21,720
Landowners special needs	-	37,736	-	-	37,736
Infrastructure maintenance	-	2,724,334	-	-	2,724,334
Disaster assistance	-	2,655,902	-	-	2,655,902
Compact – other	-	41,070	-	-	41,070
Education – scholarships	-	1,593	-	749,311	750,904
ADB loan projects	2,880,333	-	-	-	2,880,333
Credit card collateralization	62,589	-	-	-	62,589
Nuclear claims related	-	-	-	241,934	241,934
Committed:					
MIMRA funded projects	2,546,450	-	-	-	2,546,450
Nitijela	-	-	-	5,710	5,710
Judiciary	33,145	-	-	243,111	276,256
Health and environment	-	-	-	6,000,595	6,000,595
Transportation and communication	-	-	-	26,287	26,287
Internal affairs	14,251	-	-	29,010	43,261
Justice	-	-	-	6,227	6,227
Foreign affairs and trade	-	-	-	66,203	66,203
Public works	-	-	-	49,058	49,058
Land registration authority	-	-	-	18,118	18,118
National Training Council	-	-	-	118,812	118,812
Capital projects	-	2,656,695	-	-	2,656,695
Other	-	131,394	-	-	131,394
Unassigned	<u>(901,537)</u>	<u>(240,674)</u>	<u>-</u>	<u>-</u>	<u>(1,142,211)</u>
	<u>\$ 15,687,795</u>	<u>\$ 9,138,772</u>	<u>\$ 55,896,306</u>	<u>\$ 7,554,376</u>	<u>\$ 88,277,249</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(12) Compact Trust Fund

Section 216(a) of the Compact, as amended, provides for annual contributions from the United States into a trust fund established in accordance with the Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended, Regarding a Trust Fund (Trust Fund Agreement). The contributions by the United States were conditioned upon RepMar contributing to the trust fund at least \$25,000,000 on October 1, 2003, \$2,500,000 prior to October 1, 2004, and a final \$2,500,000 prior to October 1, 2005. As of September 30, 2014, RepMar has contributed the required amounts to the "A Account" as required under Article 16 of the Trust Fund Agreement; however, Article 21 of the Trust Fund Agreement states that the United States may withdraw the Present Market Value of its contributions to the "A Account" if certain events occur.

On May 2, 2005, RepMar entered into a Subsequent Contributor Accession Agreement with the Republic of China whereby the Republic of China agreed to contribute annually certain amounts to the "A Account". In addition, the Republic of China agreed to contribute annually certain amounts to the "D Account", which was established by RepMar in accordance with Article 16. However, in the event of a severing of diplomatic relations between the Government of the Republic of the Marshall Islands and the Government of the Republic of China, the Republic of China may withdraw the Present Market Value of its contributions to the "A Account".

In addition to the "A Account", the Trust Fund Agreement requires a "C Account" be created into which annual income earnings over 6% from the "A Account" shall be deposited. The "C Account" is maintained as a memorandum account within the Trust Fund and is not separately invested.

Accordingly, the Compact Trust Fund presented within the accompanying financial statements presents only the contributions made to the "A Account" by RepMar and the "D Account" by the Republic of China and the related "C Account" as well as associated undistributed income summarized as follows:

RepMar - "A Account" and "C Account"	\$ 43,769,114
RepMar - "D Account"	<u>12,127,192</u>
	\$ <u>55,896,306</u>

At September 30, 2014, the fair market value of contributions to the Compact Trust Fund "A Account" by the United States and the Republic of China, including associated undistributed income, and the related "C Account" is as follows:

United States - "A Account" and "C Account"	\$ 170,703,338
Republic of China - "A Account" and "C Account"	<u>25,648,734</u>
	\$ <u>196,352,072</u>

## REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

### (13) Contingencies and Commitments

#### Nuclear Claims Trust Fund (NCTF)

Section 177(c) of the Compact of Free Association (the Compact) provides, on a one-time grant basis, the amount of \$150,000,000 to RepMar to be used to establish a trust fund from which annual distributions are to be made in accordance with Article II of the Agreement between the Government of the United States and RepMar for Implementation of Section 177 of the Compact (the Agreement). Pursuant to the Agreement, RepMar established the NCTF from which these distributions are made. Over a period of fifteen years, the Nuclear Claims Tribunal (NCT) received \$45,750,000 from the NCTF that was made available for whole or partial payment of monetary awards. As of September 30, 2014, NCT has committed to the distribution of monetary awards for personal injury claims of \$23,159,963 and of property damage claims of \$2,284,108,436, which will be paid out against the reserved fund balance and future sums that NCT expects to receive from the NCTF. The reserved fund balance of the NCTF is \$57,862 as of September 30, 2014. Accordingly, additional funds will have to be made available through future earnings of the funds invested in the NCTF after the end of the Compact or from a renegotiated financial settlement of damages with the United States.

#### Marshall Islands National Telecommunications Authority (MINTA)

MINTA has previously defaulted on its loan payments to RUS. As a result, RepMar made subsidy payments to MINTA to fund MINTA's debt service payments. In April 2013, MINTA began making reduced monthly loan payments covering slightly more than loan interest. At September 30, 2014, MINTA owed \$1,763,000 in RUS arrearages. RepMar has demonstrated the ability and willingness in the past to provide financing for MINTA's debt payments; however, no such support was provided in 2014 when MINTA defaulted on its loan payments to RUS. In 2015, RepMar provided subsidy payments to MINTA in order for MINTA to meet debt service payments (see Note 14). MINTA has been formally notified by RUS that it is in default; however, RUS has not taken any additional action or modified any terms of the loan agreements. The ability of MINTA to continue as a going concern is dependent upon MINTA management's plan and the resolution of the aforementioned issue. No provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

#### Federal Grants

RepMar participates in a number of federally assisted grant programs and other various U.S. Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Questioned costs relating to fiscal years 2005 through 2014 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2014. In addition, RepMar is considered to have responsibility for any questioned costs that may result from Single Audits of subgrantees who have not satisfied the audit requirements of OMB Circular A-133. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

(13) Contingencies and Commitments, Continued

Marshalls Energy Company, Inc. (MEC)

MEC is currently in noncompliance with certain coverage ratio requirements relating to a loan agreement with Rural Utilities Service (RUS). The mortgage notes have been unconditionally guaranteed by RepMar. RepMar may be liable for the debt service payments to RUS in the event of default by MEC.

Marshall Islands Social Security Administration (MISSA)

In July 2015, MISSA obtained a revised actuarial valuation of the Retirement Fund as of October 1, 2013. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of \$278,796,000 and \$72,988,000, respectively, representing a funded ratio of 26%. As of September 30, 2014, MISSA recorded total fund equity of \$72,366,657, of which \$72,342,778 represents funds available to fund future Retirement Fund benefit obligations. These conditions indicate that MISSA may be unable to meet its future benefit obligations.

Coin Issue

RepMar authorized the issuance of certain commemorative coins that are represented to be the legal tender of the Republic of the Marshall Islands. Under the terms of the contract, if an owner of the coins presents them in the Republic of the Marshall Islands, the Government must redeem them for the face value. On October 28, 1998, the Cabinet of RepMar directed the Minister of Finance to terminate the contract.

Leases

RepMar enters into numerous leases with various landowners. The lease terms generally range from one to fifteen years. However, appropriations to fund these leases are made only on an annual basis. For fiscal year 2014, RepMar appropriated \$949,567 to fund such leases.

College of the Marshall Islands has entered into a thirty year ground lease agreement. Future minimum annual lease payments under this lease are as follows:

<u>Year ending</u> <u>September 30</u>	<u>Total</u>
2015	\$ 78,896
2016	79,196
2017	79,196
2018	79,196
2019	79,196
2020 - 2024	410,481
2025 - 2029	425,581
2030 - 2034	86,192
2035 - 2037	<u>11,042</u>
	\$ <u>1,328,976</u>



REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2014

(13) Contingencies and Commitments, Continued

Leases, Continued

Marshall Islands National Telecommunications Authority has long-term commitments for several ground leases and satellite circuit leases. Leases are both cancelable and noncancelable operating leases. Future minimum annual lease payments under these leases are as follows:

<u>Year ending September 30</u>	<u>Total</u>
2015	\$ 677,647
2016	127,153
2017	123,682
2018	126,475
2019	129,351
2020 - 2024	693,009
2025 - 2029	753,571
2030 - 2033	<u>753,571</u>
	\$ <u>3,384,459</u>

Trust Company of the Marshall Islands

Under the Joint Venture Agreement, as amended, between RepMar and the Trust Company of the Marshall Islands, Inc. (TCMI) dated September 14, 1990, and as amended August 18, 1995, after meeting certain contractual working capital requirements, annual gross revenues of the programs managed by TCMI are shared using a graduated schedule. On August 1, 2002, RepMar agreed to set aside the financial provisions of this Joint Venture Agreement in favor of an annual payment of \$1,000,000, payable in quarterly installments of \$250,000 through December 31, 2006. On December 6, 2006, RepMar agreed to again set aside the financial provisions of this Joint Venture Agreement in favor of an annual payment of \$2,000,000, payable in quarterly installments of \$500,000 through December 31, 2009. On June 8, 2009, RepMar agreed to further amend the financial provisions of this Joint Venture Agreement whereby an annual payment of \$3,000,000 is payable by TCMI through December 31, 2010 in monthly installments of \$250,000, with an effective date of July 1, 2008. For the period January 1, 2011 through December 31, 2013, the annual payment amount increased to \$4,000,000, payable in monthly installments of \$333,333 and further increased to an annual payment amount of \$5,000,000 for the period January 1, 2014 through December 31, 2018, payable in monthly installments of \$416,667.

The abovementioned annual payments are contingent upon continued net earnings being generated by TCMI. In the event that net earnings of TCMI fall below 2007 levels, the annual payments are to be adjusted accordingly on a prorated basis.

Sick Leave

It is the policy of RepMar to record expenditures for sick leave when leave is actually taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury. The estimated accumulated amount of unused sick leave as of September 30, 2014 is \$10,782,446.

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2014

(13) Contingencies and Commitments, Continued

Loan Guarantees

Marshall Islands Development Bank (MIDB) has pledged an escrow account in support of certain USDA Rural Development housing loans, the balance of which amounted to \$10,533,413 as of September 30, 2014. In the event of default, MIDB could be exposed to an amount in excess of the escrow account balance, an amount that is presently indeterminable. No provision for any liability that may result from this matter has been provided for within the accompanying financial statements.

Air Marshall Islands, Inc. (AMI)

At September 30, 2014, AMI is liable to the Marshall Islands Social Security Administration (MISSA) for certain delinquent employee and employer contributions, totaling \$1,233,118, which includes related penalties and interest. On December 28, 2010, AMI entered into a promissory note with MISSA in the amount of \$1,059,068 associated with these delinquent contributions. The note bears interest at 12% per annum with monthly payments of \$15,000 commencing January 10, 2011. In addition, a \$50,000 payment is due on or before January 31, 2011 and another on or before April 30, 2011. On September 23, 2011, MISSA filed suit against AMI for defaulting on the above promissory note. On November 30, 2012, the High Court entered judgment against AMI in favor of MISSA for \$1,411,985, inclusive of penalties relating to delinquent contributions.

On August 19, 2014, AMI entered into a purchase agreement to acquire a used Dornier 228-212 at a purchase price of \$2,100,000. On September 2, 2014, RepMar paid \$200,000 on behalf of AMI in accordance with the purchase agreement. The remaining \$1,900,000 will be payable by RepMar on behalf of AMI upon acceptance of the aircraft and upon delivery (see Note 14).

Budgetary Compliance

For the year ended September 30, 2014, significant over-expenditures exceeding appropriations within the General Fund were as follows:

Ann's Palace Property Acquisition	\$ 400,000
Centralized Utility Billings	\$ 11,734
Land Leases	\$ 29,658
Majuro Landowners Electricity Bills	\$ 1,239,397
Copra Price Stabilization	\$ 220,000
ADB Loan Repayment	\$ 162,088
Ministry of Finance	\$ 447,385
Marshall Islands Scholarship Grant and Loan Board	\$ 128,167
Marshall Islands Judiciary Fund	\$ 394,235

These over-expenditures of the General Fund have not been funded by legislative authorization.

Insurance Coverage

RepMar does not maintain insurance coverage for a significant amount of fixed assets. In the event of a catastrophe, RepMar may be self-insured to a material extent.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2014

### (13) Contingencies and Commitments, Continued

#### Other Commitments

Significant commitments of the primary government as of September 30, 2014, are as follows:

- a) Guaranteed bank debt of Air Marshall Islands, Inc. (AMI) with a letter of guarantee. At September 30, 2014, AMI had guaranteed debt totaling \$2,376,134.
- b) Guaranteed bank debt of Marshalls Energy Company, Inc. (MEC) with a letter of guarantee. At September 30, 2014, MEC had guaranteed bank debt totaling \$2,810,876.
- c) Guaranteed bank debt of Tobolar Copra Processing Authority (TCPA) with a letter of guarantee. At September 30, 2014, TCPA had guaranteed bank debt totaling \$1,289,234.
- d) Guaranteed debt of MEC in respect to a loan from the United States Rural Utilities Service (RUS) with a letter of guarantee. At September 30, 2014, MEC had guaranteed RUS debt totaling \$5,133,420.
- e) Guaranteed debt of Marshall Islands National Telecommunications Authority (MINTA) in respect of a loan from RUS with a letter of guarantee. At September 30, 2014, MINTA had guaranteed RUS debt totaling \$27,296,244.
- f) RepMar has entered into lease agreements with certain landowners for the use of land situated at the Majuro international airport. The terms of the lease agreements are for a 25-year period commencing September 1, 1996. Annual lease rental commitments are \$305,613 per year.
- g) RepMar has issued a letter of guarantee of \$178,000 plus interest for the benefit of the Delap Assembly of God Church for a loan issued by Marshall Islands Development Bank.
- h) In accordance with Cabinet Minute C.M. 158 (2012), the Cabinet of RepMar has issued a government guarantee for and on behalf of MEC to a fuel supplier for amounts owing by MEC relating to the purchase of fuel products not to exceed \$10,000,000. At September 30, 2014, MEC had guaranteed debt to a fuel supplier totaling \$5,603,257.
- i) In accordance with Cabinet Minute C.M. 029 (2012), the Cabinet of RepMar approved the extension of financial support for the College of the Marshall Islands in the annual amount of \$3,000,000 through fiscal year 2017.
- j) On April 15, 2013, the Cabinet of RepMar approved the \$1,500,000 purchase of Ann's Palace. At September 30, 2014, an amount of \$800,000 remained outstanding against this purchase agreement.
- k) On April 30, 2014, the Cabinet of RepMar approved the \$3,800,000 purchase of the Long Island Hotel facilities for the purpose of establishing a University of South Pacific campus in Majuro. At September 30, 2014, an amount of \$1,800,000 remained outstanding against this purchase agreement.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2014

#### (14) Subsequent Events

On October 2, 2014, the Cabinet of RepMar authorized and approved \$2,000,000 funding from the Marshall Islands Marine Resources Authority (MIMRA) for the purchase of a Dornier 228-212 by Air Marshall Islands, Inc. (AMI).

On January 15, 2015, the Cabinet of RepMar authorized and approved \$1,863,000 of funding from MIMRA for payment of RUS loan arrears owed by the Marshall Islands National Telecommunications Authority (MINTA).

On April 17, 2015, the Cabinet of RepMar authorized and approved the payment of the AMI loan through offset with the amount due the primary government of \$1,952,112 recorded by the Marshall Islands Development Bank.

On October 21, 2015, the Cabinet of RepMar authorized and approved a \$1,200,000 bank loan to bring MINTA's debt with RUS current.

#### (15) Restatement

Subsequent to the issuance of RepMar's 2013 financial statements, it was determined that accounts receivables and related sales of Tobolar Copra Processing Authority (TCPA) were overstated by \$189,296. As a result of this determination, accounts receivable and related sales of the aggregate discretely presented component units have been restated from the amounts previously reported. A summary of the effects of such restatements of the aggregate discretely presented component units as of and for the year ended September 30, 2013 are as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>
As of September 30:		
Current assets:		
Receivables, net	\$ <u>38,279,481</u>	\$ <u>38,090,185</u>
Net position:		
Unrestricted	\$ <u>16,066,116</u>	\$ <u>15,876,820</u>
Year ended September 30:		
Program revenues:		
Charges for services	\$ <u>96,705,062</u>	\$ <u>96,515,766</u>
Change in net position	\$ <u>17,069,267</u>	\$ <u>16,879,971</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2014**

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund (Fund 100100) Year Ended September 30, 2014

	Budgeted Amounts		Actual - Budgetary Basis (see Note 1)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 24,884,113	\$ 24,884,113	\$ 24,380,420	\$ (503,693)
Fees and charges	886,000	1,276,922	94,893	(1,182,029)
Interest and dividends	-	-	166,721	166,721
Other	<u>12,110,000</u>	<u>19,159,000</u>	<u>21,376,466</u>	<u>2,217,466</u>
<b>Total revenues</b>	<u>37,880,113</u>	<u>45,320,035</u>	<u>46,018,500</u>	<u>698,465</u>
<b>Expenditures:</b>				
President and Cabinet	1,751,207	2,699,158	2,027,030	672,128
Office of the Chief Secretary	675,835	692,220	593,438	98,782
Special appropriations	8,497,693	11,896,850	13,726,307	(1,829,457)
Council of Iroij	445,704	459,889	444,558	15,331
Office of the Auditor-General	1,343,019	1,455,486	1,441,917	13,569
Public Service Commission	475,026	475,026	463,851	11,175
Office of the Attorney General	861,922	851,546	731,403	120,143
Ministries	22,611,319	25,429,690	24,253,502	1,176,188
Environmental Protection Authority	189,813	189,013	163,203	25,810
Nitijela	<u>1,824,632</u>	<u>1,811,749</u>	<u>1,667,528</u>	<u>144,221</u>
<b>Total expenditures</b>	<u>38,676,170</u>	<u>45,960,627</u>	<u>45,512,737</u>	<u>447,890</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(796,057)</u>	<u>(640,592)</u>	<u>505,763</u>	<u>1,146,355</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	450,000	450,000	913,232	463,232
Operating transfers out	<u>(1,525,027)</u>	<u>(1,680,492)</u>	<u>(1,977,031)</u>	<u>(296,539)</u>
<b>Other financing sources (uses), net</b>	<u>(1,075,027)</u>	<u>(1,230,492)</u>	<u>(1,063,799)</u>	<u>166,693</u>
	(1,871,084)	(1,871,084)	(558,036)	1,313,048
<b>Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes</b>				
	<u>1,871,084</u>	<u>1,871,084</u>	<u>3,462,948</u>	<u>1,591,864</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,904,912</u>	<u>\$ 2,904,912</u>

See accompanying notes to required supplementary information - budgetary reporting.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Required Supplementary Information - Budgetary Reporting September 30, 2014

### (1) Budgetary Information

The Secretary of Finance and the Chief Budget Officer present to the Cabinet, prior to September 30, proposed budget estimates for the fiscal year commencing October 1. The budget estimates include the overall and total proposed expenditures of RepMar and the means of financing those expenditures. The Cabinet reviews and approves these estimates making changes, as it deems appropriate. The Appropriation Committee of the Nitijela, during the second sitting of the regular session of the Nitijela, holds public hearings at which time Ministries and Offices are required to justify their budget estimates. During the second sitting of the Nitijela, an appropriation bill, as required by the Constitution, is introduced and budget estimates are then legally enacted by the Nitijela.

The Budget Act for fiscal year 2014, Public Law No. 2013-20, was passed by the Nitijela on November 6, 2013. Formal budget integration is employed as a management control device during the year for all funds. The Cabinet has the authority to reprogram budgeted estimates in accordance with the Constitution. All annual appropriations lapse at fiscal year-end unless otherwise specified by law. Supplemental appropriations may occur throughout the year. Unexpended encumbrances at each fiscal year end are carried forward until they are expended or canceled without further legislative action. RepMar does not establish budgets for the operations of its other governmental funds.

Encumbrance accounting is employed in governmental funds. For budgetary purposes, the encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent fiscal year.

### (2) Reconciliation of Budgetary Schedule

Net change in fund balance - budgetary basis	\$ <u>2,904,912</u>
GASB 54 Funds included within the General Fund;	
Judiciary Fund	2,490
ADB Development Fund	<u>(900,006)</u>
	<u>(897,516)</u>
Net change in fund balance - General Fund	\$ <u>2,007,396</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**OTHER SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2014**



# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Schedule of Expenditures by Account Governmental Funds Year Ended September 30, 2014

	General	Special Revenue	Permanent	Other	Total
		Grants Assistance	Compact Trust	Governmental Funds	
Expenditures:					
Salaries and wages	\$ 18,878,523	\$ 18,152,900	\$ -	\$ 651,391	\$ 37,682,814
Grants and subsidies	5,846,756	9,147,189	-	1,558,238	16,552,183
Utilities	4,960,905	2,185,134	-	126,766	7,272,805
Contractual services	930,658	2,843,796	-	4,389,846	8,164,300
Capital outlay	2,583,902	2,717,567	-	271,356	5,572,825
Travel	1,730,674	1,245,145	-	1,066,741	4,042,560
Medical supplies	-	21,036	-	1,911,158	1,932,194
Principal repayment	2,487,717	-	-	-	2,487,717
Supplies and materials	333,684	1,698,902	-	146,607	2,179,193
Leased housing	823,612	1,257,705	-	68,040	2,149,357
Rentals	1,727,757	221,946	-	31,848	1,981,551
Food stuffs	447,634	1,495,811	-	72,582	2,016,027
Interest	749,571	-	-	-	749,571
Communications	564,210	261,343	-	101,824	927,377
POL	452,998	516,307	-	114,576	1,083,881
Allowances	881,193	73,346	-	3,700	958,239
Professional services	351,187	331,146	-	260,470	942,803
Printing and reproduction	36,219	47,967	-	488	84,674
Insurance	67,484	24,660	-	13,636	105,780
Freight	8,016	86,175	-	9,525	103,716
Other	890,803	2,683,752	-	413,822	3,988,377
	<u>\$ 44,753,503</u>	<u>\$ 45,011,827</u>	<u>\$ -</u>	<u>\$ 11,212,614</u>	<u>\$ 100,977,944</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

GENERAL FUND

September 30, 2014

The general fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund (Fund 100100) Year Ended September 30, 2014 (with comparative totals for the year ended September 30, 2013)

	2014	2013
Revenues:		
Taxes:		
Income	\$ 11,508,824	\$ 11,865,145
Import	5,725,414	6,051,621
Import - CMI	780,138	922,814
Gross revenue	5,782,229	6,465,541
Immovable property	-	393,452
Fuel	383,658	481,032
Penalties and interest	65,860	78,943
Other	134,297	125,984
	<u>24,380,420</u>	<u>26,384,532</u>
Fees and charges	94,893	16,592
Interest and dividends	166,721	148,518
Other:		
Taiwan grant	3,600,000	3,600,000
Ship registry	4,750,000	4,000,000
Contribution from Marshall Islands Marine Resources Authority	11,549,000	7,900,000
Contribution from RMI Ports Authority	291,180	346,725
Other	1,186,286	903,933
	<u>21,376,466</u>	<u>16,750,658</u>
Total revenues	<u>46,018,500</u>	<u>43,300,300</u>
Expenditures:		
President and Cabinet:		
Office of the President	531,463	517,113
President and Ministers	576,879	582,893
Building Renovation	400	-
Cabinet Operations	559,005	487,447
Customary Law Commission	186,720	175,963
RMI/USP Joint Secondary Education Project	-	18,473
	<u>1,854,467</u>	<u>1,781,889</u>
Office of the Chief Secretary:		
Administration	244,997	172,932
Deputy Chief Secretary - Ebeye	35,957	8,051
Economic Policy, Planning and Statistics Office	182,487	147,926
Office of Environmental Planning and Policy Coordination	92,396	61,393
Disaster Office	15,063	21,648
	<u>570,900</u>	<u>411,950</u>
Special appropriations:		
Presidential Summit	-	28,610
Majuro AKIA Improvement	-	80,000
Alele Corporation	-	221,893
Constitution Day - Ebeye	-	4,960
Marshall Islands Development Bank	-	191,092
Marshall Islands National Telecommunications Authority	-	1,000,000
Marshall Islands Resort	-	2,365,635
Property Acquisition	400,000	300,000
Centralized Utility Billings	1,290,741	973,739
Ebeye KALGOV	-	29,760
Land leases	975,673	1,041,997
Majuro Landowners electricity bills	2,915,280	2,151,806
Leased housing	170,768	168,575
Marshall Islands Visitors Authority	74,400	105,017
Contingencies	143,798	31,160
International subscriptions/membership fees	(53,320)	433,550
Prior Year Liabilities	398,978	596,904
Copra price stabilization subsidy	220,000	1,190,400
Micronesia Games - Pohnpei	205,000	-
Constitution Day - Majuro	33,149	39,880
Micronesia Legal Service Corporation	163,680	36,200
Constitutional Convention	1,107	37,364
Long Island Hotel Purchase	2,000,000	-
Air Marshall Islands	-	364,898
College of the Marshall Islands	-	109,120
Miscellaneous	874,397	-
	<u>9,813,651</u>	<u>11,502,560</u>

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund (Fund 100100), Continued Year Ended September 30, 2014 (with comparative totals for the year ended September 30, 2013)

	2014	2013
Expenditures, continued:		
Council of Iroij:		
Administration	90,551	97,492
Members	348,756	356,502
	439,307	453,994
Nitijela:		
Operations	444,520	433,070
General membership	1,026,220	1,007,056
Speaker's contingency	37,824	58,123
Committee	25,720	10,408
Legislative counsel	107,707	108,935
	1,641,991	1,617,592
Office of the Auditor-General:		
Operations	478,038	382,249
Single audit - local match	345,294	370,365
	823,332	752,614
Public Service Commission:		
Members	91,757	92,179
Administration	344,093	409,583
	435,850	501,762
Office of the Attorney General	643,428	677,328
Ministries:		
Ministry of Education	5,619,118	4,051,391
Ministry of Health and Environment	3,325,531	3,660,876
Ministry of Transportation and Communication	484,984	566,598
Ministry of Resources and Development	868,678	597,011
Ministry of Internal Affairs	1,858,778	2,073,719
Ministry of Justice	3,336,524	3,299,117
Ministry of Finance	3,025,301	2,898,063
Ministry of Foreign Affairs and Trade	3,087,244	2,649,696
Ministry of Public Works	1,032,007	1,171,932
	22,638,165	20,968,403
Environmental Protection Authority	163,203	198,847
Debt service:		
ADB loan repayment:		
Principal repayment	2,487,717	2,011,338
Interest charges	749,571	951,139
	3,237,288	2,962,477
Total expenditures	42,261,582	41,829,416
Excess of revenues over expenditures	3,756,918	1,470,884
Other financing sources:		
Operating transfers in:		
ADB Development Projects Fund	-	250,000
Other Direct Assistance Fund	207,500	120,000
Republic of China Fund	350,000	100,000
Health Care Revenue Fund	-	5,428
Ministry of Justice Fund	355,732	351,905
Total other financing sources	913,232	827,333
Other financing uses:		
Operating transfers out:		
Judiciary Fund	583,213	578,940
Marshall Islands Scholarship, Grant and Loan Board Fund	713,390	121,960
Marshall Islands Judiciary Fund	394,235	414,295
Nuclear Claims Tribunal	74,400	74,400
Total other financing uses	1,765,238	1,189,595
Net change in fund balance	2,904,912	1,108,622
Fund balance at the beginning of the year	11,407,746	10,299,124
Fund balance at the end of the year	\$ 14,312,658	\$ 11,407,746

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - General Fund (Fund 100100)  
Year Ended September 30, 2014

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Income	\$ 10,136,000	\$ 10,136,000	\$ 11,508,824	\$ 1,372,824
Import	6,674,000	6,674,000	5,725,414	(948,586)
Import - CMI	954,000	954,000	780,138	(173,862)
Gross revenue	6,320,113	6,320,113	5,782,229	(537,884)
Fuel	689,000	689,000	383,658	(305,342)
Penalties and interest	57,000	57,000	65,860	8,860
Other	54,000	54,000	134,297	80,297
	<u>24,884,113</u>	<u>24,884,113</u>	<u>24,380,420</u>	<u>(503,693)</u>
Fees and charges	886,000	1,276,922	94,893	(1,182,029)
Interest and dividends	-	-	166,721	166,721
Taiwan grant	3,600,000	3,600,000	3,600,000	-
Ship registry	4,000,000	4,000,000	4,750,000	750,000
Marshall Islands Marine Resources Authority	4,500,000	11,549,000	11,549,000	-
RMI Ports Authority	-	-	291,180	291,180
Other	10,000	10,000	1,186,286	1,176,286
	<u>12,110,000</u>	<u>19,159,000</u>	<u>21,376,466</u>	<u>2,217,466</u>
<b>Total revenues</b>	<u>37,880,113</u>	<u>45,320,035</u>	<u>46,018,500</u>	<u>698,465</u>
<b>Expenditures:</b>				
<b>President and Cabinet:</b>				
Office of the President	469,017	665,396	661,636	3,760
President and Ministers	591,229	593,282	577,577	15,705
Cabinet Operations	490,192	598,911	590,647	8,264
Customary Law Commission	200,769	196,769	196,770	(1)
Building Renovation	-	644,800	400	644,400
	<u>1,751,207</u>	<u>2,699,158</u>	<u>2,027,030</u>	<u>672,128</u>
<b>Office of the Chief Secretary:</b>				
Administration	259,861	295,836	262,657	33,179
Deputy Chief Secretary - Ebeye	80,815	62,537	37,908	24,629
EPPSO	196,787	195,475	185,414	10,061
OEPPC	93,732	93,732	92,396	1,336
Disaster Office	-	-	15,063	(15,063)
KADA	44,640	44,640	-	44,640
	<u>675,835</u>	<u>692,220</u>	<u>593,438</u>	<u>98,782</u>
<b>Special appropriations:</b>				
Property Acquisition	-	-	400,000	(400,000)
Centralized Utility Billings	1,282,666	1,282,666	1,294,400	(11,734)
Ebeye KALGOV	89,280	89,280	89,280	-
Land leases	949,567	949,567	979,225	(29,658)
Majuro Landowners electricity bills	1,675,883	1,675,883	2,915,280	(1,239,397)
Leased housing	205,367	205,367	185,148	20,219
Marshall Islands Visitors Authority	-	75,000	74,400	600
Contingency Fund	198,400	168,400	143,798	24,602
Long Island Hotel Purchase	-	2,000,000	2,000,000	-
Ann's Palace Renovation	-	250,000	250,000	-
International subscriptions/membership fees	-	-	(53,320)	53,320
Prior Year Liabilities	297,316	699,503	627,462	72,041
Copra Price Stabilization	-	-	220,000	(220,000)
Micronesia Games - Pohnpei	-	205,000	205,000	-
ADB loan repayment	3,075,200	3,075,200	3,237,288	(162,088)
Constitution Day - Majuro	14,880	43,880	35,940	7,940
Micronesia Legal Service Corporation	163,680	163,680	163,680	-
Constitutional Convention	53,581	53,581	1,581	52,000
Miscellaneous	491,873	959,843	957,145	2,698
	<u>8,497,693</u>	<u>11,896,850</u>	<u>13,726,307</u>	<u>(1,829,457)</u>
<b>Council of Iroij:</b>				
Administration	101,350	94,275	94,336	(61)
Members	344,354	365,614	350,222	15,392
	<u>445,704</u>	<u>459,889</u>	<u>444,558</u>	<u>15,331</u>
<b>Office of the Auditor-General:</b>				
Auditor-General salary	82,977	41,772	-	41,772
Operations	339,581	493,253	502,886	(9,633)
Single audit - local match	920,461	920,461	939,031	(18,570)
	<u>1,343,019</u>	<u>1,455,486</u>	<u>1,441,917</u>	<u>13,569</u>
<b>Public Service Commission:</b>				
Members	94,920	94,920	91,757	3,163
Administration	380,106	380,106	372,094	8,012
	<u>475,026</u>	<u>475,026</u>	<u>463,851</u>	<u>11,175</u>
<b>Office of the Attorney General</b>				
	<u>861,922</u>	<u>851,546</u>	<u>731,403</u>	<u>120,143</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

Schedule of Revenues, Expenditures and Changes in Fund Balance, Continued  
Budget and Actual - General Fund (Fund 100100)  
Year Ended September 30, 2014

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, continued:				
Ministries:				
Ministry of Education	5,180,831	5,767,696	5,637,602	130,094
Ministry of Health and Environment	4,006,075	4,116,355	3,491,883	624,472
Ministry of Transportation and Communication	624,686	605,881	528,948	76,933
Ministry of Resources and Development	691,358	1,023,802	905,944	117,858
Ministry of Internal Affairs	2,276,003	2,208,340	1,992,512	215,828
Ministry of Justice	3,130,890	3,438,524	3,408,880	29,644
Ministry of Finance	2,070,742	3,153,891	3,601,276	(447,385)
Ministry of Foreign Affairs and Trade	3,568,690	3,856,898	3,621,369	235,529
Ministry of Public Works	1,062,044	1,258,303	1,065,088	193,215
	<u>22,611,319</u>	<u>25,429,690</u>	<u>24,253,502</u>	<u>1,176,188</u>
Environmental Protection Authority	189,813	189,013	163,203	25,810
Nitijela:				
Operations	538,758	541,646	467,327	74,319
General Membership	1,054,753	1,052,503	1,027,143	25,360
Speaker's Contingency	52,624	52,624	37,824	14,800
Committee	45,444	29,923	26,557	3,366
Legislative Counsel	133,053	135,053	108,677	26,376
	<u>1,824,632</u>	<u>1,811,749</u>	<u>1,667,528</u>	<u>144,221</u>
Total expenditures	<u>38,676,170</u>	<u>45,960,627</u>	<u>45,512,737</u>	<u>447,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(796,057)</u>	<u>(640,592)</u>	<u>505,763</u>	<u>1,146,355</u>
Other financing sources:				
Operating transfers in:				
Other Direct Assistance Fund	-	-	207,500	207,500
Republic of China Fund	-	-	350,000	350,000
Ministry of Justice Fund	450,000	450,000	355,732	(94,268)
	<u>450,000</u>	<u>450,000</u>	<u>913,232</u>	<u>463,232</u>
Other financing uses:				
Operating transfers out:				
Judiciary Fund	1,014,426	999,426	792,313	207,113
Marshall Islands Scholarship, Grant and Loan Board Fund	417,451	587,916	716,083	(128,167)
Marshall Islands Judiciary Fund	-	-	394,235	(394,235)
Nuclear Claims Tribunal	93,150	93,150	74,400	18,750
	<u>1,525,027</u>	<u>1,680,492</u>	<u>1,977,031</u>	<u>(296,539)</u>
	(1,871,084)	(1,871,084)	(558,036)	1,313,048
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes	<u>1,871,084</u>	<u>1,871,084</u>	<u>3,462,948</u>	<u>1,591,864</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,904,912</u>	<u>\$ 2,904,912</u>

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2014

Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes. A brief discussion of RepMar's Nonmajor Governmental Funds - Special Revenue Funds as of September 30, 2014, follows:

#### Public Works Fund

This fund was established under Public Law No. 2003-24 and accounts for all charges, fees and other monies collected or generated by the Ministry of Public Works.

#### Land Registration Authority Fund

This fund accounts for the operations of the Marshall Islands Land Registration Authority. This Authority was established under Public Law No. 2001-26 to provide a legal framework for registration of land in the Marshall Islands in order to encourage investment and to protect land interest holders.

#### Labor (General) Fund

This fund accounts for the collection of all fees and charges levied under the Labor (Non-Resident Workers) Act of 2006 (Public Law No. 2006-60) as administered by the Ministry of Foreign Affairs and Trade.

#### Labor (Bond) Fund

This fund accounts for the collection of all bonds paid or forfeited by employers under the Labor (Non-Resident Workers) Act of 2006 (Public Law No. 2006-60) as administered by the Ministry of Foreign Affairs and Trade.

#### Ministry of Justice Fund

This fund accounts for specific operations of both the Department of Public Safety and Ministry of Justice. This fund was established under Public Law No. 1989-70 and administers fees and fines, as collected by the courts with respect to violation of National Government laws, and any appropriations made by the Nitijela for related purposes.

#### Marshall Islands Revised Code Fund

This fund accounts for the maintenance of the Marshall Islands Revised Code. This fund was established under Public Law No. 2006-61 to administer revenue received with respect to the sale and distribution of the Marshall Islands Revised code, and any appropriations made by the Nitijela for related purposes.

#### Resident Workers Training Account Fund

This fund was established under Public Law No. 1987-6 and accounts for all monies collected under the provisions of the Nonresident Workers Act of 1983 from employers who employ non-resident workers, and accounts for all financial transactions of the National Training Council.

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2014

#### Sea Patrol Fund

This fund was established under Public Law No. 1991-143 and accounts for all charges, fees and fines generated and received by the Sea Patrol Division through the use of the patrol boat M.V. Lomor.

#### Transportation Services Fund

This fund was established under Public Law No. 2001-38 and accounts for all charges, fees and other monies collected or generated by the Ministry of Transportation and Communications through the use of their shipping vessels.

#### Registrar General Fund

This fund was established under Public Law No. 1992-4 and accounts for all charges, fees and monies collected or generated by the Ministry of Internal Affairs Registrar-General of Births, Deaths and Marriages.

#### Ministry of Internal Affairs Fund

This fund was established under Public Law No. 2003-84 and accounts for all charges, fees and monies collected or generated by Ministry of Internal Affairs through Radio V7AB, the Lands and Survey Division, the ID Card Section, the Sports and Recreation Division, and any other funds generated by the Ministry for a specific purpose.

#### Four-Atoll Medical Fund

This fund accounts for transactions from the distribution of annual proceeds from the Nuclear Claims Trust Fund in accordance with Article II, Section 1(a) of the agreement between the Government of the United States and RepMar for the implementation of Section 177 of the Compact of Free Association.

#### Marshall Islands Scholarship Grant and Loan Board

This fund was established under Public Law No. 1979-19 and accounts for all disbursements of scholarship funds.

#### Marshall Islands Judiciary Fund

This fund was established to account for all activities of the Marshall Islands Judiciary not accounted for within the General Fund.

#### Health Care Revenue Fund

This fund was established under Public Law No. 1989-59 within the Ministry of Health and Environment to control the expenditure of funds for health care related services.

See Accompanying Independent Auditors' Report.



**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

September 30, 2014

Marshall Islands Health Fund

This fund was established under Public Law No. 1990-75, as amended by Public Law Nos. 2001-31 and 2001-35, to account for the operations of the Basic and Supplemental Health Funds delivering comprehensive medical care to the residents of the Marshall Islands.

Nuclear Claims Tribunal

This fund accounts for all financial transactions arising from distributions made under the (Compact of Free Association) Section 177 Agreement as a result of the Nuclear Testing Program.

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**Combining Balance Sheet  
September 30, 2014**

	200105	200224	200318	200319	200332	200333	200340	200520	200525
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Resident Workers Training Account	Sea Patrol	Transportation Services
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Time certificates of deposit	-	-	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	-	-	-	-	-	89,358	-	-
General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	810	-	-
Due from other funds	50,286	18,118	68,978	127,010	177,530	5,710	183,024	5,868	26,287
Advances	-	-	1,204	-	1,122	-	720	-	-
Total assets	<u>\$ 50,286</u>	<u>\$ 18,118</u>	<u>\$ 70,182</u>	<u>\$ 127,010</u>	<u>\$ 178,652</u>	<u>\$ 5,710</u>	<u>\$ 273,912</u>	<u>\$ 5,868</u>	<u>\$ 26,287</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 1,228	\$ -	\$ 3,979	\$ (1,500)	\$ 178,293	\$ -	\$ 154,072	\$ -	\$ -
Other liabilities and accruals	-	-	-	128,510	-	-	1,028	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total liabilities	<u>1,228</u>	<u>-</u>	<u>3,979</u>	<u>127,010</u>	<u>178,293</u>	<u>-</u>	<u>155,100</u>	<u>-</u>	<u>-</u>
Fund balances:									
Restricted	-	-	-	-	-	-	-	-	-
Committed	49,058	18,118	66,203	-	359	5,710	118,812	5,868	26,287
Total fund balances	<u>49,058</u>	<u>18,118</u>	<u>66,203</u>	<u>-</u>	<u>359</u>	<u>5,710</u>	<u>118,812</u>	<u>5,868</u>	<u>26,287</u>
Total liabilities and fund balances	<u>\$ 50,286</u>	<u>\$ 18,118</u>	<u>\$ 70,182</u>	<u>\$ 127,010</u>	<u>\$ 178,652</u>	<u>\$ 5,710</u>	<u>\$ 273,912</u>	<u>\$ 5,868</u>	<u>\$ 26,287</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**Combining Balance Sheet, Continued  
September 30, 2014**

	200527	200528	300612							
	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
<b>ASSETS</b>										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 253,308	\$ 260,577	\$ 3,722,067	\$ 140,809	\$ -	\$ -	\$ 4,376,761
Time certificates of deposit	-	-	-	497,218	-	-	-	-	-	497,218
Receivables, net:										
Taxes	-	-	-	-	-	-	-	-	-	89,358
General	-	-	-	-	-	-	1,300,133	-	-	1,300,133
Other	-	-	144,299	-	-	56,927	37,608	-	-	239,644
Due from other funds	391	25,899	97,635	-	-	1,695,931	2,032,916	-	(1,695,931)	2,819,652
Advances	-	2,720	-	-	-	19,720	37,765	-	-	63,251
<b>Total assets</b>	<b>\$ 391</b>	<b>\$ 28,619</b>	<b>\$ 241,934</b>	<b>\$ 750,526</b>	<b>\$ 260,577</b>	<b>\$ 5,494,645</b>	<b>\$ 3,549,231</b>	<b>\$ -</b>	<b>\$ (1,695,931)</b>	<b>\$ 9,386,017</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities:</b>										
Accounts payable	\$ -	\$ -	\$ -	\$ 1,215	\$ 17,466	\$ 306,482	\$ 912,024	\$ -	\$ -	\$ 1,573,259
Other liabilities and accruals	-	-	-	-	-	87,408	41,436	-	-	258,382
Due to other funds	-	-	-	-	-	-	1,695,931	-	(1,695,931)	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,215</b>	<b>17,466</b>	<b>393,890</b>	<b>2,649,391</b>	<b>-</b>	<b>(1,695,931)</b>	<b>1,831,641</b>
<b>Fund balances:</b>										
Restricted	-	-	241,934	749,311	-	-	-	-	-	991,245
Committed	391	28,619	-	-	243,111	5,100,755	899,840	-	-	6,563,131
<b>Total fund balances</b>	<b>391</b>	<b>28,619</b>	<b>241,934</b>	<b>749,311</b>	<b>243,111</b>	<b>5,100,755</b>	<b>899,840</b>	<b>-</b>	<b>-</b>	<b>7,554,376</b>
<b>Total liabilities and fund balances</b>	<b>\$ 391</b>	<b>\$ 28,619</b>	<b>\$ 241,934</b>	<b>\$ 750,526</b>	<b>\$ 260,577</b>	<b>\$ 5,494,645</b>	<b>\$ 3,549,231</b>	<b>\$ -</b>	<b>\$ (1,695,931)</b>	<b>\$ 9,386,017</b>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**Combining Schedule of Revenues, Expenditures By Function,  
and Changes in Fund Balances  
Year Ended September 30, 2014**

	200105	200224	200318	200319	200332	200333	200340	200520	200525
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Resident Workers Training Account	Sea Patrol	Transportation Services
<b>Revenues:</b>									
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	12,778	-	65,610	-	635,389	-	363,138	-	45
Interest	-	-	-	-	50	-	-	-	-
Sales	43,868	-	-	-	43,781	60	-	-	6,630
<b>Total revenues</b>	<b>56,646</b>	<b>-</b>	<b>65,610</b>	<b>-</b>	<b>679,220</b>	<b>60</b>	<b>363,138</b>	<b>-</b>	<b>6,675</b>
<b>Expenditures by Function:</b>									
<b>Current:</b>									
Judiciary	-	-	-	-	-	-	-	-	-
Ministry of Education	-	-	-	-	-	-	293,225	-	-
Ministry of Health and Environment	-	-	-	-	-	-	-	-	-
Ministry of Internal Affairs	-	-	-	-	-	-	-	-	-
Ministry of Justice	-	-	-	-	323,489	-	-	-	-
Ministry of Foreign Affairs and Trade	-	-	23,093	-	-	-	-	-	-
Ministry of Public Works	43,879	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>43,879</b>	<b>-</b>	<b>23,093</b>	<b>-</b>	<b>323,489</b>	<b>-</b>	<b>293,225</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	12,767	-	42,517	-	355,731	60	69,913	-	6,675
<b>Other financing sources (uses):</b>									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(355,732)	-	-	-	-
<b>Total other financing sources (uses), net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(355,732)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>12,767</b>	<b>-</b>	<b>42,517</b>	<b>-</b>	<b>(1)</b>	<b>60</b>	<b>69,913</b>	<b>-</b>	<b>6,675</b>
Fund balances at the beginning of the year	36,291	18,118	23,686	-	360	5,650	48,899	5,868	19,612
<b>Fund balances at the end of the year</b>	<b>\$ 49,058</b>	<b>\$ 18,118</b>	<b>\$ 66,203</b>	<b>\$ -</b>	<b>\$ 359</b>	<b>\$ 5,710</b>	<b>\$ 118,812</b>	<b>\$ 5,868</b>	<b>\$ 26,287</b>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**Combining Schedule of Revenues, Expenditures By Function,  
and Changes in Fund Balances, Continued  
Year Ended September 30, 2014**

	200527	200528	300612							
	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
<b>Revenues:</b>										
Federal and other grants	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 285,637	\$ -	\$ -	\$ -	\$ 295,637
Fees and charges	-	25,056	-	-	83,323	373,151	7,348,605	-	-	8,907,095
Interest	-	-	-	14,208	-	-	-	-	-	14,258
Sales	-	1,549	-	-	-	-	-	-	-	95,888
Total revenues	-	26,605	-	24,208	83,323	658,788	7,348,605	-	-	9,312,878
<b>Expenditures by Function:</b>										
<b>Current:</b>										
Judiciary	-	-	-	-	398,046	-	-	-	-	398,046
Ministry of Education	-	-	-	1,652,105	-	-	-	-	-	1,945,330
Ministry of Health and Environment	-	-	-	-	-	2,536,534	4,422,321	-	-	6,958,855
Ministry of Internal Affairs	-	7,821	-	-	-	-	-	-	-	7,821
Ministry of Justice	-	-	-	-	-	-	-	-	-	323,489
Ministry of Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	23,093
Ministry of Public Works	-	-	-	-	-	-	-	-	-	43,879
Nuclear claims related	-	-	1,437,701	-	-	-	-	74,400	-	1,512,101
Total expenditures	-	7,821	1,437,701	1,652,105	398,046	2,536,534	4,422,321	74,400	-	11,212,614
Excess (deficiency) of revenues over (under) expenditures	-	18,784	(1,437,701)	(1,627,897)	(314,723)	(1,877,746)	2,926,284	(74,400)	-	(1,899,736)
<b>Other financing sources (uses):</b>										
Operating transfers in	-	-	1,212,004	1,590,230	394,235	3,517,500	-	74,400	(3,517,500)	3,270,869
Operating transfers out	-	-	-	-	-	-	(3,517,500)	-	3,517,500	(355,732)
Total other financing sources (uses), net	-	-	1,212,004	1,590,230	394,235	3,517,500	(3,517,500)	74,400	-	2,915,137
Net change in fund balances	-	18,784	(225,697)	(37,667)	79,512	1,639,754	(591,216)	-	-	1,015,401
Fund balances at the beginning of the year	391	9,835	467,631	786,978	163,599	3,461,001	1,491,056	-	-	6,538,975
Fund balances at the end of the year	\$ 391	\$ 28,619	\$ 241,934	\$ 749,311	\$ 243,111	\$ 5,100,755	\$ 899,840	\$ -	\$ -	\$ 7,554,376

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**Combining Schedule of Revenues, Expenditures By Account,  
and Changes in Fund Balances  
Year Ended September 30, 2014**

	200105	200224	200318	200319	200332	200333	200340	200520	200525
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Resident Workers Training Account	Sea Patrol	Transportation Services
<b>Revenues:</b>									
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	12,778	-	65,610	-	635,389	-	363,138	-	45
Interest	-	-	-	-	50	-	-	-	-
Sales	43,868	-	-	-	43,781	60	-	-	6,630
<b>Total revenues</b>	<b>56,646</b>	<b>-</b>	<b>65,610</b>	<b>-</b>	<b>679,220</b>	<b>60</b>	<b>363,138</b>	<b>-</b>	<b>6,675</b>
<b>Expenditures by Account:</b>									
Grants and subsidies	-	-	-	-	-	-	-	-	-
Salaries and wages	-	-	-	-	-	-	39,753	-	-
Medical supplies	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	207,568	-	-
Capital outlay	3,739	-	-	-	67,104	-	-	-	-
Travel	-	-	1,354	-	62,470	-	16,328	-	-
Food stuffs	953	-	-	-	69,668	-	1,961	-	-
Supplies and materials	551	-	5,044	-	71,694	-	11,110	-	-
POL	36,317	-	5,606	-	39,234	-	1,000	-	-
Rentals	-	-	-	-	-	-	3,000	-	-
Allowances	-	-	-	-	-	-	3,700	-	-
Communications	-	-	5,110	-	2,593	-	9,640	-	-
Insurance	-	-	-	-	-	-	1,349	-	-
Utilities	429	-	-	-	-	-	449	-	-
Leased housing	-	-	-	-	-	-	-	-	-
Freight	1,890	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-	-
Printing and reproduction	-	-	-	-	488	-	-	-	-
Other	-	-	5,979	-	10,238	-	(2,633)	-	-
<b>Total expenditures</b>	<b>43,879</b>	<b>-</b>	<b>23,093</b>	<b>-</b>	<b>323,489</b>	<b>-</b>	<b>293,225</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	12,767	-	42,517	-	355,731	60	69,913	-	6,675
<b>Other financing sources (uses):</b>									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(355,732)	-	-	-	-
<b>Total other financing sources (uses), net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(355,732)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>12,767</b>	<b>-</b>	<b>42,517</b>	<b>-</b>	<b>(1)</b>	<b>60</b>	<b>69,913</b>	<b>-</b>	<b>6,675</b>
Fund balances at the beginning of the year	36,291	18,118	23,686	-	360	5,650	48,899	5,868	19,612
<b>Fund balances at the end of the year</b>	<b>\$ 49,058</b>	<b>\$ 18,118</b>	<b>\$ 66,203</b>	<b>\$ -</b>	<b>\$ 359</b>	<b>\$ 5,710</b>	<b>\$ 118,812</b>	<b>\$ 5,868</b>	<b>\$ 26,287</b>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures By Account,  
and Changes in Fund Balances, Continued  
Year Ended September 30, 2014

	200527	200528	300612	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical							
Revenues:										
Federal and other grants	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 285,637	\$ -	\$ -	\$ -	\$ 295,637
Fees and charges	-	25,056	-	-	83,323	373,151	7,348,605	-	-	8,907,095
Interest	-	-	-	14,208	-	-	-	-	-	14,258
Sales	-	1,549	-	-	-	-	-	-	-	95,888
Total revenues	-	26,605	-	24,208	83,323	658,788	7,348,605	-	-	9,312,878
Expenditures by Account:										
Grants and subsidies	-	-	-	1,495,951	-	62,287	-	-	-	1,558,238
Salaries and wages	-	-	-	79,163	-	220,676	311,799	-	-	651,391
Medical supplies	-	-	-	-	-	1,759,088	152,070	-	-	1,911,158
Contractual services	-	-	1,437,701	-	-	-	2,744,577	-	-	4,389,846
Capital outlay	-	-	-	-	56,068	135,281	9,164	-	-	271,356
Travel	-	3,034	-	14,575	65,378	95,022	808,580	-	-	1,066,741
Food stuffs	-	-	-	-	-	-	-	-	-	72,582
Supplies and materials	-	-	-	-	27,327	15,433	15,448	-	-	146,607
POL	-	-	-	-	11,492	-	20,927	-	-	114,576
Rentals	-	-	-	12,000	-	-	16,848	-	-	31,848
Allowances	-	-	-	-	-	-	-	-	-	3,700
Communications	-	4,787	-	18,597	50,740	600	9,757	-	-	101,824
Insurance	-	-	-	-	-	-	12,287	-	-	13,636
Utilities	-	-	-	-	80,291	-	45,597	-	-	126,766
Leased housing	-	-	-	-	68,040	-	-	-	-	68,040
Freight	-	-	-	-	-	7,635	-	-	-	9,525
Professional services	-	-	-	-	7,915	54,795	197,760	-	-	260,470
Printing and reproduction	-	-	-	-	-	-	-	-	-	488
Other	-	-	-	31,819	30,795	185,717	77,507	74,400	-	413,822
Total expenditures	-	7,821	1,437,701	1,652,105	398,046	2,536,534	4,422,321	74,400	-	11,212,614
Excess (deficiency) of revenues over (under) expenditures	-	18,784	(1,437,701)	(1,627,897)	(314,723)	(1,877,746)	2,926,284	(74,400)	-	(1,899,736)
Other financing sources (uses):										
Operating transfers in	-	-	1,212,004	1,590,230	394,235	3,517,500	-	74,400	(3,517,500)	3,270,869
Operating transfers out	-	-	-	-	-	-	(3,517,500)	-	3,517,500	(355,732)
Total other financing sources (uses), net	-	-	1,212,004	1,590,230	394,235	3,517,500	(3,517,500)	74,400	-	2,915,137
Net change in fund balances	-	18,784	(225,697)	(37,667)	79,512	1,639,754	(591,216)	-	-	1,015,401
Fund balances at the beginning of the year	391	9,835	467,631	786,978	163,599	3,461,001	1,491,056	-	-	6,538,975
Fund balances at the end of the year	\$ 391	\$ 28,619	\$ 241,934	\$ 749,311	\$ 243,111	\$ 5,100,755	\$ 899,840	\$ -	\$ -	\$ 7,554,376

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### FIDUCIARY FUNDS - PRIVATE PURPOSE TRUSTS

September 30, 2014

Private purpose trusts are used to report any trust arrangement not properly reported in a pension trust fund or an investment trust fund “under which principal and income benefit individuals, private organizations, or other governments.” A brief discussion of RepMar’s Private Purpose Trusts as of September 30, 2014, follows:

#### Marshall Islands Social Security Administration (MISSA)

This fund established MISSA under Public Law No. 1990-75, which administers the Marshall Islands Social Security Retirement Fund, to provide a financially sound social security system with pension benefits and early retirement.

#### Kwajalein Atoll Trust Fund

This fund accounts for funds received under the Interim Use Agreement, to be disbursed to various Kwajalein landowners.

#### Section 212 Kwajalein Landowners Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 212 and approved by Nitijela resolution 123 in accordance with the Military Use and Operating Rights Agreement.

#### Nuclear Claims Trust Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Compact of Free Association, Section 177(c) which were paid and distributed in accordance with an agreement between the Government of the United States and RepMar for the implementation of Section 177 of the Compact of Free Association.

See Accompanying Independent Auditors’ Report.



**REPUBLIC OF THE MARSHALL ISLANDS**

Combining Schedule of Fiduciary Net Position  
Fiduciary Funds - Private Purpose Trusts  
September 30, 2014

DILOG Fund Number	350610	510610	300614		
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Nuclear Claims Trust	
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	
				Total	
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 986,958	\$ -	\$ -	\$ -	\$ 986,958
Receivables, net:					
Contributions	1,825,889	-	-	-	1,825,889
Other	570,819	-	-	-	570,819
Investments	71,088,278	-	-	2,289	71,090,567
Due from other funds	-	421,658	235,474	55,573	712,705
Capital assets, net of accumulated depreciation	86,151	-	-	-	86,151
Total assets	<u>74,558,095</u>	<u>421,658</u>	<u>235,474</u>	<u>57,862</u>	<u>75,273,089</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	55,412	-	-	-	55,412
Other liabilities and accruals	103,110	-	-	-	103,110
Due to other funds	2,032,916	-	-	-	2,032,916
Total liabilities	<u>2,191,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,191,438</u>
<b><u>NET POSITION</u></b>					
Restricted for:					
Social security benefits	72,366,657	-	-	-	72,366,657
Nuclear claims	-	-	-	57,862	57,862
Land use distributions	-	421,658	235,474	-	657,132
Total net position	<u>\$ 72,366,657</u>	<u>\$ 421,658</u>	<u>\$ 235,474</u>	<u>\$ 57,862</u>	<u>\$ 73,081,651</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

Combining Schedule of Changes in Fiduciary Net Position  
Fiduciary Funds - Private Purpose Trusts  
Year Ended September 30, 2014

DILOG Fund Number	350610	510610	300614	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Nuclear Claims Trust
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
				Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Additions:				
Contributions:				
Private employees	\$ 8,195,219	\$ -	\$ -	\$ -
Government employees	4,326,039	-	-	-
Penalties and interest	180,351	-	-	-
Total contributions	<u>12,701,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment earnings:				
Net increase in the fair value of investments	4,354,809	-	-	-
Interest and dividends	549,234	-	-	-
Total investment earnings	4,904,043	-	-	-
Less investment expense	116,857	-	-	-
Net investment earnings	<u>4,787,186</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other:				
Compact funding	-	-	18,000,000	-
Other	1,241,613	-	-	-
	<u>1,241,613</u>	<u>-</u>	<u>18,000,000</u>	<u>-</u>
Total additions	<u>18,730,408</u>	<u>-</u>	<u>18,000,000</u>	<u>-</u>
Deductions:				
Land use distributions	-	-	17,988,691	-
Benefits	18,447,543	-	-	-
Administrative expenses	904,390	-	-	-
Total deductions	<u>19,351,933</u>	<u>-</u>	<u>17,988,691</u>	<u>-</u>
Change in net position held in trust for:				
Social security benefits	(621,525)	-	-	-
Land use distributions	-	-	11,309	-
Net position at the beginning of the year	<u>72,988,182</u>	<u>421,658</u>	<u>224,165</u>	<u>57,862</u>
Net position at the end of the year	<u>\$ 72,366,657</u>	<u>\$ 421,658</u>	<u>\$ 235,474</u>	<u>\$ 57,862</u>
				<u>\$ 73,081,651</u>

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## FIDUCIARY FUNDS - AGENCY

September 30, 2014

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. A brief discussion of RepMar's Agency Funds as of September 30, 2014, follows:

### Unclaimed Property Fund

This fund accounts for funds received in a fiduciary capacity for distribution to other individuals that primarily consists of Bank of Hawaii deposits and share dividends from United Micronesia Development Association.

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

Statement of Changes in Assets and Liabilities  
Fiduciary Funds - Agency  
September 30, 2014

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014
<u>ASSETS</u>				
Due from other funds	\$ 164,484	\$ -	\$ -	\$ 164,484
Total assets	<u>\$ 164,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,484</u>
<u>LIABILITIES</u>				
Other liabilities and accruals	\$ 164,484	\$ -	\$ -	\$ 164,484
Total liabilities	<u>\$ 164,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,484</u>

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### NONMAJOR COMPONENT UNITS

September 30, 2014

Component units are legally separate organizations for which the elected officials of RepMar are financially accountable. A brief discussion of RepMar's Nonmajor Component Units as of September 30, 2014, follows:

#### Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR)

KAJUR was incorporated under the laws of the Republic of the Marshall Islands on September 1, 1990, to generate and distribute utilities on the island of Ebeye. KAJUR is governed by the Board of Directors of the Marshalls Energy Company, Inc. RepMar provides financial support to KAJUR through legislative appropriations.

#### Majuro Atoll Waste Company, Inc. (MAWC)

MAWC was incorporated under the laws of the Republic of the Marshall Islands on January 30, 2007 to engage in, but not limited to, the collection and disposal of solid waste on Majuro Atoll. MAWC is governed by a five-member Board of Directors comprising the Secretary of Public Works or Secretary responsible for solid waste, the Councilman on the Executive Committee responsible for solid waste management on the Majuro Atoll Local Government, one member from a list of two or more nominations by the Marshall Islands Chamber of Commerce, one member from a list of two or more nominations by the Marshall Islands Tourism Association, and one member from a list of two or more nominations by the Marshall Islands Conservation Society. RepMar provides financial support to MAWC through legislative appropriations.

#### Majuro Resort, Inc. (MRI)

MRI was granted a corporate charter by the Cabinet of RepMar on November 8, 1995 to engage in the operation of a 150-room hotel on the atoll of Majuro. MRI is governed by a seven-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar has the ability to impose its will on MRI.

#### Majuro Water and Sewer Company, Inc. (MWSC)

MWSC was granted a corporate charter by the Cabinet of RepMar on January 26, 1989 to engage in the business of collecting and distributing fresh water, waste water and maintaining the sewer system. MWSC is governed by a seven-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to MWSC through legislative appropriations.

#### Marshall Islands Postal Services Authority (MIPSA)

MIPSA was created by the Postal Service Act of 1983 for the purpose of establishing an effective and efficient postal service for the Republic, both domestic and international, from three service outlets - the Uliga and Delap postal stations located on Majuro Atoll, and the Ebeye postal station located on Kwajalein Atoll. MIPSA is governed by a five-member Board of Directors appointed by the President of RepMar. The Board of Directors, in turn, is responsible for the appointment of the Postmaster General who oversees the day-to-day operations of the Authority. RepMar has the ability to impose its will on MIPSA.

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### NONMAJOR COMPONENT UNITS

September 30, 2014

#### Marshall Islands Shipping Corporation (MISC)

MISC was established as a body corporate pursuant to the Marshall Islands Shipping Corporation Act of 2004 (Public Law No. 2005-41) to operate services for the transportation of goods, mails and passengers by sea and to carry on business as ship owners, charterers of ships and vessels, ship brokers, and shipping agents, and to make provision for purposes connected with the aforesaid matters. MISC is governed by a five-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to MISC through legislative appropriations.

#### Marshall Islands Visitors Authority (MIVA)

MIVA was established as a body corporate pursuant to the Tourism Act of 1991 (Public Law No. 1991-109) to develop and promote the natural, scenic, cultural, historical and recreation attractions of the Marshall Islands. MIVA is governed by a six-member Board of Directors (with the General Manager serving ex officio and without vote), including the Secretary of Resources and Development, the Secretary of Internal Affairs (or designee), three members from the private sector appointed by the Minister of Resources and Development upon approval of the Cabinet of RepMar. RepMar provides financial support to MIVA through legislative appropriations.

#### RMI Environmental Protection Authority (EPA)

EPA was established for the protection and management of the environment. EPA is governed by a five-member Board of Directors appointed by the President in consultation with the Minister of Resources and Development. RepMar provides financial support to EPA through legislative appropriations.

#### Tobolar Copra Processing Authority (TCPA)

TCPA was granted a corporate charter by the Cabinet of RepMar on August 13, 1977 for the primary purpose of engaging in the production, processing, and marketing of copra products. TCPA is governed by a six-member Board of Directors (with the President serving ex officio and without vote) appointed by the President upon approval by the Cabinet of RepMar. RepMar provides financial support to TCPA through legislative appropriations.

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR COMPONENT UNITS**

**Combining Schedule of Net Position  
September 30, 2014**

	Kwajalein Atoll Joint Utilities Resources, Inc.	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	Marshall Islands Shipping Corporation	Marshall Islands Visitors Authority	Office of Commerce and Investment	RMI Environmental Protection Authority	Tobolar Copra Processing Authority	Total
<b>ASSETS</b>											
<b>Current assets:</b>											
Cash and cash equivalents	165,370	\$ 33,055	\$ 126,828	\$ 149,432	\$ 242,292	\$ 255,103	\$ 1,392	\$ 129,994	\$ 124,713	\$ 156,064	\$ 1,384,243
Receivables, net	358,860	35,170	274,022	455,502	45,880	193,386	65,864	-	56,006	113,334	1,598,024
Inventories	846,742	-	44,397	246,701	22,040	1,786	-	-	-	830,506	1,992,172
Other current assets	292,649	1,000	29,227	26,873	5,691	-	1,351	-	-	3,771	360,562
<b>Total current assets</b>	<b>1,663,621</b>	<b>69,225</b>	<b>474,474</b>	<b>878,508</b>	<b>315,903</b>	<b>450,275</b>	<b>68,607</b>	<b>129,994</b>	<b>180,719</b>	<b>1,103,675</b>	<b>5,335,001</b>
<b>Noncurrent assets:</b>											
Nondepreciable capital assets	56,774	-	-	-	-	-	-	-	-	245,620	302,394
Other capital assets, net of accumulated depreciation	2,070,953	824,995	1,576,627	1,167,321	45,410	242,444	28,232	39,691	77,268	1,180,850	7,253,791
<b>Total noncurrent assets</b>	<b>2,127,727</b>	<b>824,995</b>	<b>1,576,627</b>	<b>1,167,321</b>	<b>45,410</b>	<b>242,444</b>	<b>28,232</b>	<b>39,691</b>	<b>77,268</b>	<b>1,426,470</b>	<b>7,556,185</b>
<b>Total assets</b>	<b>\$ 3,791,348</b>	<b>\$ 894,220</b>	<b>\$ 2,051,101</b>	<b>\$ 2,045,829</b>	<b>\$ 361,313</b>	<b>\$ 692,719</b>	<b>\$ 96,839</b>	<b>\$ 169,685</b>	<b>\$ 257,987</b>	<b>\$ 2,530,145</b>	<b>\$ 12,891,186</b>
<b>LIABILITIES</b>											
<b>Current liabilities:</b>											
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,103	\$ 72,103
Short-term debt	-	-	-	-	-	-	-	-	-	1,000,066	1,000,066
Current portion of long-term debt	-	28,775	-	-	-	-	-	-	-	12,052	40,827
Accounts payable	15,583	25,457	833,377	1,651,446	6,047	70,148	47,501	-	37,001	485,783	3,172,343
Other liabilities and accruals	2,899,632	146,596	569,930	81,854	185,382	397,640	12,366	51,986	18,915	116,489	4,480,790
Unearned revenues	52,592	-	-	-	21,893	-	-	-	-	-	74,485
<b>Total current liabilities</b>	<b>2,967,807</b>	<b>200,828</b>	<b>1,403,307</b>	<b>1,733,300</b>	<b>213,322</b>	<b>467,788</b>	<b>59,867</b>	<b>51,986</b>	<b>55,916</b>	<b>1,686,493</b>	<b>8,840,614</b>
<b>Noncurrent liabilities:</b>											
Noncurrent portion of long-term debt	-	64,786	-	-	-	-	-	-	-	277,116	341,902
<b>Total liabilities</b>	<b>2,967,807</b>	<b>265,614</b>	<b>1,403,307</b>	<b>1,733,300</b>	<b>213,322</b>	<b>467,788</b>	<b>59,867</b>	<b>51,986</b>	<b>55,916</b>	<b>1,963,609</b>	<b>9,182,516</b>
<b>NET POSITION</b>											
Net investment in capital assets	2,127,727	824,995	1,576,627	1,167,321	45,410	242,444	28,232	39,691	77,268	1,137,302	7,267,017
Restricted	-	-	-	177,554	-	-	-	-	110,569	-	288,123
Unrestricted	(1,304,186)	(196,389)	(928,833)	(1,032,346)	102,581	(17,513)	8,740	78,008	14,234	(570,766)	(3,846,470)
<b>Total net position</b>	<b>823,541</b>	<b>628,606</b>	<b>647,794</b>	<b>312,529</b>	<b>147,991</b>	<b>224,931</b>	<b>36,972</b>	<b>117,699</b>	<b>202,071</b>	<b>566,536</b>	<b>3,708,670</b>
	<b>\$ 3,791,348</b>	<b>\$ 894,220</b>	<b>\$ 2,051,101</b>	<b>\$ 2,045,829</b>	<b>\$ 361,313</b>	<b>\$ 692,719</b>	<b>\$ 96,839</b>	<b>\$ 169,685</b>	<b>\$ 257,987</b>	<b>\$ 2,530,145</b>	<b>\$ 12,891,186</b>

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR COMPONENT UNITS

### Combining Schedule of Revenues, Expenses, and Changes in Net Position Year Ended September 30, 2014

	Kwajalein Atoll Joint Utilities Resources, Inc.	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	Marshall Islands Shipping Corporation	Marshall Islands Visitors Authority	Office of Commerce and Investment	RMI Environmental Protection Authority	Tobolar Copra Processing Authority	Total
<b>Operating revenues:</b>											
Charges for services	\$ 4,741,284	\$ 131,036	\$ 1,403,580	\$ 1,145,799	\$ 86,204	\$ 1,542,784	\$ 11,715	\$ -	\$ 140,809	\$ -	\$ 9,203,211
Sales	-	-	1,280,540	-	368,786	87,524	-	-	-	2,967,610	4,704,460
Other	-	-	123,156	11,947	72,323	28,895	12,665	-	146,751	-	395,737
<b>Total operating revenues</b>	<b>4,741,284</b>	<b>131,036</b>	<b>2,807,276</b>	<b>1,157,746</b>	<b>527,313</b>	<b>1,659,203</b>	<b>24,380</b>	<b>-</b>	<b>287,560</b>	<b>2,967,610</b>	<b>14,303,408</b>
<b>Operating expenses:</b>											
Cost of services	6,706,340	568,201	1,549,625	1,509,798	-	2,797,090	-	-	664,853	4,067,828	17,863,735
Administration costs	-	-	1,289,275	-	443,337	-	365,305	134,622	-	868,490	3,101,029
Depreciation and amortization	418,574	303,952	367,015	130,038	24,870	71,938	18,406	1,229	42,809	299,000	1,677,831
<b>Total operating expenses</b>	<b>7,124,914</b>	<b>872,153</b>	<b>3,205,915</b>	<b>1,639,836</b>	<b>468,207</b>	<b>2,869,028</b>	<b>383,711</b>	<b>135,851</b>	<b>707,662</b>	<b>5,235,318</b>	<b>22,642,595</b>
<b>Operating income (loss)</b>	<b>(2,383,630)</b>	<b>(741,117)</b>	<b>(398,639)</b>	<b>(482,090)</b>	<b>59,106</b>	<b>(1,209,825)</b>	<b>(359,331)</b>	<b>(135,851)</b>	<b>(420,102)</b>	<b>(2,267,708)</b>	<b>(8,339,187)</b>
<b>Nonoperating revenues (expenses):</b>											
Contributions from the primary government	1,800,000	325,000	95,000	-	-	1,299,057	322,400	253,550	313,996	1,410,400	5,819,403
Interest expense	-	(8,781)	(12,952)	-	-	-	-	-	-	(72,548)	(94,281)
Grants and other contributions	-	-	-	-	-	-	28,990	-	70,482	-	99,472
Other	-	-	-	(616)	-	-	-	-	2,674	-	2,058
<b>Total nonoperating revenues (expenses), net</b>	<b>1,800,000</b>	<b>316,219</b>	<b>82,048</b>	<b>(616)</b>	<b>-</b>	<b>1,299,057</b>	<b>351,390</b>	<b>253,550</b>	<b>387,152</b>	<b>1,337,852</b>	<b>5,826,652</b>
<b>Capital contributions</b>	<b>-</b>	<b>104,965</b>	<b>-</b>	<b>862,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>967,533</b>
<b>Change in net position</b>	<b>(583,630)</b>	<b>(319,933)</b>	<b>(316,591)</b>	<b>379,862</b>	<b>59,106</b>	<b>89,232</b>	<b>(7,941)</b>	<b>117,699</b>	<b>(32,950)</b>	<b>(929,856)</b>	<b>(1,545,002)</b>
<b>Net position at the beginning of the year, as previously reported</b>	<b>1,407,171</b>	<b>948,539</b>	<b>964,385</b>	<b>(67,333)</b>	<b>88,885</b>	<b>135,699</b>	<b>44,913</b>	<b>-</b>	<b>235,021</b>	<b>1,685,688</b>	<b>5,442,968</b>
<b>Prior-period adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(189,296)</b>	<b>(189,296)</b>
<b>Net position at the beginning of the year, as restated</b>	<b>1,407,171</b>	<b>948,539</b>	<b>964,385</b>	<b>(67,333)</b>	<b>88,885</b>	<b>135,699</b>	<b>44,913</b>	<b>-</b>	<b>235,021</b>	<b>1,496,392</b>	<b>5,253,672</b>
<b>Net position at the end of the year</b>	<b>\$ 823,541</b>	<b>\$ 628,606</b>	<b>\$ 647,794</b>	<b>\$ 312,529</b>	<b>\$ 147,991</b>	<b>\$ 224,931</b>	<b>\$ 36,972</b>	<b>\$ 117,699</b>	<b>\$ 202,071</b>	<b>\$ 566,536</b>	<b>\$ 3,708,670</b>

See Accompanying Independent Auditors' Report.



## REPUBLIC OF THE MARSHALL ISLANDS

### GRANTS ASSISTANCE FUND

September 30, 2014

The Grants Assistance Fund accounts for all financial transactions that are subgranted to RepMar. A brief discussion of the funds that comprise the Grants Assistance Fund as of September 30, 2014, follows:

#### Section 215(a)(1) Communications Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title II, Article I, Section 215(a)(1) and approved by Nitijela resolution 62.

#### Section 216(a)(1) Surveillance and Enforcement Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title II, Article I, Section 216(a)(1) and approved by Nitijela resolution 62.

#### Section 216(a)(3) Scholarship Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title II, Article I, Section 216(a)(3) and approved by Nitijela resolution 62.

#### Section 213 Audit Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 213 and approved by Nitijela resolution 123.

#### U.S. Federal Grants Fund

This fund accounts for all financial transactions that are subgranted to RepMar, as well as other direct federal grants that RepMar received from the United States government.

#### European Union Grants Fund

This fund accounts for all financial transactions that are subgranted to RepMar, as well as other direct grants that RepMar received from the European Union.

#### Other Direct Assistance Fund

This fund accounts for all financial transactions related to direct grants received from non-U.S. agencies, which have historically been accounted for herein, and also includes grants from other world organizations.

#### Republic of China Projects Fund

This fund accounts for all financial transactions related to direct grants received from the Republic of China relating to designated projects.

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**GRANTS ASSISTANCE FUND**

September 30, 2014

Compact Sector Grants Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(a) and approved by Nitijela resolution 123 to promote economic advancement and budgetary self-reliance. These appropriations are to be used for assistance in education, health care, the environment, public sector capacity building, and private sector development, or for other areas as mutually agreed, with priorities in the education and health care sectors.

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**GRANTS ASSISTANCE FUND**

Combining Balance Sheet

September 30, 2014

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700360	700370		
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	Other Direct Assistance	Republic of China Projects	Compact Sector	Total
<b>ASSETS</b>										
Receivables:										
Federal agencies	\$ -	\$ -	\$ -	\$ 693,876	\$ 791,257	\$ -	\$ -	\$ -	\$ 6,990,405	\$ 8,475,538
General	-	-	-	-	-	-	(45,453)	3,859,115	-	3,813,662
Due from other funds	40,380	690	1,593	-	-	131,869	189,350	-	5,366,820	5,730,702
Advances	-	-	-	-	75,341	-	1,000	120	11,971	88,432
Total assets	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 693,876</u>	<u>\$ 866,598</u>	<u>\$ 131,869</u>	<u>\$ 144,897</u>	<u>\$ 3,859,235</u>	<u>\$ 12,369,196</u>	<u>\$ 18,108,334</u>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>(DEFICITS)</b>										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ 64,272	\$ 419,115	\$ 475	\$ 228,802	\$ 721,896	\$ 888,616	\$ 2,323,176
Other liabilities and accruals	-	-	-	-	86,110	-	6,298	3,439	414,971	510,818
Retention payable	-	-	-	-	-	-	-	-	543,637	543,637
Due to other funds	-	-	-	629,604	398,651	-	-	477,205	4,086,471	5,591,931
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>693,876</u>	<u>903,876</u>	<u>475</u>	<u>235,100</u>	<u>1,202,540</u>	<u>5,933,695</u>	<u>8,969,562</u>
Fund balances (deficits):										
Restricted	40,380	690	1,593	-	-	-	-	-	6,548,694	6,591,357
Committed	-	-	-	-	-	131,394	-	2,656,695	-	2,788,089
Unassigned	-	-	-	-	(37,278)	-	(90,203)	-	(113,193)	(240,674)
Total fund balances (deficits)	<u>40,380</u>	<u>690</u>	<u>1,593</u>	<u>-</u>	<u>(37,278)</u>	<u>131,394</u>	<u>(90,203)</u>	<u>2,656,695</u>	<u>6,435,501</u>	<u>9,138,772</u>
Total liabilities and fund balances	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 693,876</u>	<u>\$ 866,598</u>	<u>\$ 131,869</u>	<u>\$ 144,897</u>	<u>\$ 3,859,235</u>	<u>\$ 12,369,196</u>	<u>\$ 18,108,334</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**GRANTS ASSISTANCE FUND**  
 Combining Schedule of Revenues, Expenditures by Function,  
 and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2014

<b>DILOG Fund Number</b>	<b>350200</b>	<b>350305</b>	<b>350315</b>	<b>510130</b>	<b>600350</b>	<b>700100</b>	<b>700360</b>	<b>700370</b>			
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	Other Direct Assistance	Republic of China Projects	Compact Sector	Elimination	Total
<b>Revenues:</b>											
Federal and other grants	\$ -	\$ -	\$ -	\$ 331,146	\$ 8,523,739	\$ 243,815	\$ 1,626,430	\$ 7,400,000	\$ 31,015,371	\$ -	\$ 49,140,501
<b>Expenditures by Function:</b>											
<b>Current:</b>											
President and Cabinet	-	-	-	-	-	-	-	1,000	-	-	1,000
Office of the Chief Secretary	-	-	-	-	10,338	2,964	639,483	-	-	-	652,785
Special appropriations	-	-	-	-	-	-	49,880	1,502,712	-	-	1,552,592
Nitijela	-	-	-	-	-	-	9,000	-	-	-	9,000
Office of the Auditor-General	-	-	-	331,146	106,102	-	-	-	-	-	437,248
Public Service Commission	-	-	-	-	-	-	-	23,995	-	-	23,995
Judiciary	-	-	-	-	-	-	-	19,840	-	-	19,840
Ministry of Education	-	-	-	-	1,777,184	-	500,176	(3,400)	17,198,455	-	19,472,415
Ministry of Health and Environment	-	-	-	-	3,401,816	-	198,879	173,459	7,722,065	-	11,496,219
Ministry of Transportation and Communications	-	-	-	-	-	-	-	1,299,057	-	-	1,299,057
Ministry of Resources and Development	-	-	-	-	63,276	-	103,118	1,138,000	-	-	1,304,394
Ministry of Internal Affairs	-	-	-	-	191,242	-	40,225	534,283	-	-	765,750
Ministry of Finance	-	-	-	-	1,683,290	36,185	51,775	64,875	2,087,123	-	3,923,248
Ministry of Foreign Affairs	-	-	-	-	-	-	308,777	67,585	-	-	376,362
Ministry of Public Works	-	-	-	-	114,888	-	-	326,681	-	-	441,569
Environmental Protection Authority	-	-	-	-	-	-	-	-	573,203	-	573,203
Capital outlay	-	-	-	-	-	-	-	188,421	2,474,729	-	2,663,150
Total expenditures	-	-	-	331,146	7,348,136	39,149	1,901,313	5,336,508	30,055,575	-	45,011,827
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,175,603	204,666	(274,883)	2,063,492	959,796	-	4,128,674
<b>Other financing sources (uses):</b>											
Operating transfers in	-	-	-	-	-	-	-	-	739,617	(739,617)	-
Operating transfers out	-	-	-	-	(1,212,004)	-	(207,500)	(1,089,617)	(876,840)	739,617	(2,646,344)
Total other financing sources (uses), net	-	-	-	-	(1,212,004)	-	(207,500)	(1,089,617)	(137,223)	-	(2,646,344)
Net change in fund balances (deficits)	-	-	-	-	(36,401)	204,666	(482,383)	973,875	822,573	-	1,482,330
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(877)	(73,272)	392,180	1,682,820	5,612,928	-	7,656,442
Fund balances (deficits) at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (37,278)	\$ 131,394	\$ (90,203)	\$ 2,656,695	\$ 6,435,501	\$ -	\$ 9,138,772

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**GRANTS ASSISTANCE FUND**  
 Combining Schedule of Revenues, Expenditures by Account,  
 and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2014

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700360	700370			
	Section 215(a)(1) Communi- cations	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	Other Direct Assistance	Republic of China Projects	Compact Sector	Elimination	Total
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ 331,146	\$ 8,523,739	\$ 243,815	\$ 1,626,430	\$ 7,400,000	\$ 31,015,371	\$ -	\$ 49,140,501
Expenditures by Account:											
Salaries and wages	-	-	-	-	3,249,407	4,669	303,510	241,457	14,353,857	-	18,152,900
Capital outlay	-	-	-	-	296,058	34,425	41,653	288,625	2,056,806	-	2,717,567
Grants and subsidies	-	-	-	-	38,000	-	500	4,235,132	4,873,557	-	9,147,189
Utilities	-	-	-	-	58,315	-	191,346	5,039	1,930,434	-	2,185,134
Leased housing	-	-	-	-	-	-	509,680	40,579	707,446	-	1,257,705
Supplies and materials	-	-	-	-	209,051	-	30,325	48,255	1,411,271	-	1,698,902
Contractual services	-	-	-	-	1,286,619	-	64,090	34,703	1,458,384	-	2,843,796
Travel	-	-	-	-	669,518	-	128,698	5,223	441,706	-	1,245,145
Food stuffs	-	-	-	-	622,405	-	188,178	9,642	675,586	-	1,495,811
Allowances	-	-	-	-	-	-	-	-	73,346	-	73,346
Professional services	-	-	-	331,146	-	-	-	-	-	-	331,146
Medical supplies	-	-	-	-	-	-	-	-	21,036	-	21,036
Communications	-	-	-	-	121,030	-	13,715	975	125,623	-	261,343
POL	-	-	-	-	106,233	25	46,783	59,326	303,940	-	516,307
Rentals	-	-	-	-	60,070	-	42,785	1,200	117,891	-	221,946
Freight	-	-	-	-	5,000	-	35	36,878	44,262	-	86,175
Printing and reproduction	-	-	-	-	29,146	-	1,581	-	17,240	-	47,967
Insurance	-	-	-	-	-	-	102	-	24,558	-	24,660
Other	-	-	-	-	597,284	30	338,332	329,474	1,418,632	-	2,683,752
Total expenditures	-	-	-	331,146	7,348,136	39,149	1,901,313	5,336,508	30,055,575	-	45,011,827
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,175,603	204,666	(274,883)	2,063,492	959,796	-	4,128,674
Other financing sources (uses):											
Operating transfers in	-	-	-	-	-	-	-	-	739,617	(739,617)	-
Operating transfers out	-	-	-	-	(1,212,004)	-	(207,500)	(1,089,617)	(876,840)	739,617	(2,646,344)
Total other financing sources (uses), net	-	-	-	-	(1,212,004)	-	(207,500)	(1,089,617)	(137,223)	-	(2,646,344)
Net change in fund balances (deficits)	-	-	-	-	(36,401)	204,666	(482,383)	973,875	822,573	-	1,482,330
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(877)	(73,272)	392,180	1,682,820	5,612,928	-	7,656,442
Fund balances (deficits) at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (37,278)	\$ 131,394	\$ (90,203)	\$ 2,656,695	\$ 6,435,501	\$ -	\$ 9,138,772

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND

September 30, 2014

#### Section 211(a)(1) Education Sector Grant Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(a)(1) and approved by Nitijela resolution 123 to support and improve the educational system of the Republic of the Marshall Islands.

#### Supplemental Education Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, which takes the place of certain domestic grants once offered through the U.S. Department of Education, the U.S. Department of Health and Human Services and the U.S. Department of Labor.

#### Section 211(a)(2) Health Sector Grant Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(a)(2) and approved by Nitijela resolution 123 to support and improve the delivery of preventive, curative, and environmental healthcare services in the Republic of the Marshall Islands.

#### Section 211(a)(4) Capacity Building Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(a)(4) and approved by Nitijela resolution 123 to support the efforts in building an effective, accountable and transparent national and local government and other public sector institutions and systems in the Republic of the Marshall Islands.

#### Section 211(a)(5) Environment Sector Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(a)(5) and approved by Nitijela resolution 123 to increase environmental protection; establish and manage conservation areas; engage in environmental infrastructure planning, design construction and operation; and to involve the citizens of the Marshall Islands in the process of conserving their country's natural resources.

#### Section 211(b)(1) Ebeye Special Needs Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(b)(1) and approved by Nitijela resolution 123 to support the special needs of the community at Ebeye, Kwajalein Atoll and other Marshallese communities within Kwajalein Atoll.

#### Section 211(b)(2) Landowners Special Needs Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(b)(1) and approved by Nitijela resolution 123 to support the special needs of the community at Ebeye, Kwajalein Atoll and other Marshallese communities within Kwajalein Atoll with emphasis on the Kwajalein Landowners.

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND

September 30, 2014

#### Section 211(b)(1) Kwajalein Environment Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(b)(1) and approved by Nitijela resolution 123 to address the special needs of the community at Ebeye, Kwajalein Atoll, with respect to environmental protection issues.

#### Section 211(d)(1) Public Infrastructure Sector Grant Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(d)(1) and approved by Nitijela resolution 123. The aforementioned section requires no less than 30% and no more than 50% of the total amounts appropriated by the United States Congress under Section 211 to be made available in accordance with a list of specific projects included in the infrastructure improvement and maintenance plan prepared by RepMar.

#### Section 211(d)(2) Infrastructure Maintenance Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(d)(2) and approved by Nitijela resolution 123. The aforementioned section requires 5% of the total amounts appropriated by the United States Congress under Section 211(d)(1) to be set aside and made available, with an equal contribution from RepMar, as a contribution to an Infrastructure Maintenance Fund.

#### Section 211(e)(1) Disaster Assistance Emergency Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(e)(1) and approved by Nitijela resolution 123 to support the establishment of a disaster assistance emergency fund.

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**COMPACT OF FREE ASSOCIATION SECTOR GRANTS**

Combining Balance Sheet

September 30, 2014

DILOG Fund Number	410100	410102	410110	410120	410140	410150	410160	410170	510100	510110	510120	Total
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	
<b>ASSETS</b>												
Receivables:												
Federal agencies	\$ 1,890,078	\$ 1,187,361	\$ 948,453	\$ -	\$ -	\$ 350,083	\$ 78,440	\$ 33,080	\$ 2,269,830	\$ -	\$ 233,080	\$ 6,990,405
Due from other funds	-	-	-	203,373	10,487	-	-	-	-	2,730,138	2,422,822	5,366,820
Advances	2,959	734	3,090	-	-	4,056	-	484	3,620	(2,972)	-	11,971
Total assets	<u>\$ 1,893,037</u>	<u>\$ 1,188,095</u>	<u>\$ 951,543</u>	<u>\$ 203,373</u>	<u>\$ 10,487</u>	<u>\$ 354,139</u>	<u>\$ 78,440</u>	<u>\$ 33,564</u>	<u>\$ 2,273,450</u>	<u>\$ 2,727,166</u>	<u>\$ 2,655,902</u>	<u>\$ 12,369,196</u>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>(DEFICITS)</b>												
Liabilities:												
Accounts payable	\$ 88,210	\$ 433,168	\$ 169,631	\$ -	\$ -	\$ 140,800	\$ 18,125	\$ 387	\$ 36,798	\$ 1,497	\$ -	\$ 888,616
Other liabilities and accruals	218,540	54,784	109,641	-	-	20,626	-	5,879	4,166	1,335	-	414,971
Retention payable	-	-	-	-	-	-	-	-	543,637	-	-	543,637
Due to other funds	1,145,011	395,233	523,315	-	-	170,993	22,579	73,676	1,755,664	-	-	4,086,471
Total liabilities	<u>1,451,761</u>	<u>883,185</u>	<u>802,587</u>	<u>-</u>	<u>-</u>	<u>332,419</u>	<u>40,704</u>	<u>79,942</u>	<u>2,340,265</u>	<u>2,832</u>	<u>-</u>	<u>5,933,695</u>
Fund balances (deficits):												
Restricted	441,276	304,910	148,956	203,373	10,487	21,720	37,736	-	-	2,724,334	2,655,902	6,548,694
Unassigned	-	-	-	-	-	-	-	(46,378)	(66,815)	-	-	(113,193)
Total fund balances (deficits)	<u>441,276</u>	<u>304,910</u>	<u>148,956</u>	<u>203,373</u>	<u>10,487</u>	<u>21,720</u>	<u>37,736</u>	<u>(46,378)</u>	<u>(66,815)</u>	<u>2,724,334</u>	<u>2,655,902</u>	<u>6,435,501</u>
Total liabilities and fund balances	<u>\$ 1,893,037</u>	<u>\$ 1,188,095</u>	<u>\$ 951,543</u>	<u>\$ 203,373</u>	<u>\$ 10,487</u>	<u>\$ 354,139</u>	<u>\$ 78,440</u>	<u>\$ 33,564</u>	<u>\$ 2,273,450</u>	<u>\$ 2,727,166</u>	<u>\$ 2,655,902</u>	<u>\$ 12,369,196</u>

See Accompanying Independent Auditors' Report.



**REPUBLIC OF THE MARSHALL ISLANDS**

**COMPACT OF FREE ASSOCIATION SECTOR GRANTS**  
 Combining Schedule of Revenues, Expenditures by Function,  
 and Changes in Fund Balances (Deficits)  
 Year Ended September 30, 2014

<b>DILOG Fund Number</b>	<b>410100</b>	<b>410102</b>	<b>410110</b>	<b>410120</b>	<b>410140</b>	<b>410150</b>	<b>410160</b>	<b>410170</b>	<b>510100</b>	<b>510110</b>	<b>510120</b>	
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Total
<b>Revenues:</b>												
Compact funding	\$ 10,990,078	\$ 5,572,186	\$ 6,198,453	\$ 40,000	\$ 325,000	\$ 3,375,090	\$ 2,147,147	\$ 233,080	\$ 1,901,257	\$ -	\$ 233,080	\$ 31,015,371
<b>Expenditures by Function:</b>												
<b>Current:</b>												
Ministry of Education	10,152,350	5,163,826	-	-	-	1,882,279	-	-	-	-	-	17,198,455
Ministry of Health and Environment	-	-	6,123,413	-	-	1,598,652	-	-	-	-	-	7,722,065
Ministry of Finance	-	-	-	-	-	-	2,087,123	-	-	-	-	2,087,123
Environmental Protection Authority	-	-	-	-	325,000	-	-	248,203	-	-	-	573,203
Capital outlay	-	-	-	-	-	-	-	-	1,945,818	528,911	-	2,474,729
<b>Total expenditures</b>	<b>10,152,350</b>	<b>5,163,826</b>	<b>6,123,413</b>	<b>-</b>	<b>325,000</b>	<b>3,480,931</b>	<b>2,087,123</b>	<b>248,203</b>	<b>1,945,818</b>	<b>528,911</b>	<b>-</b>	<b>30,055,575</b>
Excess (deficiency) of revenues over (under) expenditures	837,728	408,360	75,040	40,000	-	(105,841)	60,024	(15,123)	(44,561)	(528,911)	233,080	959,796
<b>Other financing sources (uses):</b>												
Operating transfers in	-	-	-	-	-	-	-	-	-	506,537	233,080	739,617
Operating transfers out	(471,925)	(204,915)	-	-	-	(200,000)	-	-	-	-	-	(876,840)
<b>Total other financing sources (uses), net</b>	<b>(471,925)</b>	<b>(204,915)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(200,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>506,537</b>	<b>233,080</b>	<b>(137,223)</b>
<b>Net change in fund balances (deficits)</b>	<b>365,803</b>	<b>203,445</b>	<b>75,040</b>	<b>40,000</b>	<b>-</b>	<b>(305,841)</b>	<b>60,024</b>	<b>(15,123)</b>	<b>(44,561)</b>	<b>(22,374)</b>	<b>466,160</b>	<b>822,573</b>
<b>Fund balances (deficits) at the beginning of the year</b>	<b>75,473</b>	<b>101,465</b>	<b>73,916</b>	<b>163,373</b>	<b>10,487</b>	<b>327,561</b>	<b>(22,288)</b>	<b>(31,255)</b>	<b>(22,254)</b>	<b>2,746,708</b>	<b>2,189,742</b>	<b>5,612,928</b>
<b>Fund balances (deficits) at the end of the year</b>	<b>\$ 441,276</b>	<b>\$ 304,910</b>	<b>\$ 148,956</b>	<b>\$ 203,373</b>	<b>\$ 10,487</b>	<b>\$ 21,720</b>	<b>\$ 37,736</b>	<b>\$ (46,378)</b>	<b>\$ (66,815)</b>	<b>\$ 2,724,334</b>	<b>\$ 2,655,902</b>	<b>\$ 6,435,501</b>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**COMPACT OF FREE ASSOCIATION SECTOR GRANTS**  
**Combining Schedule of Revenues, Expenditures by Account,**  
**and Changes in Fund Balances (Deficits)**  
**Year Ended September 30, 2014**

<b>DILOG Fund Number</b>	<b>410100</b>	<b>410102</b>	<b>410110</b>	<b>410120</b>	<b>410140</b>	<b>410150</b>	<b>410160</b>	<b>410170</b>	<b>510100</b>	<b>510110</b>	<b>510120</b>	
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Total
<b>Revenues:</b>												
Compact funding	\$ 10,990,078	\$ 5,572,186	\$ 6,198,453	\$ 40,000	\$ 325,000	\$ 3,375,090	\$ 2,147,147	\$ 233,080	\$ 1,901,257	\$ -	\$ 233,080	\$ 31,015,371
<b>Expenditures by Account:</b>												
Salaries and wages	6,908,087	1,975,457	4,202,898	-	-	825,725	-	223,501	152,453	65,736	-	14,353,857
Capital outlay	154,534	119,563	58,601	-	-	46,973	208,683	-	1,088,106	380,346	-	2,056,806
Grants and subsidies	1,299,667	427,939	-	-	325,000	425,000	1,878,440	-	517,511	-	-	4,873,557
Utilities	345,737	42,940	721,067	-	-	816,490	-	4,200	-	-	-	1,930,434
Leased housing	190,049	38,000	459,390	-	-	-	-	-	20,007	-	-	707,446
Supplies and materials	415,053	621,033	63,344	-	-	307,101	-	700	4,040	-	-	1,411,271
Contractual services	5,571	875,469	226,785	-	-	282,559	-	-	68,000	-	-	1,458,384
Travel	157,410	25,310	52,996	-	-	173,657	-	12,416	19,917	-	-	441,706
Food stuffs	244,582	221,892	122,121	-	-	85,001	-	-	1,990	-	-	675,586
Allowances	26,496	46,850	-	-	-	-	-	-	-	-	-	73,346
Medical supplies	-	-	-	-	-	21,036	-	-	-	-	-	21,036
Communications	23,577	20,857	18,022	-	-	48,671	-	4,175	10,321	-	-	125,623
POL	149,518	23,601	24,398	-	-	82,529	-	2,476	21,418	-	-	303,940
Rentals	69,927	6,000	600	-	-	1,029	-	-	40,335	-	-	117,891
Freight	28,988	594	961	-	-	13,719	-	-	-	-	-	44,262
Printing and reproduction	10,998	2,500	-	-	-	3,252	-	490	-	-	-	17,240
Insurance	23,163	-	845	-	-	550	-	-	-	-	-	24,558
Other	98,993	715,821	171,385	-	-	347,639	-	245	1,720	82,829	-	1,418,632
Total expenditures	10,152,350	5,163,826	6,123,413	-	325,000	3,480,931	2,087,123	248,203	1,945,818	528,911	-	30,055,575
Excess (deficiency) of revenues over (under) expenditures	837,728	408,360	75,040	40,000	-	(105,841)	60,024	(15,123)	(44,561)	(528,911)	233,080	959,796
<b>Other financing sources (uses):</b>												
Operating transfers in	-	-	-	-	-	-	-	-	-	506,537	233,080	739,617
Operating transfers out	(471,925)	(204,915)	-	-	-	(200,000)	-	-	-	-	-	(876,840)
Total other financing sources (uses), net	(471,925)	(204,915)	-	-	-	(200,000)	-	-	-	506,537	233,080	(137,223)
Net change in fund balances (deficits)	365,803	203,445	75,040	40,000	-	(305,841)	60,024	(15,123)	(44,561)	(22,374)	466,160	822,573
Fund balances (deficits) at the beginning of the year	75,473	101,465	73,916	163,373	10,487	327,561	(22,288)	(31,255)	(22,254)	2,746,708	2,189,742	5,612,928
Fund balances (deficits) at the end of the year	\$ 441,276	\$ 304,910	\$ 148,956	\$ 203,373	\$ 10,487	\$ 21,720	\$ 37,736	\$ (46,378)	\$ (66,815)	\$ 2,724,334	\$ 2,655,902	\$ 6,435,501

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## GENERAL FUND

September 30, 2014

### Reimbursable Fund

This fund accounts for the operations of the Majuro Weather Station that is funded by the United States Department of Commerce National Weather Service and overtime charges for Customs and Immigration personnel whose attendance is required at the various ports of entry into the Marshall Islands.

### Changed Circumstances Fund

This fund accounts for the expenditures related to the Changed Circumstances Study using excess annual proceeds from the Section 177 Nuclear Claims Trust Fund.

### Judiciary Fund

This fund accounts for all financial transactions related to RepMar's judicial system as required under Public Law No. 1989-69.

### Alternative Energy Fund

This fund accounts for the development, marketing, and operation of alternative energy systems. This fund was established under Public Law No. 1989-63 to administer revenue received with respect to alternative energy systems, and any appropriations made by the Nitijela for related purposes.

### Postal Service Fund

This fund was established under Public Law No. 1985-4 to account for and administer monies collected and paid under the provisions of the Postal Service Act 1983 and any appropriations made by the Nitijela for related purposes.

### Marshall Islands Development Authority (MIDA) Fund

This fund accounts for capital projects specified under Public Law No. 1988-14, Section 12 and Schedule 3, appropriated to MIDA from Capital Account funds provided under Section 211 of the Compact of Free Association. Those appropriations do not lapse at the end of the fiscal year, but continue until either the purpose of the appropriation is complete, or the funds are expended, whichever occurs first.

### Local Government Fund

This fund accounts for the disbursement of funds to Local Governments. The fund was established under Public Law No. 1981-2 to channel monies appropriated by the Nitijela and granted by RepMar to local governments.

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**GENERAL FUND**

September 30, 2014

Asian Development Bank (ADB) Development Projects

This fund accounts for projects funded by Asian Development Bank loans. These projects include the fisheries development (ADB Loan Number 1102 MAR (SF)), typhoon emergency rehabilitation program (ADB Loan Number 1218 MAR (SF)), improvement of basic education (ADB Loan Number 1249 MAR (SF)), Majuro water supply project (ADB Loan Numbers 1250 MAR (SF) and 1389 RMI (SF)), improvement of health care (ADB Loan Number 1316 RMI (SF)), the Ebeye health and infrastructure project (ADB Loan Number 1694 RMI (SF)), the skills training and vocational education project (ADB Loan Number 1791 RMI (SF)), and the fiscal debt management project (ADB Loan Number 2950 RMI (SF)).

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

Combining Balance Sheet  
September 30, 2014

	100100	200090	200317	200330	200335	200515	300400	300600	800405	950000	960000		
	General	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	Postal Service	MIDA	Local Government	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total
<b>ASSETS</b>													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,268	\$ 3,985,786	\$ -	\$ -	\$ 4,008,054
Investments	998,250	-	-	-	-	-	-	-	-	-	-	-	998,250
Receivables, net:													
Taxes	2,263,335	-	-	-	-	-	-	-	-	-	-	-	2,263,335
Federal agencies	47,425	611,390	-	-	-	-	-	-	-	-	-	-	658,815
General	136,320	-	-	-	-	-	-	-	176,071	(1,566)	-	-	310,825
Due from other funds	4,227,267	-	54,458	33,145	443	-	-	14,251	1,130,193	6,211,546	1,436,727	(7,516,099)	5,591,931
Due from component units	10,054,314	-	-	-	-	-	-	-	-	-	-	-	10,054,314
Advances	154,810	2,683	-	-	-	-	-	-	-	(56,893)	-	-	100,600
Restricted assets:													
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	4,627,625	-	-	4,627,625
Total assets	<u>\$ 17,881,721</u>	<u>\$ 614,073</u>	<u>\$ 54,458</u>	<u>\$ 33,145</u>	<u>\$ 443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,251</u>	<u>\$ 1,328,532</u>	<u>\$ 14,766,498</u>	<u>\$ 1,436,727</u>	<u>\$ (7,516,099)</u>	<u>\$ 28,613,749</u>
<b>LIABILITIES AND FUND BALANCE</b>													
<b>(DEFICIT)</b>													
Liabilities:													
Accounts payable	\$ 1,831,552	\$ 12,744	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,855	\$ 475,387	\$ -	\$ -	\$ 2,340,538
Other liabilities and accruals	935,770	16,191	-	-	27	-	-	-	333	-	1,436,727	-	2,389,048
Due to component units	551,741	-	-	-	-	-	-	-	-	-	-	-	551,741
Due to other funds	-	618,957	-	-	-	658	-	-	-	14,291,111	-	(7,516,099)	7,394,627
Unearned revenues	250,000	-	-	-	-	-	-	-	-	-	-	-	250,000
Total liabilities	<u>3,569,063</u>	<u>647,892</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>658</u>	<u>-</u>	<u>-</u>	<u>21,188</u>	<u>14,766,498</u>	<u>1,436,727</u>	<u>(7,516,099)</u>	<u>12,925,954</u>
Fund balance (deficit):													
Nonspendable	11,052,564	-	-	-	-	-	-	-	-	-	-	-	11,052,564
Restricted	-	-	-	-	-	-	-	-	1,307,344	1,635,578	-	-	2,942,922
Committed	2,546,450	-	-	33,145	-	-	-	14,251	-	-	-	-	2,593,846
Unassigned	713,644	(33,819)	54,458	-	416	(658)	-	-	-	(1,635,578)	-	-	(901,537)
Total fund balance (deficit)	<u>14,312,658</u>	<u>(33,819)</u>	<u>54,458</u>	<u>33,145</u>	<u>416</u>	<u>(658)</u>	<u>-</u>	<u>14,251</u>	<u>1,307,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,687,795</u>
Total liabilities and fund balance	<u>\$ 17,881,721</u>	<u>\$ 614,073</u>	<u>\$ 54,458</u>	<u>\$ 33,145</u>	<u>\$ 443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,251</u>	<u>\$ 1,328,532</u>	<u>\$ 14,766,498</u>	<u>\$ 1,436,727</u>	<u>\$ (7,516,099)</u>	<u>\$ 28,613,749</u>

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## GENERAL FUND

### Combining Schedule of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2014

	100100	200090	200317	200330	200335	200515	300400	300600	800405	950000	960000		
	General	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	Postal Service	MIDA	Local Government	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total
<b>Revenues:</b>													
Taxes	\$ 24,380,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,380,420
Federal and other grants	3,600,000	566,945	-	-	-	-	-	-	244,157	-	-	-	4,411,102
Ship registry	4,750,000	-	-	-	-	-	-	-	-	-	-	-	4,750,000
Interest and dividends	166,721	-	-	-	-	-	-	-	-	-	-	-	166,721
Fees and charges	94,893	197,600	-	2,490	-	-	-	-	-	-	-	-	294,983
Contributions from component units	11,840,180	-	-	-	-	-	-	-	-	-	-	-	11,840,180
Other	1,186,286	-	-	-	-	-	-	-	-	-	-	-	1,186,286
<b>Total revenues</b>	<b>46,018,500</b>	<b>764,545</b>	<b>-</b>	<b>2,490</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>244,157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,029,692</b>
<b>Expenditures by Function:</b>													
<b>Current:</b>													
President and Cabinet	1,854,467	-	-	-	-	-	-	-	-	-	-	-	1,854,467
Office of the Chief Secretary	570,900	-	-	-	-	-	-	-	6,647	-	-	-	577,547
Special appropriations	9,813,651	-	-	-	-	-	-	-	-	-	-	-	9,813,651
Council of Iroij	439,307	-	-	-	-	-	-	-	-	-	-	-	439,307
Nitijela	1,641,991	-	-	-	-	-	-	-	-	-	-	-	1,641,991
Office of the Auditor-General	823,332	-	-	-	-	-	-	-	-	-	-	-	823,332
Public Service Commission	435,850	-	-	-	-	-	-	-	-	-	-	-	435,850
Judiciary	-	-	-	583,213	-	-	-	-	-	-	-	-	583,213
Office of the Attorney General	643,428	94,782	-	-	-	-	-	-	-	-	-	-	738,210
Ministry of Education	5,619,118	-	-	-	-	-	-	-	-	-	-	-	5,619,118
Ministry of Health and Environment	3,325,531	-	-	-	-	-	-	-	-	-	-	-	3,325,531
Ministry of Transportation and Communication	484,984	-	-	-	-	-	-	-	-	-	-	-	484,984
Ministry of Resources and Development	868,678	23,023	-	-	-	-	-	-	227,431	-	-	-	1,119,132
Ministry of Internal Affairs	1,858,778	-	-	-	-	-	-	-	422,864	-	-	-	2,281,642
Ministry of Justice	3,336,524	-	-	-	-	-	-	-	-	-	-	-	3,336,524
Ministry of Finance	3,025,301	646,740	-	-	-	-	-	-	460,506	-	-	-	4,132,547
Ministry of Foreign Affairs and Trade	3,087,244	-	-	-	-	-	-	-	-	-	-	-	3,087,244
Ministry of Public Works	1,032,007	-	-	-	-	-	-	-	26,715	-	-	-	1,058,722
Environmental Protection Authority	163,203	-	-	-	-	-	-	-	-	-	-	-	163,203
<b>Debt service:</b>													
Principal repayment	2,487,717	-	-	-	-	-	-	-	-	-	-	-	2,487,717
Interest	749,571	-	-	-	-	-	-	-	-	-	-	-	749,571
<b>Total expenditures</b>	<b>42,261,582</b>	<b>764,545</b>	<b>-</b>	<b>583,213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,144,163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,753,503</b>
Excess (deficiency) of revenues over (under) expenditures	3,756,918	-	-	(580,723)	-	-	-	-	(900,006)	-	-	-	2,276,189
<b>Other financing sources (uses):</b>													
Operating transfers in	913,232	-	-	583,213	-	-	-	-	-	-	-	(583,213)	913,232
Operating transfers out	(1,765,238)	-	-	-	-	-	-	-	-	-	-	583,213	(1,182,025)
<b>Total other financing sources (uses), net</b>	<b>(852,006)</b>	<b>-</b>	<b>-</b>	<b>583,213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(268,793)</b>
<b>Net change in fund balances (deficits) of the year</b>	<b>2,904,912</b>	<b>-</b>	<b>-</b>	<b>2,490</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(900,006)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,007,396</b>
<b>Fund balances (deficits) at the beginning of the year</b>	<b>11,407,746</b>	<b>(33,819)</b>	<b>54,458</b>	<b>30,655</b>	<b>416</b>	<b>(658)</b>	<b>-</b>	<b>14,251</b>	<b>2,207,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,680,399</b>
<b>Fund balances (deficits) at the end of the year</b>	<b>\$ 14,312,658</b>	<b>\$ (33,819)</b>	<b>\$ 54,458</b>	<b>\$ 33,145</b>	<b>\$ 416</b>	<b>\$ (658)</b>	<b>\$ -</b>	<b>\$ 14,251</b>	<b>\$ 1,307,344</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,687,795</b>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**GENERAL FUND**

**Combining Schedule of Expenditures By Account  
Year Ended September 30, 2014**

	<b>100100</b>	<b>200090</b>	<b>200317</b>	<b>200330</b>	<b>200335</b>	<b>200515</b>	<b>300400</b>	<b>300600</b>	<b>800405</b>	
	General	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	Postal Service	MIDA	Local Government	ADB Development Projects	Total
Expenditures by Account:										
Salaries and wages	\$ 17,649,302	\$ 631,776	\$ -	\$ 583,213	\$ -	\$ -	\$ -	\$ -	\$ 14,232	\$ 18,878,523
Capital outlay	2,548,135	8,857	-	-	-	-	-	-	26,910	2,583,902
Grants and subsidies	5,092,867	-	-	-	-	-	-	-	753,889	5,846,756
Contractual services	625,763	5	-	-	-	-	-	-	304,890	930,658
Travel	1,666,590	40,641	-	-	-	-	-	-	23,443	1,730,674
Utilities	4,918,692	42,213	-	-	-	-	-	-	-	4,960,905
Supplies and materials	309,628	2,991	-	-	-	-	-	-	21,065	333,684
Leased housing	812,362	9,000	-	-	-	-	-	-	2,250	823,612
POL	445,233	7,765	-	-	-	-	-	-	-	452,998
Rentals	1,697,697	1,344	-	-	-	-	-	-	28,716	1,727,757
Food stuffs	442,380	-	-	-	-	-	-	-	5,254	447,634
Professional services	347,887	3,300	-	-	-	-	-	-	-	351,187
Principal repayment	2,487,717	-	-	-	-	-	-	-	-	2,487,717
Interest	749,571	-	-	-	-	-	-	-	-	749,571
Allowances	881,193	-	-	-	-	-	-	-	-	881,193
Communications	527,086	13,124	-	-	-	-	-	-	24,000	564,210
Freight	7,973	43	-	-	-	-	-	-	-	8,016
Printing and reproduction	36,030	189	-	-	-	-	-	-	-	36,219
Insurance	66,555	929	-	-	-	-	-	-	-	67,484
Other	948,921	2,368	-	-	-	-	-	-	(60,486)	890,803
<b>Total expenditures</b>	<b>\$ 42,261,582</b>	<b>\$ 764,545</b>	<b>\$ -</b>	<b>\$ 583,213</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,144,163</b>	<b>\$ 44,753,503</b>

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