

REPUBLIC OF THE MARSHALL ISLANDS

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

YEAR ENDED SEPTEMBER 30, 2009

REPUBLIC OF THE MARSHALL ISLANDS

FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2009

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**FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

His Excellency Jurelang Zedkaia
President
Republic of the Marshall Islands:

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, 2009, which collectively comprise RepMar's basic financial statements as set forth in Section II of the foregoing table of contents. These financial statements are the responsibility of the management of RepMar. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the financial statements of the Marshall Islands National Telecommunications Authority, which represents 22%, 11% and 13%, respectively, of the assets, net assets and operating revenues of RepMar's discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RepMar's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

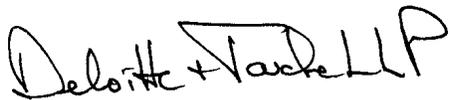
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, the beginning net assets of the governmental activities and the beginning fund balance of the governmental funds have been restated for the correction of an error.

The Management's Discussion and Analysis, on pages 3 through 14, as well as the Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund and notes thereto, as set forth in Section III of the foregoing table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the management of RepMar. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on RepMar's respective financial statements that collectively comprise RepMar's basic financial statements. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of RepMar. This supplementary information is the responsibility of the management of RepMar. Such additional information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010, on our consideration of the Republic of the Marshall Islands' 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 the 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.

June 25, 2010

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2009

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, 2009. We encourage readers to consider the information presented here in conjunction with RepMar's basic financial statements, which follow this section. Fiscal year 2008 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 \$74 million (net assets), increasing by \$3.5 million (or 4.9%) from \$70.5 million in the prior year. This increase is primarily attributable to the investment in capital assets within the Health and Education sectors funded primarily by Compact grants in conjunction with the receipt of grant revenues from the Republic of China that were utilized to retire a portion of outstanding Asian Development Bank long-term debt.
- During the current fiscal year, RepMar's expenses for governmental activities were \$102.1 million, including special appropriations made to the autonomous agencies, and were funded in part by \$65.9 million in program revenues and \$39.7 million in taxes and other general revenues. Program revenues increased by \$15.1 million (or 29.6%) from \$50.8 million in the prior year to \$65.9 million, which was attributable primarily to the increase in investment earnings generated by the Compact Trust Fund. Expenses remained stable in the current year and decreased slightly by \$2.1 million (or 2%) from \$104.2 million in the prior year to \$102.1 million.
- For the current fiscal year, the General Fund reported appropriations (and transfers out) of \$35.5 million, \$0.7 million in excess of revenues (and transfers in) of \$34.8 million. General fund revenues were down \$4.8 million (or 12.3%) from prior year primarily due to a decrease in one-time transfers from other governmental funds. Concurrently, General Fund appropriations were down \$1.2 million (or 3.2%) from prior year primarily due to a decrease in appropriations associated with debt service payments on Asian Development Bank loans. Debt service of \$2.4 million was appropriated from the General Fund in prior year whereas \$1.4 million was appropriated from the General Fund during the current fiscal year with the remaining portion of \$1.3 million appropriated from the Republic of China Projects Fund. Revenues collected, including transfers in, of \$34.8 million were higher than budgeted amounts of \$34 million. Additionally, charges to appropriations, including transfers out, of \$36.1 million were higher than budgeted amounts of \$35.1 million resulting in an overall net budgetary deficit for the current year of \$0.2 million.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2009

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 assets presents information on all of RepMar's assets and liabilities, with the difference between the two reported as net assets. 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 assets and how they have changed. Net assets, being the difference between RepMar's assets and liabilities, is one way to measure RepMar's financial health or position.

- Over time, increases or decreases in RepMar's net assets are 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 15 and 16 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.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis
Year Ended September 30, 2009

Fund Financial Statements, Continued

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 17 and 18 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 assets and a statement of change in fiduciary net assets.

The basic fiduciary fund financial statements can be found on pages 20 and 21 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.

The discretely presented component unit financial statements can be found on pages 22 and 23 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 24 through 62 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 63 through 65 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 66 through 99 of this report.

Restatement

The beginning net assets of the governmental activities have been restated for the correction of an error. Additional information on this restatement can be found in note 13 to the financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2009

A FINANCIAL ANALYSIS OF REPMAR AS A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of RepMar, assets exceeded liabilities by \$74 million at the close of the most recent fiscal year. However, all these net assets are either restricted as to the purpose they can be used for or are 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 assets are 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 \$45.6 million while its current liabilities were \$40 million. Restricted net assets represent resources that are subject to external constraints. The table below summarizes RepMar's net assets at the close of the current year compared with prior year.

	RepMar's Net Assets As of September 30	
	<u>2009</u>	(As Restated) <u>2008</u>
Current and other assets	\$ 85,993,498	\$ 81,173,835
Capital assets	<u>86,436,108</u>	<u>85,094,528</u>
Total Assets	<u>172,429,606</u>	<u>166,268,363</u>
Long-term liabilities	58,425,229	60,834,066
Other liabilities	<u>39,956,504</u>	<u>34,876,467</u>
Total Liabilities	<u>98,381,733</u>	<u>95,710,533</u>
Net assets:		
Invested in capital assets, net of related debt	65,332,188	63,291,638
Restricted net assets	44,030,935	42,994,623
Unrestricted net assets	<u>(35,315,250)</u>	<u>(35,728,431)</u>
Total Net Assets	<u>\$ 74,047,873</u>	<u>\$ 70,557,830</u>

At the end of the current fiscal year, RepMar's unrestricted net asset deficiency was \$35.3 million, a slight improvement on the prior year amount by \$0.4 million (or 1.2%). 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 Asian Development Bank (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.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2009

Changes in Net Assets

As discussed earlier, net assets of the primary government increased by \$3.5 million, which represents an increase of 4.9% from the prior year's amount of \$70.5 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 assets for the current fiscal year as compared with prior year.

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

	<u>2009</u>	<u>(As Restated)</u> <u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 8,222,886	\$ 8,572,876
Operating grants and contributions	43,822,007	30,348,255
Capital grants and contributions	<u>13,820,642</u>	<u>11,882,287</u>
	<u>65,865,535</u>	<u>50,803,418</u>
General revenues:		
Taxes	24,328,751	26,159,223
Grants and contributions not restricted	10,114,584	16,332,637
Fishing rights	1,500,000	1,500,000
Ship registry	3,250,000	2,000,000
Unrestricted investment earnings	92,428	405,302
Other	<u>450,088</u>	<u>459,055</u>
	<u>39,735,851</u>	<u>46,856,217</u>
Total revenues	<u>105,601,386</u>	<u>97,659,635</u>
Expenses:		
President and Cabinet	1,825,539	1,841,983
Office of the Chief Secretary	1,135,561	867,656
Special appropriations	8,709,632	6,405,976
Council of Iroij	460,785	484,337
Nitijela	1,664,083	1,662,253
Office of the Auditor-General	1,130,815	946,276
Public Service Commission	469,173	475,109
Judiciary	868,701	828,340
Office of the Attorney General	623,547	598,239
Education	35,188,154	31,416,869
Health and Environment	20,460,965	21,425,886
Transportation and Communication	2,184,388	2,869,163
Resources and Development	1,779,630	1,083,389
Internal Affairs	2,783,043	2,768,994
Justice	3,448,841	3,569,787
Finance	8,286,417	11,202,602
Foreign Affairs and Trade	3,159,398	2,647,214
Public Works	4,630,763	5,941,489
Environmental Protection Authority	402,148	416,711
Nuclear claims related	1,208,928	1,465,647
Future operations	-	304,810
Interest on long-term debt	901,340	1,501,331
Capital projects	<u>789,492</u>	<u>3,490,670</u>
Total expenses	<u>102,111,343</u>	<u>104,214,731</u>
Change in net assets	3,490,043	(6,655,096)
Net assets – beginning of year	<u>70,557,830</u>	<u>77,112,926</u>
Net assets – end of year	<u>\$ 74,047,873</u>	<u>\$ 70,557,830</u>

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis
Year Ended September 30, 2009

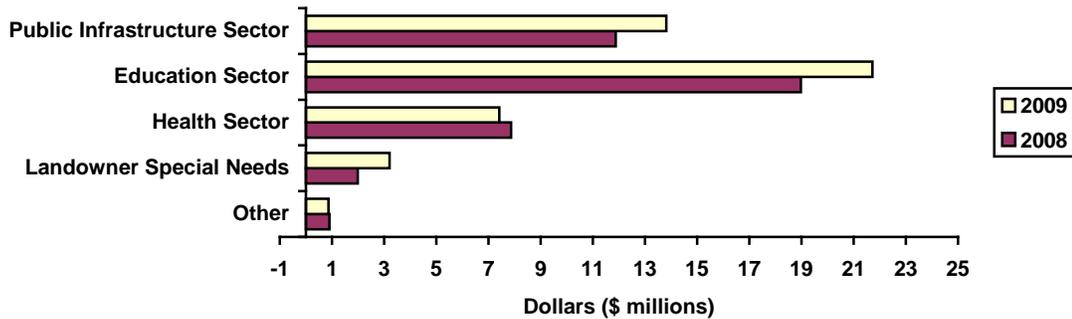
Changes in Net Assets, Continued

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

- Overall revenues increased in the current year by \$7.9 million (or 16.1%) due to an increase in program revenues of \$15.1 million (or 29.6%) offset by a decrease in general revenues of \$7.2 million (or 15.2%) as compared with prior year.

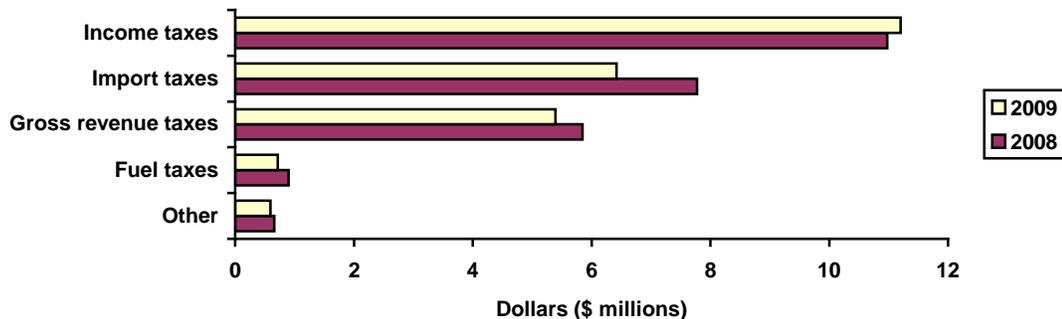
The increase in program revenues is primarily attributable to an increase in operating grants and contributions of \$13.5 million (or 44.4%), as compared with prior year, which was attributable primarily to the increase in investment earnings generated by the Compact Trust Fund. The decrease in general revenues is primarily attributable to a decrease in the infusion of resources from the Government of the Republic of China of \$6.2 million (or 38.1%), as compared with prior year, for various designated projects. A significant portion of RepMar's program revenues involve contributions from the Government of the United States under the Compact of Free Association. A graphic summary of overall Compact grant revenues received by RepMar for the current year compared with prior year follows:

Graph 1
RepMar's Compact Revenues
For the Years Ended September 30



A significant portion of RepMar's general revenues involves tax revenue collections. A graphic summary of RepMar's tax revenue collections for the current year compared with prior year follows:

Graph 2
RepMar's Tax Revenues
For the Years Ended September 30



REPUBLIC OF THE MARSHALL ISLANDS

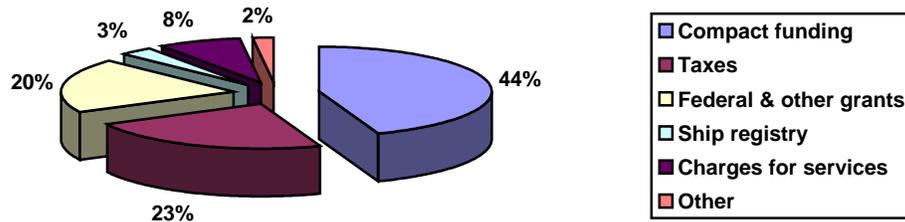
Management's Discussion and Analysis Year Ended September 30, 2009

Changes in Net Assets, Continued

- Cost of governmental activities decreased slightly in the current year by \$2.1 million (or 2%) compared with prior year. Education and health related expenses comprised of \$55.6 million (or 54.5%) of total expenses in the current year as compared with \$52.8 million (or 50.7%) in the prior year, which reflects RepMar's highest priorities in terms of expenditure appropriations.

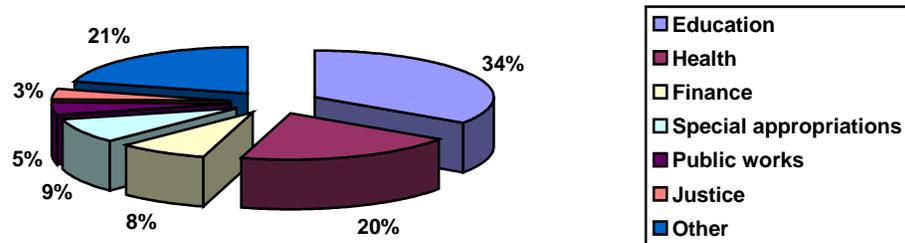
Graphs 3 and 4 below indicate the major components of revenues and cost of governmental activities.

Graph 3
RepMar's Revenue Sources
For the Year Ended September 30, 2009



As in prior years, Compact funding and federal and other grants are the major sources of revenue for RepMar, which comprise 64% of the total revenues for the current year. The remaining 36% is predominantly comprised of local sourced tax revenues, including income taxes and gross revenue taxes.

Graph 4
RepMar's Cost of Governmental Activities
For the Year Ended September 30, 2009



Other expenses that make up a portion of the costs of governmental activities include ministerial expenses within the Ministry of Foreign Affairs and Trade (\$3.2 million), the Ministry of Internal Affairs (\$2.8 million), the Ministry of Transportation and Communication (\$2.2 million), and the Ministry of Resources and Development (\$1.8 million); legislative expenses within the Nitijela (\$1.7 million); and executive expenses within the President's Office and Cabinet (\$1.8 million).

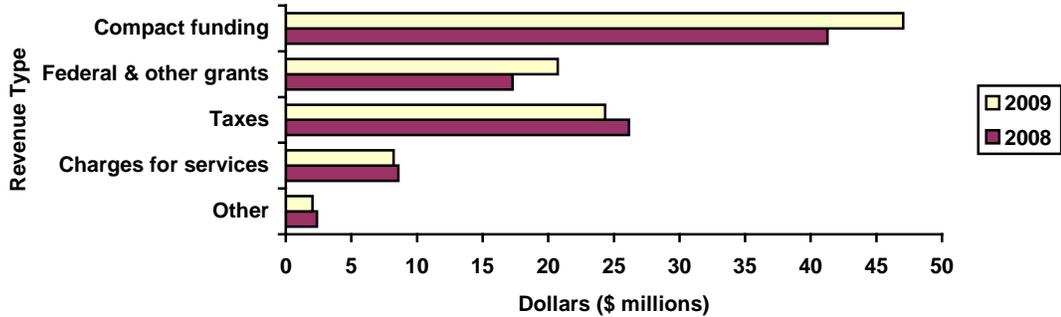
REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis
Year Ended September 30, 2009

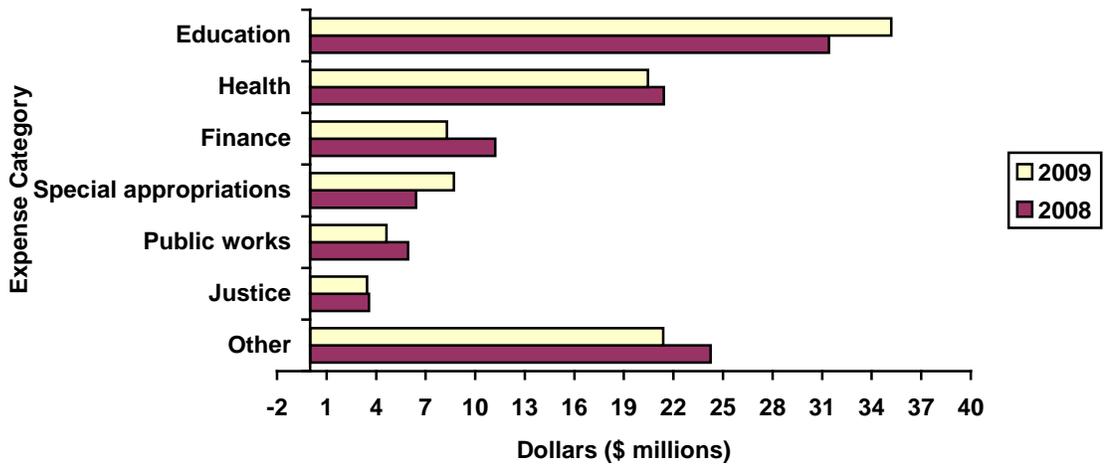
Changes in Net Assets, Continued

Graphs 5 and 6 below show a comparison of the major components of revenues and cost of governmental activities for fiscal years 2008 and 2009.

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



Finance expenses in the current year include subsidies to component units of \$3.2 million, down from \$4.4 million in the prior year. Special appropriation expenses in the current year include subsidies to component units of \$2.7 million, down from \$3.4 million in the prior year. Other expenses in the current year includes ministerial expenses within the Ministry of Transportation and Communication of \$2.2 million, down from \$2.9 million in the prior year; the Ministry of Foreign Affairs and Trade of \$3.2 million, up from \$2.6 million in the prior year; the Ministry of Internal Affairs of \$2.8 million, unchanged from the prior year; legislative expenses within the Nitijela of \$1.7 million, unchanged from the prior year; and executive expenses within the President's Office and Cabinet of \$1.8 million, also unchanged from the prior year.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2009

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, unreserved 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 \$49.5 million, which represents a slight increase of \$0.5 million (or 0.9%) in comparison with the prior year. This increase is primarily attributable to an increase in fund balance of the Grants Assistance Fund and the Compact Trust Fund offset by a decrease in the fund balance of the General Fund. Of this total combined fund balance, \$68.8 million is reserved to indicate that it is not available for new spending because it has already been committed: 1) to generate income for future operations (\$37.4 million); 2) to continuing appropriations through grant awards or enabling legislation (\$10 million); 3) to liquidate contracts and purchase orders of the prior period (\$14.7 million); or 4) for a variety of other restricted purposes (\$6.7 million). The combined unreserved deficit of RepMar's governmental funds is \$19.3 million, an increase of \$4.7 million (or 32.2%) from the prior year. This deficit will be funded through future budgetary surpluses.

The General Fund is the chief operating fund of RepMar. At the end of the current fiscal year, the unreserved fund deficit of the General Fund was \$3.0 million as compared with the prior year ending unreserved fund deficit of \$4.1 million, an improvement of \$1.1 million (or 27.7%), while total fund balance was \$3.9 million compared with a total fund balance of \$4.6 million at the end of the prior fiscal year, a deterioration of \$0.7 million. The decrease in the overall fund balance of the General Fund was primarily the result of an unanticipated increase in utility billings reflecting continued high world prices for fuel.

The Grants Assistance Fund has a total fund balance of \$3.9 million, which primarily represents 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 \$0.4 million (or 13%), which primarily was the result of unexpended Compact revenue receipts of \$0.2 million together with the local match of \$0.2 million associated with the Disaster Assistance Emergency Fund.

The Compact Trust Fund has a total fund balance of \$37.4 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 \$0.5 million (or 1.3%), which continues to reflect the weakness in global financial markets.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the fiscal year, management and elected officials of RepMar revised the General Fund budget. The revised budget included an increase in overall budgetary appropriations of \$0.8 million. The primary reason for the upward revision was due to emergency payments appropriated to the Marshalls Energy Company, Inc. in order to continue to assist in the payment of delinquent billings relating to fuel shipments and to Air Marshall Islands, Inc. as assistance towards aircraft repairs.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2009

As previously discussed, revenues collected (including transfers in) of \$34.8 million were higher than budgeted amounts of \$34 million due primarily to transfers in from the Republic of China Projects Fund, which exceeded budgeted amounts. In addition, charges to appropriations (including transfers out) of \$36.1 million were higher than budgeted amounts of \$35.1 million due primarily to the unanticipated increase in utility billings.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

RepMar's investment in capital assets for its governmental activities as of September 30, 2009 amounted to \$171.1 million, net of accumulated depreciation of \$84.7 million, leaving a net book value of \$86.4 million. This represents a net increase of \$1.3 million (or 1.6%) from the prior year. RepMar's capital assets include electrical and water infrastructure, roads and bridges, heavy equipment, ships, buildings, and various projects under construction.

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

	<u>2009</u>	<u>2008</u>
Electrical distribution	\$ 4,824,755	\$ 5,842,772
Buildings	56,403,426	56,689,566
Water infrastructure system	4,576,153	4,960,830
Docks, roads and bridges	7,427,733	7,995,768
Ships	7,164,432	7,707,123
Software	1,233,814	591,883
Heavy equipment	506,830	858,056
Dry-dock	-	193,818
Construction in progress	4,298,965	254,712
	<u>\$ 86,436,108</u>	<u>\$ 85,094,528</u>

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>
N.I. High School Dormitories	\$ 0.3	\$ 0.3
M.I. High School Science Lab	\$ 0.2	\$ 0.2
Namdrik Elementary School Toilet	\$ 0.1	\$ 0.1
Aur/Tabal Elementary Schools	\$ 0.2	\$ 0.8

- Completion of the Health Administration Information and Email system in the amount of \$0.8 million.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis
Year Ended September 30, 2009

Capital Assets, Continued

- Ongoing construction in progress of the following infrastructure projects:

<u>Infrastructure Project</u>	<u>Current Year Additions (\$ millions)</u>	<u>Estimated Completed Cost (\$ millions)</u>
Laura High School – Phase III	\$ 1.2	\$ 1.7
Delap Elementary School	\$ 0.8	\$ 1.0
Mili Elementary School	\$ 0.5	\$ 0.7
Enewetak Elementary School	\$ 0.3	\$ 1.4
Longar/Lukoj Elementary Schools	\$ 0.2	\$ 0.6
Ollet Elementary School	\$ 0.1	\$ 0.3
Majuro Hospital Redevelopment	\$ 1.2	\$ 4.0

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

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 twelve separate loans with the Asian Development Bank (See table below). Long-term debt obligations decreased by \$1.8 million (or 2.9%) in the current fiscal year.

RepMar's Outstanding Debt Asian Development Bank September 30,

	<u>2009</u>	<u>2008</u>
Fisheries Development Project	\$ 2,958,842	\$ 3,029,201
Typhoon Rehabilitation	442,555	452,600
Basic Education Project	6,942,884	7,098,982
Majuro Water Supply Project No. 1	635,224	649,713
Health and Population Project	4,700,562	4,805,064
Majuro Water Supply Project No. 2	7,638,881	7,888,332
Public Sector Reform Program	10,725,741	10,951,516
Ebeye Health and Infrastructure Project	8,207,493	8,767,093
Skills Training and Vocational Education Project	4,820,775	4,923,345
Fiscal and Financial Management Program No. 1	2,869,400	3,141,600
Fiscal and Financial Management Program No. 2	8,388,966	8,388,966
Outer Island Transport Infrastructure Project	507,517	507,517
	<u>\$ 58,838,840</u>	<u>\$ 60,603,929</u>

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

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis
Year Ended September 30, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the past eight years, the Marshall Islands' economy has experienced modest growth of between 2% to 4% per annum. However, when the global economic crisis peaked at the end of fiscal year 2008, economic growth bottomed out and actually contracted by 2%. This was exacerbated further by sudden and sharp increases in the global prices of fuel and food. As a result, RepMar introduced amendments to legislation to assist in cushioning the increase in the cost of food products, and to grant tax exemption to the Marshalls Energy Company, Inc. for fuel imports in order to suppress the rising cost of energy. Inflation in the Marshall Islands hovered around 3% to 5% per annum; however, as soon as the global economic turmoil hit the country, the cost of both fuel and food skyrocketed pushing inflation up to an unprecedented rate of 20%.

Economic growth is expected to remain low throughout 2010 at a rate of 0.5% and will be positively influenced by ongoing Compact infrastructure project activities approved by RepMar to build schools around the country; expansion in the nation's fish processing facilities, including the re-opening of the Tuna Fish Loining Plant with anticipated employment opportunities upwards of 600 Marshallese, and the stabilization of global oil prices. Economic growth will also be aided with government expenditures expected to increase by 10% to \$137 million. Such is made possible by the extension of more grants from Republic of China and the European Union.

For fiscal year 2010, the budget approved by the Nitijela of \$137.4 million continues RepMar's focus on the education and health sectors, including their infrastructure needs. Such is an increase over the fiscal year 2009 approved budget of \$124.5 million. The General Fund appropriation amounts to \$34.7 million, which is an increase of \$1.5 million (or 4.5%) compared with the fiscal year 2009 budget. This increase is primarily attributable to an increase in receipts from the Trust Company of the Marshall Islands to \$3 million per year offset by a decrease in budgeted tax collections corresponding with the reduction in employment at the U.S. military base in Kwajalein.

In a proactive response at promoting fiscal reform, the Cabinet recently endorsed the findings of the Comprehensive Adjustment Program (CAP) Advisory Group, which is comprised of government officials as well as private sector representatives and officials from the U.S. government. The focus of this CAP Advisory Group was to assist the Cabinet in devising a strategy to address public sector reform.

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 Assets September 30, 2009

	Primary Government	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 5,103,700	\$ 5,207,088
Time certificates of deposit	154,226	3,455,705
Investments	-	1,293,271
Receivables, net of allowance for uncollectibles	8,834,070	25,463,203
Advances	174,018	-
Inventories	-	8,852,570
Due from component units	3,140,171	-
Other current assets	-	1,556,401
Restricted assets:		
Cash and cash equivalents	28,188,507	-
Time certificates of deposit	55,000	-
Total current assets	45,649,692	45,828,238
Noncurrent assets:		
Restricted assets:		
Time certificates of deposit	-	1,298,492
Investments	37,396,848	-
Investments	318,630	5,613,546
Due from component units	2,628,328	-
Capital assets, net of accumulated depreciation	86,436,108	117,155,046
Other noncurrent assets	-	1,102,900
Total noncurrent assets	126,779,914	125,169,984
Total assets	\$ 172,429,606	\$ 170,998,222
<u>LIABILITIES</u>		
Current liabilities:		
Current portion of long-term obligations and short-term debt	\$ 2,413,199	\$ 3,676,069
Accounts payable	4,816,023	9,489,045
Customer deposits	-	914,945
Other liabilities and accruals	3,456,060	8,675,082
Payable to federal agencies	691,730	-
Retention payable	974,350	424,670
Contracts payable	392,278	1,233,842
Accrued interest payable	271,650	-
Compensated absences payable	1,114,656	-
Due to primary government	-	6,744,910
Due to component units	566,317	-
Due to external parties	25,260,241	-
Deferred revenues	-	3,893,612
Total current liabilities	39,956,504	35,052,175
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	56,626,860	44,237,489
Compensated absences payable, net of current portion	1,798,369	-
Due to primary government	-	2,628,328
Other noncurrent liabilities	-	1,818,443
Total noncurrent liabilities	58,425,229	48,684,260
Total liabilities	98,381,733	83,736,435
Commitments and contingencies		
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	65,332,188	81,546,704
Restricted for:		
Nonexpendable:		
Future operations	37,396,848	-
Expendable:		
Compact related	2,618,463	-
Other purposes	4,015,624	940,514
Unrestricted (deficits)	(35,315,250)	4,774,569
Total net assets	74,047,873	87,261,787
Total liabilities and net assets	\$ 172,429,606	\$ 170,998,222

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Activities Year Ended September 30, 2009

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government:						
Governmental activities:						
President and Cabinet	\$ 1,825,539	\$ -	\$ -	\$ -	\$ (1,825,539)	\$ -
Office of the Chief Secretary	1,135,561	-	777,065	-	(358,496)	-
Special appropriations	8,709,632	-	-	-	(8,709,632)	-
Council of Iroij	460,785	-	-	-	(460,785)	-
Nitijela	1,664,083	-	64,517	-	(1,599,566)	-
Office of the Auditor-General	1,130,815	-	563,337	-	(567,478)	-
Public Service Commission	469,173	-	-	-	(469,173)	-
Judiciary	868,701	1,025	-	-	(867,676)	-
Office of the Attorney General	623,547	25,881	-	-	(597,666)	-
Education	35,188,154	22,293	24,112,725	6,428,951	(4,624,185)	-
Health and Environment	20,460,965	7,080,106	12,200,365	-	(1,180,494)	-
Transportation and Communication	2,184,388	205	-	1,000,000	(1,184,183)	-
Resources and Development	1,779,630	22,568	85,411	-	(1,671,651)	-
Internal Affairs	2,783,043	51,917	176,479	-	(2,554,647)	-
Justice	3,448,841	579,634	-	-	(2,869,207)	-
Finance	8,286,417	351,609	4,679,596	-	(3,255,212)	-
Foreign Affairs and Trade	3,159,398	55,185	310,087	-	(2,794,126)	-
Public Works	4,630,763	13,965	-	-	(4,616,798)	-
Environmental Protection Authority	402,148	-	236,734	-	(165,414)	-
Nuclear claims related	1,208,928	18,498	128,000	-	(1,062,430)	-
Future operations	-	-	487,691	-	487,691	-
Capital projects	789,492	-	-	6,391,691	5,602,199	-
Unallocated interest - long-term debt	901,340	-	-	-	(901,340)	-
Total primary government	<u>\$ 102,111,343</u>	<u>\$ 8,222,886</u>	<u>\$ 43,822,007</u>	<u>\$ 13,820,642</u>	<u>(36,245,808)</u>	<u>-</u>
Component units:						
College of the Marshall Islands	\$ 10,451,124	\$ 4,847,242	\$ -	\$ 5,766,308	-	162,426
Marshall Energy Company, Inc.	29,281,238	27,412,933	2,215,906	-	-	347,601
Marshall Islands Development Bank	2,190,395	3,470,009	-	-	-	1,279,614
Marshall Islands Marine Resources Authority	2,319,151	1,809,231	112,079	-	-	(397,841)
Marshall Islands National Telecom. Authority	7,833,047	7,792,259	-	2,910	-	(37,878)
RMI Ports Authority	3,874,870	2,238,609	-	10,906,500	-	9,270,239
Other nonmajor component units	22,798,779	12,035,166	777,131	-	-	(9,986,482)
Total component units	<u>\$ 78,748,604</u>	<u>\$ 59,605,449</u>	<u>\$ 3,105,116</u>	<u>\$ 16,675,718</u>	<u>-</u>	<u>637,679</u>
General revenues:						
Taxes:						
Income taxes					11,203,742	-
Import taxes					6,422,748	-
Gross revenue taxes					5,394,373	-
Fuel taxes					715,327	-
Penalties and interest					77,133	-
Other					515,428	-
Grants and contributions not restricted to specific programs					10,114,584	-
Fishing rights					1,500,000	-
Ship registry					3,250,000	-
Unrestricted investment earnings					92,428	1,324,038
Contributions from primary government					-	12,343,658
Other					450,088	-
Total general revenues and special items					<u>39,735,851</u>	<u>13,667,696</u>
Change in net assets					<u>3,490,043</u>	<u>14,305,375</u>
Net assets at the beginning of the year, as previously reported					71,057,830	72,956,412
Prior-period adjustment (Note 13)					(500,000)	-
Net assets at the beginning of the year, as restated					<u>70,557,830</u>	<u>72,956,412</u>
Net assets at the end of the year					<u>\$ 74,047,873</u>	<u>\$ 87,261,787</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Balance Sheet Governmental Funds September 30, 2009

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 3,428,352	\$ -	\$ -	\$ 1,675,348	\$ 5,103,700
Time certificates of deposit	-	-	-	154,226	154,226
Investments	-	-	-	318,630	318,630
Receivables, net:					
Taxes	1,987,022	-	-	66,315	2,053,337
Federal agencies	31,337	1,902,083	-	313,375	2,246,795
General	1,250,000	814,584	-	1,211,185	3,275,769
Other	-	-	-	1,258,169	1,258,169
Due from other funds	1,559,234	6,799,802	-	1,989,869	10,348,905
Due from component units	5,768,499	-	-	-	5,768,499
Advances	58,486	54,989	-	60,543	174,018
Restricted assets:					
Cash and cash equivalents	28,188,507	-	-	-	28,188,507
Time certificates of deposit	55,000	-	-	-	55,000
Investments	-	-	37,396,848	-	37,396,848
Total assets	<u>\$ 42,326,437</u>	<u>\$ 9,571,458</u>	<u>\$ 37,396,848</u>	<u>\$ 7,047,660</u>	<u>\$ 96,342,403</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,147,837	\$ 2,087,970	\$ -	\$ 580,216	\$ 4,816,023
Other liabilities and accruals	2,149,433	200,062	-	1,106,565	3,456,060
Payable to federal agencies	-	691,730	-	-	691,730
Loans payable	201,219	-	-	-	201,219
Retention payable	-	974,350	-	-	974,350
Contracts payable	-	392,278	-	-	392,278
Deferred revenue	174,563	-	-	-	174,563
Due to component units	566,317	-	-	-	566,317
Due to other funds	33,187,035	1,286,013	-	1,136,098	35,609,146
Total liabilities	<u>38,426,404</u>	<u>5,632,403</u>	<u>-</u>	<u>2,822,879</u>	<u>46,881,686</u>
Fund balances:					
Reserved for:					
Related assets	6,303,499	-	37,396,848	340,898	44,041,245
Encumbrances	592,254	13,177,623	-	947,596	14,717,473
Continuing appropriations	-	9,993,717	-	-	9,993,717
Unreserved:					
General fund	(2,995,720)	-	-	-	(2,995,720)
Special revenue funds	-	(19,232,285)	-	2,936,287	(16,295,998)
Total fund balances	<u>3,900,033</u>	<u>3,939,055</u>	<u>37,396,848</u>	<u>4,224,781</u>	<u>49,460,717</u>
Total liabilities and fund balances	<u>\$ 42,326,437</u>	<u>\$ 9,571,458</u>	<u>\$ 37,396,848</u>	<u>\$ 7,047,660</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					86,436,108
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds					174,563
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:					
				(271,650)	
				(58,838,840)	
				(2,913,025)	
					(62,023,515)
Net assets of governmental activities					<u>\$ 74,047,873</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, 2009

	Special Revenue		Permanent		Other Governmental Funds	Total
	General	Grants Assistance	Compact Trust			
Revenues:						
Taxes	\$ 24,328,751	\$ -	\$ -	\$ -	\$ -	\$ 24,328,751
Federal and other grants	4,040,153	62,461,577	1,750,000	587,393	68,839,123	68,839,123
Sales	-	-	-	69,274	69,274	69,274
Ship registry	3,250,000	-	-	-	3,250,000	3,250,000
Fishing rights	1,500,000	-	-	-	1,500,000	1,500,000
Net decrease in the fair value of investments	-	-	(1,262,309)	-	(1,262,309)	(1,262,309)
Interest and dividends	92,428	-	-	-	92,428	92,428
Fees and charges	31,330	-	-	8,122,282	8,153,612	8,153,612
Other	450,088	-	-	-	450,088	450,088
Total revenues	<u>33,692,750</u>	<u>62,461,577</u>	<u>487,691</u>	<u>8,778,949</u>	<u>105,420,967</u>	
Expenditures:						
Current:						
President and Cabinet	1,737,647	78,363	-	-	1,816,010	1,816,010
Office of the Chief Secretary	652,821	402,503	-	-	1,055,324	1,055,324
Special appropriations	7,526,840	1,182,792	-	-	8,709,632	8,709,632
Council of Iroij	450,220	4,218	-	-	454,438	454,438
Nitijela	1,626,281	29,852	-	300	1,656,433	1,656,433
Office of the Auditor-General	613,550	510,918	-	-	1,124,468	1,124,468
Public Service Commission	447,826	-	-	-	447,826	447,826
Judiciary	-	-	-	862,354	862,354	862,354
Office of the Attorney General	591,330	-	-	25,870	617,200	617,200
Ministries:						
Education	3,667,951	29,079,104	-	1,194,498	33,941,553	33,941,553
Health and Environment	2,568,717	10,909,355	-	7,444,161	20,922,233	20,922,233
Transportation and Communication	581,833	1,074,550	-	-	1,656,383	1,656,383
Resources and Development	586,356	1,088,716	-	17,986	1,693,058	1,693,058
Internal Affairs	1,909,202	181,955	-	460,957	2,552,114	2,552,114
Justice	2,881,084	81,522	-	233,347	3,195,953	3,195,953
Finance	2,729,547	4,852,214	-	548,013	8,129,774	8,129,774
Foreign Affairs and Trade	2,636,204	332,991	-	19,200	2,988,395	2,988,395
Public Works	1,135,624	497,620	-	25,441	1,658,685	1,658,685
Environmental Protection Authority	170,430	225,371	-	-	395,801	395,801
Nuclear claims related	-	-	-	1,208,928	1,208,928	1,208,928
Debt service:						
Principal repayment	898,206	866,883	-	-	1,765,089	1,765,089
Interest	492,091	404,595	-	-	896,686	896,686
Capital outlay	-	6,924,567	-	-	6,924,567	6,924,567
Total expenditures	<u>33,903,760</u>	<u>58,728,089</u>	<u>-</u>	<u>12,041,055</u>	<u>104,672,904</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(211,010)</u>	<u>3,733,488</u>	<u>487,691</u>	<u>(3,262,106)</u>	<u>748,063</u>	
Other financing sources (uses):						
Operating transfers in	1,099,252	802,369	-	6,459,379	8,361,000	8,361,000
Operating transfers out	(1,557,575)	(4,080,787)	-	(3,020,850)	(8,659,212)	(8,659,212)
Total other financing sources (uses), net	<u>(458,323)</u>	<u>(3,278,418)</u>	<u>-</u>	<u>3,438,529</u>	<u>(298,212)</u>	
Net change in fund balances	<u>(669,333)</u>	<u>455,070</u>	<u>487,691</u>	<u>176,423</u>	<u>449,851</u>	
Fund balances at the beginning of the year, as previously reported	5,069,366	3,483,985	36,909,157	4,048,358	49,510,866	49,510,866
Prior-period adjustment (Note 13)	(500,000)	-	-	-	(500,000)	(500,000)
Fund balances at the beginning of the year, as restated	<u>4,569,366</u>	<u>3,483,985</u>	<u>36,909,157</u>	<u>4,048,358</u>	<u>49,010,866</u>	
Fund balances at the end of the year	<u>\$ 3,900,033</u>	<u>\$ 3,939,055</u>	<u>\$ 37,396,848</u>	<u>\$ 4,224,781</u>	<u>\$ 49,460,717</u>	

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, 2009

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

Net change in fund balances - total governmental funds	\$ 449,851
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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	\$ 6,276,071	
Depreciation expense, net	<u>(4,934,491)</u>	
		1,341,580

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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items

	1,765,089
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Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds: For the current year, these activities consist of:

Deferred revenues	52,419
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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	(4,654)	
Change in compensated absences payable	<u>(114,242)</u>	
		<u>(118,896)</u>

Change in net assets of governmental activities	\$ <u>3,490,043</u>
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See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Fiduciary Net Assets Fiduciary Funds September 30, 2009

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 836,178	\$ -
Time certificates of deposit	4,775,752	-
Receivables, net:		
Contributions	2,114,800	-
Other	1,531,557	-
Investments	56,928,344	-
Due from other funds	25,098,692	161,549
Capital assets, net of accumulated depreciation	88,151	-
Total assets	<u>91,373,474</u>	<u>\$ 161,549</u>
<u>LIABILITIES</u>		
Accounts payable	72,943	\$ -
Other liabilities and accruals	<u>1,192,550</u>	<u>161,549</u>
Total liabilities	<u>1,265,493</u>	<u>\$ 161,549</u>
<u>NET ASSETS</u>		
Held in trust for:		
Social security benefits	64,882,760	
Nuclear claims	136,990	
Land use distributions	<u>25,088,231</u>	
Total net assets	<u>\$ 90,107,981</u>	

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended September 30, 2009

	<u>Private Purpose Trust</u>
Additions:	
Contributions:	
Private employees	\$ 7,912,754
Government employees	3,896,499
Penalties and interest	794,938
Total contributions	<u>12,604,191</u>
Investment income:	
Net increase in the fair value of investments	2,128,267
Interest and dividends	1,376,596
Total investment income	3,504,863
Less investment expense	<u>111,412</u>
Net investment income	<u>3,393,451</u>
Other:	
Compact funding	17,110,328
Other	362,598
	<u>17,472,926</u>
Total additions	<u>33,470,568</u>
Deductions:	
Land use distributions	12,101,158
Benefits	13,645,174
Administrative expenses	972,966
Transfers out	128,000
Total deductions	<u>26,847,298</u>
Change in net assets	6,623,270
Net assets at the beginning of the year	<u>83,484,711</u>
Net assets at the end of the year	<u>\$ 90,107,981</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Statement of Net Assets Component Units September 30, 2009

	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
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 887,739	\$ 1,457,813	\$ 17,179	\$ 191,324	\$ 930,408	\$ 729,433	\$ 993,192	\$ 5,207,088
Time certificates of deposit	-	-	-	1,481,938	830,529	1,143,238	-	3,455,705
Investments	-	-	-	-	1,293,271	-	-	1,293,271
Receivables, net	1,870,020	3,807,112	16,108,153	163,160	762,136	1,369,666	1,382,956	25,463,203
Inventories	197,171	6,485,043	-	-	387,070	-	1,783,286	8,852,570
Other current assets	214,742	245,548	-	-	-	32,810	1,063,301	1,556,401
Total current assets	3,169,672	11,995,516	16,125,332	1,836,422	4,203,414	3,275,147	5,222,735	45,828,238
Noncurrent assets:								
Time certificates of deposit - restricted	-	-	548,492	-	-	750,000	-	1,298,492
Investments	606,240	-	423,748	4,583,558	-	-	-	5,613,546
Capital assets, net of accumulated depreciation	15,955,037	8,840,097	1,287,109	152,279	33,947,192	45,343,122	11,630,210	117,155,046
Other noncurrent assets	-	-	144,691	-	958,209	-	-	1,102,900
Total noncurrent assets	16,561,277	8,840,097	2,404,040	4,735,837	34,905,401	46,093,122	11,630,210	125,169,984
Total assets	\$ 19,730,949	\$ 20,835,613	\$ 18,529,372	\$ 6,572,259	\$ 39,108,815	\$ 49,368,269	\$ 16,852,945	\$ 170,998,222
LIABILITIES								
Current liabilities:								
Current portion of long-term debt	\$ -	\$ 2,022,622	\$ 504,127	\$ -	\$ 802,576	\$ 43,451	\$ 303,293	\$ 3,676,069
Accounts payable	630,681	4,983,472	339,825	506,702	982,838	219,258	1,826,269	9,489,045
Customer deposits	-	-	633,247	-	281,698	-	-	914,945
Other liabilities and accruals	690,344	3,411,021	91,738	199,519	65,135	163,405	4,053,920	8,675,082
Retention payable	424,670	-	-	-	-	-	-	424,670
Contracts payable	144,399	-	-	-	-	1,089,443	-	1,233,842
Due to primary government	-	3,303,020	-	-	-	-	3,441,890	6,744,910
Deferred revenues	1,037,513	2,147,601	272,533	-	-	-	435,965	3,893,612
Total current liabilities	2,927,607	15,867,736	1,841,470	706,221	2,132,247	1,515,557	10,061,337	35,052,175
Noncurrent liabilities:								
Noncurrent portion of long-term debt	-	14,445,281	1,770,849	-	27,766,373	-	254,986	44,237,489
Due to primary government	-	-	2,628,328	-	-	-	-	2,628,328
Other noncurrent liabilities	-	-	-	1,818,443	-	-	-	1,818,443
Total noncurrent liabilities	-	14,445,281	4,399,177	1,818,443	27,766,373	-	254,986	48,684,260
Total liabilities	2,927,607	30,313,017	6,240,647	2,524,664	29,898,620	1,515,557	10,316,323	83,736,435
NET ASSETS								
Invested in capital assets, net of related debt	15,955,037	1,844,155	1,287,109	152,279	5,378,243	45,299,671	11,630,210	81,546,704
Restricted	626,240	-	275,839	-	-	-	38,435	940,514
Unrestricted	222,065	(11,321,559)	10,725,777	3,895,316	3,831,952	2,553,041	(5,132,023)	4,774,569
Total net assets	16,803,342	(9,477,404)	12,288,725	4,047,595	9,210,195	47,852,712	6,536,622	87,261,787
	\$ 19,730,949	\$ 20,835,613	\$ 18,529,372	\$ 6,572,259	\$ 39,108,815	\$ 49,368,269	\$ 16,852,945	\$ 170,998,222

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Statement of Revenues, Expenses, and Changes in Net Assets Component Units Year Ended September 30, 2009

	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
Operating revenues:								
Charges for services	\$ 332,670	\$ 14,383,939	\$ 2,544,722	\$ 1,774,227	\$ 7,792,259	\$ 2,238,609	\$ 8,237,792	\$ 37,304,218
Sales	525,339	13,028,994	-	-	-	-	3,674,897	17,229,230
Other	3,989,233	-	925,287	35,004	-	-	122,477	5,072,001
Total operating revenues	<u>4,847,242</u>	<u>27,412,933</u>	<u>3,470,009</u>	<u>1,809,231</u>	<u>7,792,259</u>	<u>2,238,609</u>	<u>12,035,166</u>	<u>59,605,449</u>
Operating expenses:								
Cost of services	7,581,251	25,920,649	258,154	1,546,107	4,195,961	2,009,983	18,763,004	60,275,109
Administration costs	2,255,400	1,171,073	1,671,387	-	947,819	-	2,164,114	8,209,793
Depreciation and amortization	1,146,742	1,044,604	254,464	69,789	2,047,661	1,827,281	1,994,504	8,385,045
Total operating expenses	<u>10,983,393</u>	<u>28,136,326</u>	<u>2,184,005</u>	<u>1,615,896</u>	<u>7,191,441</u>	<u>3,837,264</u>	<u>22,921,622</u>	<u>76,869,947</u>
Operating income (loss)	<u>(6,136,151)</u>	<u>(723,393)</u>	<u>1,286,004</u>	<u>193,335</u>	<u>600,818</u>	<u>(1,598,655)</u>	<u>(10,886,456)</u>	<u>(17,264,498)</u>
Nonoperating revenues (expenses):								
Contributions from the primary government	3,243,632	1,153,927	250,000	-	1,000,000	-	6,696,099	12,343,658
Contributions to the primary government	-	-	-	(635,572)	-	-	-	(635,572)
Equity in net earnings of joint venture	-	-	-	1,171,277	-	-	-	1,171,277
Net change in the fair value of investments	(79,530)	-	157,542	-	(129,930)	-	-	(51,918)
Interest income	5,967	-	27,612	57,722	-	113,378	-	204,679
Interest expense	-	(1,144,912)	-	(67,683)	(641,606)	(16,606)	(191,320)	(2,062,127)
Grants and other contributions	-	2,215,906	-	112,079	-	-	777,131	3,105,116
Other	532,269	-	(6,390)	-	-	(21,000)	314,163	819,042
Total nonoperating revenues (expenses), net	<u>3,702,338</u>	<u>2,224,921</u>	<u>428,764</u>	<u>637,823</u>	<u>228,464</u>	<u>75,772</u>	<u>7,596,073</u>	<u>14,894,155</u>
Capital contributions	5,766,308	-	-	-	2,910	10,906,500	-	16,675,718
Net income (loss)	3,332,495	1,501,528	1,714,768	831,158	832,192	9,383,617	(3,290,383)	14,305,375
Net assets at the beginning of the year	13,470,847	(10,978,932)	10,573,957	3,216,437	8,378,003	38,469,095	9,827,005	72,956,412
Net assets at the end of the year	<u>\$ 16,803,342</u>	<u>\$ (9,477,404)</u>	<u>\$ 12,288,725</u>	<u>\$ 4,047,595</u>	<u>\$ 9,210,195</u>	<u>\$ 47,852,712</u>	<u>\$ 6,536,622</u>	<u>\$ 87,261,787</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Republic of the Marshall Islands (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.

Once financial accountability has been determined for a potential component unit, that component unit is either blended into the primary government or discretely presented from the primary government. Potential component units that do not meet the financial accountability criteria, but where a voting majority of the governing board is appointed by RepMar, are deemed to be related organizations. The nature and relationship of RepMar's component units and related organizations are disclosed in the following section.

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 assets and results of operations of the following legally separate entities are presented as part of RepMar's operations:

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

i. Blended Component Units

The following Component Units are blended within the Primary Government:

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.

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.

Nuclear Claims Tribunal, a Governmental Fund Type - Special Revenue Fund. This fund was established to render final determination upon claims arising as a result of the Nuclear Testing Program, and disputes arising from distributions made under the (Compact of Free Association) Section 177 Agreement.

Marshall Islands Social Security Administration, a Fiduciary Fund Type - Private Purpose Trust Fund. This fund was established to provide a financially sound social security system with pension benefits and early retirement.

ii. Discretely Presented Component Units

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:

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.

Marshall's 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

ii. Discretely Presented Component Units, Continued

Marshall Islands Development Bank (MIDB): MIDB was established under Public Law No. 1988-1 to promote the development and expansion of the economy of the Marshall Islands 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.

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.

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 a seven-member Board of Directors elected by a majority vote of its shareholders.

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.

In addition, the component units' column of the basic financial statements includes the financial data of the following nonmajor component units: Air Marshall Islands, Inc., 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, RMI Environmental Protection Authority, and Tobolar Copra Processing Plant, Inc.

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

ii. Discretely Presented Component Units, Continued

In addition to the aforementioned College of the Marshall Islands (CMI) component unit, the accompanying component units' column of the basic financial statements includes the College of the Marshall Islands Foundation, Inc. and the Friends of the College of the Marshall Islands Foundation, Inc., which are legally separate, tax-exempt, separately audited, component units of CMI. Inclusion of these component units is in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14.

GASB Statement No. 39 provides additional guidance for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government and to clarify reporting requirements for those organizations. The foundations' resources can only be used by or are for the benefit of CMI to which they serve. They are presented within the financial statements of CMI because of their nature and significance to these entities. The foundations are not considered major component units of RepMar under the definitions put forth under GASB Statement 34, but are blended within CMI. Complete financial statements of the foundations may be obtained directly from the College:

P.O. Box 1258
Majuro, Marshall Islands 96960

iii. Related Organizations

RepMar is 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.

iv. Omitted Governmental Funds

The following funds are considered to be nonmajor governmental funds of RepMar but are not included in the accompanying basic financial statements due to absence of account balances and financial activities. Accordingly, the omission of these funds is not considered material to either the nonmajor governmental funds or the governmental activities reporting units:

Communication Regulation Fund: This fund was established under Public Law No. 1993-42 to account for all monies received for the specific purpose of regulating radio communication activities in the Marshall Islands.

Council of Churches Fund: This fund was established under Public Law No. 1991-124 to account for all monies received for the specific purpose of providing educational, spiritual, health and recreational needs of the children of the Marshall Islands.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

iv. Omitted Governmental Funds, Continued

Global Fund: This fund was established under Public Law No. 2009-18 to account for all monies received from the Secretariat of the Pacific Community to fight HIV/AIDS and tuberculosis in the Marshall Islands.

Historic Preservation Fund: This fund was established under Public Law No. 1991-111 to account for all monies received by the Historic Preservation Office.

Marshallese Language Trust Fund: This fund was established under Public Law No. 1983-34 to account for all monies received for the specific purpose of encouraging the preservation, development and use of the Marshallese language.

B. Government-Wide Financial Statements

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

- Invested in capital assets, net of related debt 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 assets - nonexpendable consists of permanent funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal.
- Restricted net assets - expendable consists of resources in which RepMar is legally or contractually obligated to spend resources in accordance with restrictions either externally imposed by creditors, grantors, contributors, and the like, or imposed by law.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements, Continued

- Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, (for example, internally restricted), to indicate that management does not consider them to be available for general operations.

The government-wide Statement of Net Assets reports \$44,030,935 of restricted net assets, of which \$4,015,624 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

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.

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, 2009

(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.

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.

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.

RepMar reports the following fund types:

1. Governmental Fund Types

i. 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.

ii. Special Revenue Funds

These funds account for specific revenue sources that have been aggregated according to enabling legislation to support specific governmental activities.

iii. Capital Projects Funds

These funds account for the acquisition or construction of major RepMar capital facilities financed primarily from loans and federal reimbursements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

iv. Permanent Funds

This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used to support programs for the benefit of the government.

2. Fiduciary Fund Types

i. Private Purpose 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.

ii. Agency Funds

This fund is used to report resources held by the primary government relating to unclaimed property in a purely custodial capacity.

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:

Grants Assistance Fund, a Governmental Fund Type - Special Revenue Fund, which 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.

Compact Trust Fund, a Governmental Fund Type - Permanent Fund, which 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

E. Reporting Standards

As allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, RepMar's discretely presented component units follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

F. 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 assets/balance sheet.

G. 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.

H. 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

I. Inventories and Prepaid Items

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

Certain payments made to vendors or persons for services reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

J. 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.

These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

K. Restricted Assets

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

L. 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.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

M. Interfund/Intrafund Transactions

As a general rule, the effect of interfund activity has been eliminated in the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

N. Deferred Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, deferred 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. The deferred revenue in the governmental fund types has primarily resulted as federal funds are received in advance of eligible expenditures.

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. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The unreserved fund balances for the governmental funds represent the amount available for budgeting future operations. The reserve for related assets as of September 30, 2009, is represented by the following assets:

	General	Grants Assistance	Compact Trust	Other Governmental Funds	Totals
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 22,268	\$ 22,268
Investments	-	-	-	318,630	318,630
Due from component units	5,768,499	-	-	-	5,768,499
Restricted assets:					
Cash and cash equivalents	480,000	-	-	-	480,000
Time certificates of deposit	55,000	-	-	-	55,000
Investments	-	-	37,396,848	-	37,396,848
	<u>\$ 6,303,499</u>	<u>\$ -</u>	<u>\$ 37,396,848</u>	<u>\$ 340,898</u>	<u>\$ 44,041,245</u>

The reserve for continuing appropriations within the Grants Assistance Fund of \$9,993,717 represents grant awards approved by the U.S. Department of the Interior under the Public Infrastructure Sector grant for projects that have not yet commenced.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

Q. Dedicated Revenues and Pledges

RepMar has pledged, as security in the event of default for debt issued by the Marshalls Energy Company, Inc. (MEC), a portion of the General Fund's tax revenues. The debt, issued by MEC in May 2007 in the amount of \$12,000,000 to: (i) refinance debts to a fuel supplier; (ii) refinance a commercial bank loan; and (iii) to finance working capital requirements, is payable through April 2017. Total principal and interest remaining on the debt is \$11,375,578, with annual requirements of \$1,920,000 through to maturity.

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 2009, RepMar implemented the following pronouncements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

S. New Accounting Standards, Continued

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

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

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of RepMar.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

T. 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.

U. 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, 2008 from which summarized information was derived.

(2) Deposits and Investments

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

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
- (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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(2) Deposits and Investments, Continued

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

- (a) Are funds that have not been appropriated by 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

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

- Category 1 Deposits that are federally insured or collateralized with securities held by RepMar or its agent in RepMar's name;
- Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in RepMar's name; or
- Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in RepMar's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. 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, 2009, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit was \$33,501,433 and the corresponding bank balance was \$33,103,783. Of the bank balances, \$32,255,472 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2009, bank deposits in the amount of \$1,412,522 were FDIC insured. 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, 2009

(2) Deposits and Investments, Continued

A. Deposits, Continued

As of September 30, 2009, the carrying amount of the fiduciary fund's total cash and cash equivalents and time certificates of deposit was \$5,611,930 and the corresponding bank balance was \$6,006,787. Of the bank balances, \$172,757 is maintained in financial institutions subject to FDIC 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, 2009, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$9,961,285 and the corresponding bank balance was \$10,251,664. Of the bank balances, \$4,837,045 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2009, bank deposits in the amount of \$1,781,276 were FDIC insured. 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

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by RepMar or its agent in RepMar's name;
- Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in RepMar's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in RepMar's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

Investments of the primary government as of September 30, 2009, are as follows:

Compact Trust Fund:	
Money market funds	\$ 3,053,708
Equity mutual funds	32,348,567
Fixed income mutual funds	1,993,659
Other	<u>914</u>
	\$ <u>37,396,848</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(2) Deposits and Investments, Continued

B. Investments, Continued

Additionally, as of September 30, 2009, the primary government holds approximately 4% of the shares of Pacific Forum Lines in the amount of \$318,630. 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, 2009.

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. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for RepMar. As of September 30, 2009, there were no investments in any one issuer that exceeded 5% of total investments.

Investments of the fiduciary funds as of September 30, 2009, are as follows:

Marshall Islands Social Security Administration (MISSA):

Money market funds	\$ 55,279
Common equity securities	8,324,080
Mutual funds	<u>39,982,483</u>
	\$ <u>48,361,842</u>

Nuclear Claims Trust Fund (NCTF):

U.S. Treasury obligations	\$ 19,064
U.S. Government agencies	19,876
Corporate notes and bonds	<u>73,885</u>
Total fixed income securities	112,825
Money market funds	12,628
Other	<u>1,076</u>
	\$ <u>126,529</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(2) Deposits and Investments, Continued

B. Investments, Continued

Additionally, as of September 30, 2009, MISSA holds approximately 10% of the shares of Marshall Islands Service Corporation, totaling \$30,000, which is accounted for at cost, and approximately 31% of the shares of Bank of Marshall Islands (BOMI), totaling \$8,409,973, which is accounted for under the equity method.

A summary of unaudited financial information as of and for the nine months ended September 30, 2009, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>63,129,385</u>
Liabilities	\$ <u>36,810,382</u>
Net earnings	\$ <u>3,332,472</u>

As of September 30, 2009, net increase in fair value of investments included equity in net earnings of BOMI amounting to \$1,029,868.

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 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.
- (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%) percent 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%) percent of the market value of the Fund shall be invested in any one industry group.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(2) Deposits and Investments, Continued

B. Investments, Continued

(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 both 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, 2009.

As of September 30, 2009, the NCTF's investments in debt securities were as follows:

	Moody's Credit Rating	Investment Maturities (In Years)					Fair Value
		Less Than 1	1 to 5	6 to 10	Greater Than 10		
U.S. Treasury obligations	Aaa	\$ -	\$ 19,064	\$ -	\$ -	\$ 19,064	
U.S. Government agencies	Aaa	-	19,876	-	-	19,876	
Corporate notes and bonds	Aaa	-	8,096	-	-	8,096	
Corporate notes and bonds	Aa3	-	3,176	-	-	3,176	
Corporate notes and bonds	Aa2	-	2,031	12,521	-	14,552	
Corporate notes and bonds	Aa1	-	10,502	-	-	10,502	
Corporate notes and bonds	A3	-	7,694	2,008	2,024	11,726	
Corporate notes and bonds	A2	-	4,325	3,273	-	7,598	
Corporate notes and bonds	A1	-	4,315	5,389	-	9,704	
Corporate notes and bonds	Baa2	-	2,150	1,986	-	4,136	
Corporate notes and bonds	Baa1	-	2,054	2,341	-	4,395	
		<u>\$ -</u>	<u>\$ 83,283</u>	<u>\$ 27,518</u>	<u>\$ 2,024</u>	<u>\$ 112,825</u>	

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, 2009, there were no investments in any one issuer that exceeded 5% of total investments.

Investments of the discretely presented component units as of September 30, 2009, are as follows:

College of the Marshall Islands (CMI):	
Mutual funds	\$ 72,368
Common equity securities	6,924
Money market funds	<u>869</u>
	<u>\$ 80,161</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(2) Deposits and Investments, Continued

B. Investments, 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.

Investments held by the College of the Marshall Islands Foundation, Inc. and the Friends of the College of the Marshall Islands Foundation, Inc., legally separate tax-exempt foundations of CMI, consist of money market funds, U.S. Treasury and agency obligations, and common stock.

The carrying value of investments held by the Foundations is as follows:

Restricted for endowments:	
Money market funds	\$ 62,116
U.S. Government notes and bonds	205,401
Domestic equities	<u>258,562</u>
	\$ <u>526,079</u>
Marshall Islands Development Bank:	
Common equity securities	\$ <u>423,748</u>

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	\$ <u>4,583,558</u>

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. The parties agreed that MIMRA's contribution to working capital will be provided by the third party and shall be classified as a loan provided to MIMRA at an annual rate of 3%. 100% of MIMRA's share of the profits will be used to pay off this loan for the first two years of operations; thereafter, it will be 50%. The parties agreed that the joint venture will be operated by the third party and MIMRA will not be liable to the joint venture. The outstanding balance of this loan payable amounted to \$1,818,443 at September 30, 2009 and is recorded within the accompanying financial statements as other noncurrent liabilities of the aggregate discretely presented component units.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(2) Deposits and Investments, Continued

B. Investments, Continued

A summary of unaudited financial information as of and for the year ended December 31, 2008, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>19,886,019</u>
Liabilities	\$ <u>11,457,210</u>
Net earnings	\$ <u>2,428,809</u>

As of September 30, 2009, MIMRA recognized equity in net earnings of MIFCO amounting to \$1,171,277.

Marshall Islands National Telecommunications Authority (MINTA):

Common equity securities	\$ 1,237,197
Money market funds	<u>56,074</u>
	\$ <u>1,293,271</u>

The deposit and investment policies of MINTA are governed by MINTA's Board of Directors. As such, the Board of Directors 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, MINTA can invest in bonds and other indebtedness of the U.S. and in preferred or common stock of any corporation created or existing under the laws of the U.S. or any U.S. state, territory, or commonwealth. Additionally, a maximum of 25% of the total portfolio may be invested in non-U.S. equities.

(3) Receivables

Receivables as of September 30, 2009, 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	\$ 1,987,022	\$ -	\$ -	\$ 66,315	\$ -	\$ 2,053,337
Federal agencies	31,337	1,902,083	-	313,375	-	2,246,795
General	1,361,874	967,360	-	1,462,185	3,033,612	6,825,031
Loans	-	-	-	18,615,377	-	18,615,377
Other	<u>349,549</u>	<u>-</u>	<u>-</u>	<u>1,308,646</u>	<u>6,398,612</u>	<u>8,056,807</u>
	3,729,782	2,869,443	-	21,765,898	9,432,224	37,797,347
Less: allowance for uncollectible Accounts	<u>(461,423)</u>	<u>(152,776)</u>	<u>-</u>	<u>(18,916,854)</u>	<u>(5,785,867)</u>	<u>(25,316,920)</u>
Net receivables	<u>\$ 3,268,359</u>	<u>\$ 2,716,667</u>	<u>\$ -</u>	<u>\$ 2,849,044</u>	<u>\$ 3,646,357</u>	<u>\$ 12,480,427</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(3) Receivables, Continued

Loans receivable of the primary government are recorded by the Marshall Islands Scholarship, Grant and Loan Board, the Marshall Islands Development Authority, and the ADB Development Projects Fund. The details of these loans are as follows:

Marshall Islands Scholarship, Grant and Loan Board

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, 2009, loans in the amount of \$103,181 were converted to grants as the recipients met the criteria for conversion. \$ 14,246,590

Marshall Islands Development Authority

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

ADB Development Projects Fund

Loan to 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

\$ 18,615,377

Discretely Presented Component Units

Receivables as of September 30, 2009, for the discretely presented component units, including applicable allowance for uncollectible accounts, are as follows:

	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	\$ 188,120	\$ -	\$ -	\$ -	\$ -	\$ 999,629	\$ 23,776	\$ 1,211,525
General	2,048,840	6,205,021	-	118,523	1,059,017	1,284,787	8,035,213	18,751,401
Loans	-	-	30,371,171	-	-	-	-	30,371,171
Other	<u>222,074</u>	<u>-</u>	<u>226,491</u>	<u>1,162,650</u>	<u>80,395</u>	<u>343,752</u>	<u>601,906</u>	<u>2,637,268</u>
	2,459,034	6,205,021	30,597,662	1,281,173	1,139,412	2,628,168	8,660,895	52,971,365
Less: allowance for uncollectible accounts	<u>(589,014)</u>	<u>(2,397,909)</u>	<u>(14,489,509)</u>	<u>(1,118,013)</u>	<u>(377,276)</u>	<u>(1,258,502)</u>	<u>(7,277,939)</u>	<u>(27,508,162)</u>
Net receivables	<u>\$ 1,870,020</u>	<u>\$ 3,807,112</u>	<u>\$ 16,108,153</u>	<u>\$ 163,160</u>	<u>\$ 762,136</u>	<u>\$ 1,369,666</u>	<u>\$ 1,382,956</u>	<u>\$ 25,463,203</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(3) Receivables, Continued

Discretely Presented Component Units, Continued

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	\$ 4,185,184
Compact Section 211	1,038,854
Republic of the Marshall Islands	25,134,018
Housing Preservation Grant	<u>13,115</u>
	<u>\$ 30,371,171</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.

(4) Interfund Receivables and Payables

Receivables and payables between funds reflected as due to/from other funds in the combined balance sheet at September 30, 2009, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Grants Assistance	\$ 1,286,013
General	Nonmajor governmental funds	273,221
Grants Assistance	General	6,799,802
Nonmajor governmental funds	General	1,126,992
Nonmajor governmental funds	Nonmajor governmental funds	862,877
Fiduciary Funds - Private Purpose Trust	General	25,098,692
Fiduciary Funds - Agency	General	<u>161,549</u>
		<u>\$ 35,609,146</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(4) Interfund Receivables and Payables, Continued

Receivables and payables between funds reflected as due to/from component units in the statement of net assets at September 30, 2009, are summarized as follows:

<u>Primary Government</u>	<u>Due From</u>	<u>Due To</u>
General Fund:		
Marshalls Energy Company, Inc.	\$ 3,140,171	\$ -
Marshall Islands Development Bank	2,628,328	-
Marshall Islands Marine Resources Authority	-	300,000
RMI Ports Authority	-	152,678
Nonmajor component units	<u>-</u>	<u>113,639</u>
	<u>\$ 5,768,499</u>	<u>\$ 566,317</u>

The amount recorded as due from component units of the primary government of \$5,768,499 does not equal the corresponding due to primary government of the discretely presented component units of \$9,373,238 due to an allowance for doubtful accounts recorded by the General Fund and the Grants Assistance Fund of \$2,004,739 and \$1,600,000, respectively.

Receivables and payables between funds reflected as due to/from primary government in the statement of net assets at September 30, 2009, are summarized as follows:

<u>Discretely Presented Component Units</u>	<u>Due From</u>	<u>Due To</u>
Marshalls Energy Company, Inc.:		
General Fund	\$ -	\$ 3,303,020
Marshall Islands Development Bank:		
General Fund	-	2,628,328
Nonmajor component units:		
General Fund	-	1,841,890
Grants Assistance Fund	<u>-</u>	<u>1,600,000</u>
	<u>\$ -</u>	<u>\$ 9,373,238</u>

The amount recorded by the General Fund due from the Marshall Islands Development Bank (MIDB) of \$2,628,328 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. Due to the long term nature of this receivable, such has been included within the reserve for related assets at the governmental fund level and as a long-term receivable at the government-wide level.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(5) Capital Assets

Capital asset activities of the primary government's governmental activities for the year ended September 30, 2009, are as follows:

	Estimated Useful Lives	Balance October 1, 2008	Additions	Retirements	Balance September 30, 2009
Depreciable capital assets:					
Electrical distribution	30 yrs	\$ 30,540,465	\$ -	\$ -	\$ 30,540,465
Buildings	30 – 40 yrs	89,431,342	2,090,822	-	91,522,164
Water infrastructure system	25 yrs	9,616,908	-	-	9,616,908
Docks, roads and bridges	25 – 30 yrs	14,486,813	-	-	14,486,813
Ships	25 yrs	13,567,254	-	-	13,567,254
Software	10 yrs	1,479,708	789,902	-	2,269,610
Heavy equipment	3 – 10 yrs	2,566,385	89,990	(738,896)	1,917,479
Dry-dock	15 yrs	<u>2,907,282</u>	-	-	<u>2,907,282</u>
		<u>164,596,157</u>	<u>2,970,714</u>	<u>(738,896)</u>	<u>166,827,975</u>
Less accumulated depreciation:					
Electrical distribution		(24,697,693)	(1,018,017)	-	(25,715,710)
Buildings		(32,741,776)	(2,376,962)	-	(35,118,738)
Water infrastructure system		(4,656,078)	(384,677)	-	(5,040,755)
Docks, roads and bridges		(6,491,045)	(568,035)	-	(7,059,080)
Ships		(5,860,131)	(542,691)	-	(6,402,822)
Software		(887,825)	(147,971)	-	(1,035,796)
Heavy equipment		(1,708,329)	(269,547)	567,227	(1,410,649)
Dry-dock		<u>(2,713,464)</u>	<u>(193,818)</u>	-	<u>(2,907,282)</u>
		<u>(79,756,341)</u>	<u>(5,501,718)</u>	<u>567,227</u>	<u>(84,690,832)</u>
Total depreciable capital assets, net		84,839,816	(2,531,004)	(171,669)	82,137,143
Construction in progress		<u>254,712</u>	<u>5,902,166</u>	<u>(1,857,913)</u>	<u>4,298,965</u>
		<u>\$ 85,094,528</u>	<u>\$ 3,371,162</u>	<u>\$ (2,029,582)</u>	<u>\$ 86,436,108</u>

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

President and Cabinet	\$ 3,186
Office of the Chief Secretary	73,890
Public Service Commission	15,000
Education	904,032
Health and Environment	322,287
Transportation and Communication	521,658
Resources and Development	80,225
Internal Affairs	52,913
Justice	246,541
Finance	150,296
Foreign Affairs and Trade	164,656
Public Works	2,965,731
Nitijela	<u>1,303</u>
	<u>\$ 5,501,718</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(6) Short-term Debt

Primary Government

As of September 30, 2009, the primary government had the following short-term debt outstanding:

Loan with a bank, dated December 22, 2008, interest at 8.5% per annum, with principal and interest payable in bi-weekly installments of \$50,000 through November 22, 2009. Loan proceeds of \$1,000,000 were used to fund advances to the Marshalls Energy Company, Inc. for the purpose of purchasing fuel. The loan has been collateralized by certain investments of the Marshall Islands Development Bank. \$ 201,219

Short-term debt activity for the year ended September 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
General Fund:				
Bank loan	\$ <u>-</u>	\$ <u>1,000,000</u>	\$ <u>(798,781)</u>	\$ <u>201,219</u>

Discretely Presented Component Units

As of September 30, 2009, the discretely presented component units had no short-term debt outstanding.

Short-term debt activity for the year ended September 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
Tobolar Copra Processing Plant, Inc.				
Bank credit line	\$ <u>-</u>	\$ <u>1,500,000</u>	\$ <u>(1,500,000)</u>	\$ <u>-</u>

(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, 2009, the primary government had the following long-term debt outstanding:

Asian Development Bank (ADB) Loans

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. Semiannual loan payments commenced January 1, 2002 in an amount of SDR 24,300, increasing to SDR 48,600 on January 1, 2012. \$ 2,958,842

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(7) Long-term Obligations, Continued

Primary Government, Continued

Asian Development Bank (ADB) Loans, Continued

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. Semiannual loan payments commenced May 15, 2003 in an amount of SDR 3,600, increasing to SDR 7,300 on May 15, 2013.	442,555
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. Semiannual loan payments commenced April 15, 2004 in an amount of SDR 57,200, increasing to SDR 114,300 on April 15, 2014.	6,942,884
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. Semiannual loan payments commenced November 15, 2003 in an amount of SDR 4,800, increasing to SDR 9,600 on November 15, 2013.	635,224
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. Semiannual loan payments commenced January 1, 2005 in an amount of SDR 38,600, increasing to SDR 77,200 on January 1, 2015.	4,700,562
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. Semiannual loan payments commenced March 1, 2006 in an amount of SDR 60,700, increasing to SDR 121,200 on March 1, 2016.	7,638,881
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. Semiannual loan payments commenced June 1, 2007 in an amount of SDR 82,400, increasing to SDR 164,800 on June 1, 2017.	10,725,741
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. Semiannual loan payments commenced February 1, 2008 in an amount of SDR 144,127.	8,207,493
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. Semiannual loan payments commenced May 15, 2009 in an amount of SDR 72,566.	4,820,775

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(7) Long-term Obligations, Continued

Primary Government, Continued

Asian Development Bank (ADB) Loans, Continued

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 (5.03% at September 30, 2009), 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. Semiannual 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. 2,869,400

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. Semiannual 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. 8,388,966

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. Semiannual 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. 507,517

\$ 58,838,840

The abovementioned ADB loans payable are uncollateralized and are backed by the full faith and credit of RepMar.

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>
2010	\$ 2,211,980	\$ 797,380	\$ 3,009,360
2011	2,204,445	775,925	2,980,370
2012	2,308,777	731,968	3,040,745
2013	2,351,099	680,726	3,031,825
2014	2,489,869	628,231	3,118,100
2015 – 2019	13,414,147	2,350,773	15,764,920
2020 – 2024	13,117,055	1,518,737	14,635,792
2025 – 2029	11,019,542	821,184	11,840,726
2030 – 2034	8,285,643	283,315	8,568,958
2035 – 2037	1,436,283	19,335	1,455,618
	<u>\$ 58,838,840</u>	<u>\$ 8,607,574</u>	<u>\$ 67,446,414</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(7) Long-term Obligations, Continued

Discretely Presented Component Units

As of September 30, 2009, the discretely presented component units had the following long-term debt outstanding:

Marshalls Energy Company, Inc. (MEC)

Loan with 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, 2009. \$ 6,995,942

Loan with a bank, dated May 25, 2007, interest at 1.75% per annum over the bank's reference rate with a minimum rate of 6.5% (6.5% at September 30, 2009), with principal and interest payable in monthly installments of \$160,000 through May 1, 2010. Loan proceeds of \$12,000,000 were used to refinance debts to a fuel supplier and a loan payable to a commercial bank, and to finance working capital requirements. The loan has been unconditionally guaranteed by RepMar, under which the bank shall exercise lien upon and right of set-off against money, securities, deposits and property of RepMar in possession of the bank in the event of default by MEC, and have been collateralized by a savings account of RepMar of \$480,000, General Fund tax revenues, accounts receivable and a security agreement over the assets of MEC. 9,471,961

\$ 16,467,903

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>
2010	\$ 2,022,622	\$ 992,476	\$ 3,015,098
2011	2,156,650	858,443	3,015,093
2012	2,103,031	638,291	2,741,322
2013	2,647,614	641,258	3,288,872
2014	2,615,141	399,952	3,015,093
2015 – 2018	<u>4,922,845</u>	<u>411,793</u>	<u>5,334,638</u>
	<u>\$ 16,467,903</u>	<u>\$ 3,942,213</u>	<u>\$ 20,410,116</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

Marshall Islands Development Bank (MIDB)

Loan payable to the International Commercial Bank of China, due August 6, 2014, payable semi-annually in installments of \$200,000 plus interest at 5% per annum, uncollateralized. \$ 2,000,000

Loan with a bank, dated April 15, 2009, interest at 7.5% per annum, with principal and interest payable in monthly installments of \$10,000 through March 28, 2012. Loan proceeds of \$325,000 were used to fund partial withdrawals by RepMar from its certificate of deposit. 274,976

\$ 2,274,976

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>
2010	\$ 504,127	\$ 113,445	\$ 617,572
2011	512,004	78,060	590,064
2012	458,845	57,233	516,078
2013	400,000	35,041	435,041
2014	<u>400,000</u>	<u>15,250</u>	<u>415,250</u>
	<u>\$ 2,274,976</u>	<u>\$ 299,029</u>	<u>\$ 2,574,005</u>

Marshall Islands National Telecommunications Authority (MINTA)

Loans with the RUS (formerly the Rural Electrification Administration) from the Rural Electrification and Telephone Revolving Fund, dated August 17, 1989 of \$18.8 million, increased by \$3.999 million on April 23, 1993, and further increased by \$18.5 million, 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. \$ 28,568,949

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

Marshall Islands National Telecommunications Authority (MINTA), Continued

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>
2010	\$ 802,576	\$ 1,349,670	\$ 2,152,246
2011	801,455	1,276,229	2,077,684
2012	1,095,641	1,270,390	2,366,031
2013	1,149,696	1,216,334	2,366,030
2014	1,206,443	1,159,588	2,366,031
2015 – 2019	6,987,432	4,842,721	11,830,153
2020 – 2024	8,895,897	2,934,256	11,830,153
2025 – 2029	5,825,279	1,077,279	6,902,558
2030 – 2031	<u>1,804,530</u>	<u>67,627</u>	<u>1,872,157</u>
	<u>\$ 28,568,949</u>	<u>\$ 15,194,094</u>	<u>\$ 43,763,043</u>

RMI Ports Authority (RMIPA)

Loan with a bank, dated January 11, 2007, interest at 7.5% per annum, with principal and interest payable in monthly installments of \$24,000 through November 28, 2009. The loan has been collateralized by a TCD of RMIPA of \$750,000. \$ 43,451

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>
2010	<u>\$ 43,451</u>	<u>\$ 4,549</u>	<u>\$ 48,000</u>

Air Marshall Islands, Inc. (AMI)

Loan with a bank, dated July 2, 2009, interest at 13.5% per annum, with principal and interest payable in monthly installments of \$30,000 through June 2, 2011. The loan has been collateralized by certain aircraft operated by AMI. \$ 558,279

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>
2010	\$ 303,293	\$ 57,032	\$ 360,235
2011	<u>254,986</u>	<u>14,536</u>	<u>269,522</u>
	<u>\$ 558,279</u>	<u>\$ 71,568</u>	<u>\$ 629,847</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(8) Change in Long-term Obligations

Primary Government

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2009, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net assets:

	Balance October 1, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2009	Due Within <u>One Year</u>
Loans payable:					
ADB loans	\$ 60,603,929	\$ -	\$ (1,765,089)	\$ 58,838,840	\$ 2,211,980
Other:					
Compensated absences	<u>2,798,783</u>	<u>1,185,184</u>	<u>(1,070,942)</u>	<u>2,913,025</u>	<u>1,114,656</u>
	<u>\$ 63,402,712</u>	<u>\$ 1,185,184</u>	<u>\$ (2,836,031)</u>	<u>\$ 61,751,865</u>	<u>\$ 3,326,636</u>

Discretely Presented Component Units

Changes in long-term liabilities of discretely presented component units for the year ended September 30, 2009, are as follows:

	Balance October 1, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2009	Due Within <u>One Year</u>
Loans payable:					
MEC	\$ 18,342,330	\$ -	\$ (1,874,427)	\$ 16,467,903	\$ 2,022,622
MIDB	2,400,000	325,000	(450,024)	2,274,976	504,127
MINTA	13,249,015	16,181,681	(861,747)	28,568,949	802,576
RMIPA	314,985	-	(271,534)	43,451	43,451
AMI	<u>-</u>	<u>627,877</u>	<u>(69,598)</u>	<u>558,279</u>	<u>303,293</u>
	34,306,330	17,134,558	(3,527,330)	47,913,558	3,676,069
Due to primary government	10,157,567	2,125,000	(2,909,329)	9,373,238	6,744,910
Other liabilities	<u>2,526,813</u>	<u>-</u>	<u>(708,370)</u>	<u>1,818,443</u>	<u>-</u>
	<u>\$ 46,990,710</u>	<u>\$ 19,259,558</u>	<u>\$ (7,145,029)</u>	<u>\$ 59,105,239</u>	<u>\$ 10,420,979</u>

(9) Restricted Assets

Primary Government

Restricted assets 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. \$ 37,396,848

Escrow account established in accordance with Section 103(1) of the Compact of Free Association, as amended, for the benefit of landowners of Kwajalein Atoll to be distributed upon conclusion of an agreement amending or superseding the Kwajalein Atoll land use agreement. 24,531,742

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(9) Restricted Assets, Continued

Primary Government, Continued

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.	2,460,119
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.	436,169
Deposit account established for the purpose of receiving payments pursuant to the Compact of Free Association, as amended.	208,802
Escrow account established for the benefit of landowners of Kwajalein Atoll.	3,864
Savings account pledged as collateral for a \$12,000,000 loan payable by the Marshalls Energy Company, Inc.	480,000
Savings account established for the purpose of accounting for funds held by RepMar in a custodial capacity relating to unclaimed property.	67,811
Time certificate of deposit collateralizing a credit card facility.	<u>55,000</u>
	<u>\$ 65,640,355</u>

Discretely Presented Component Units

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

Marshall Islands Development Bank (MIDB):

Time certificates of deposit collateralizing loans funded by Rural Housing Service (RHS).	\$ 543,790
Time certificate of deposit collateralizing outstanding loans issued by an affiliate bank.	<u>4,702</u>
	<u>\$ 548,492</u>

RMI Ports Authority:

Time certificate of deposit collateralizing loan payable to a bank.	<u>\$ 750,000</u>
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REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2009

(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, 2009, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Grants Assistance Fund	\$ -	\$ 752,965
Nonmajor governmental funds	<u>1,557,575</u>	<u>346,287</u>
	<u>1,557,575</u>	<u>1,099,252</u>
Grants Assistance Fund:		
General Fund	752,965	-
Grants Assistance Fund	802,369	802,369
Nonmajor governmental funds	<u>2,525,453</u>	<u>-</u>
	<u>4,080,787</u>	<u>802,369</u>
Nonmajor governmental funds:		
General Fund	346,287	1,557,575
Grants Assistance Fund	-	2,099,241
Fiduciary funds	-	128,000
Nonmajor governmental funds	<u>2,674,563</u>	<u>2,674,563</u>
	<u>3,020,850</u>	<u>6,459,379</u>
Fiduciary funds:		
Nonmajor governmental funds	<u>128,000</u>	<u>-</u>
	<u>\$ 8,787,212</u>	<u>\$ 8,361,000</u>

Operating transfers out of \$8,787,212 does not equal the corresponding operating transfers in of \$8,361,000 due to a timing difference of operating transfers in recorded by the Marshall Islands Scholarship Grant and Loan Board of \$426,212 from the Grants Assistance Fund.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(11) 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 million on October 1, 2003, \$2.5 million prior to October 1, 2004, and a final \$2.5 million prior to October 1, 2005. As of September 30, 2009, 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".

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 as well as associated undistributed income.

At September 30, 2009, 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, is as follows:

United States - "A Account"	\$ 31,215,647
Republic of China - "A Account"	<u>6,136,379</u>
	\$ <u>37,352,026</u>

(12) Contingencies and Commitments

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, 2009 is \$9,171,504.

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, 2009

(12) Contingencies and Commitments, Continued

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 2009 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2009. 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.

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. During the year ended September 30, 2009, NCT received \$128,000 from the NCTF, which included funds to fund partial payment of monetary awards. As of September 30, 2009, 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 \$136,990 as of September 30, 2009. 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.

Marshalls Energy Company, Inc. (MEC)

MEC is currently in noncompliance with certain coverage ratio requirements relating to a loan agreement with the 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.

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 2009, RepMar appropriated \$865,184 to fund such leases.

The Marshall Islands National Telecommunications Authority (MINTA) has long-term commitments for several ground leases and satellite circuit leases. Leases are both cancelable and noncancelable operating leases.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(12) Contingencies and Commitments, Continued

Leases, Continued

Future minimum annual lease payments under these leases are as follows:

<u>Year ending September 30</u>	<u>Total</u>
2010	\$ 929,651
2011	525,543
2012	229,864
2013	204,024
2014	196,947
2015 - 2019	454,178
2020 - 2024	288,725
2025 - 2029	8,229
2030 - 2031	<u>2,915</u>
	\$ <u>2,840,076</u>

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.

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 increases to \$4,000,000, payable in monthly installments of \$333,333 and further increases 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. During the year ended September, 30, 2009, RepMar received \$3,250,000 under this Joint Venture Agreement.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(12) Contingencies and Commitments, Continued

Marshall Islands Social Security Administration (MISSA)

In June 2009, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2008. The valuation reported actuarial accrued liabilities for the Retirement Fund of \$225,806,000. As of September 30, 2009, MISSA recorded total fund equity of \$64,879,269 in the Retirement Fund, as funds available to fund future benefit obligations. These conditions indicate that MISSA may be unable to meet its future benefit obligations.

Other Commitments

Significant commitments of the primary government as of September 30, 2009, are as follows:

- a) Guaranteed a bank debt of Tobolar Copra Processing Plant, Inc. (TCPPI) with a letter of guarantee. At September 30, 2009, TCPPI had no recorded bank debt.
- b) Guaranteed a debt of Marshall Islands National Telecommunications Authority (MINTA) in respect of a loan from the United States Rural Utilities Service (RUS, formerly Rural Electrification Administration) with a letter of guarantee. At September 30, 2009, MINTA had guaranteed debt totaling \$28,568,949.
- c) Guaranteed a debt of Marshalls Energy Company, Inc. (MEC) in respect to a loan from the United States Rural Utilities Service (RUS) with a letter of guarantee. At September 30, 2009, MEC had guaranteed debt totaling \$6,995,942.
- d) 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.
- e) RepMar has issued a letter of guarantee in the amount of \$178,000 plus interest for the benefit of the Delap Assembly of God Church for a loan issued by Marshall Islands Development Bank.
- f) In accordance with Cabinet Minute C.M. 121 (2003), the Cabinet of RepMar has issued a government guarantee in the amount of \$5,000,000 for a loan obtained by the Marshall Islands Development Bank. At September 30, 2009, MIDB had guaranteed debt totaling \$2,000,000.
- g) On February 19, 2004, the Cabinet of RepMar approved a joint venture Memorandum of Agreement with a local private corporation whereby RepMar granted and conveyed controlling ownership interest to the corporation of the hotel facility owned by Majuro Resort, Inc. On September 9, 2004, the Cabinet of RepMar approved the appointment of a Committee to re-visit the privatization of the hotel facility including obtaining an independent valuation of the property. As of September 30, 2009, no transfer in ownership has occurred.
- h) In accordance with Cabinet Minute C.M. 126 (2008), the Cabinet of RepMar has guaranteed a credit card facility with a time certificate of deposit totaling \$55,000.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2009

(12) Contingencies and Commitments, Continued

Other Commitments, Continued

- i) In accordance with Cabinet Minute C.M. 055 (2007), 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. At September 30, 2009, MEC had guaranteed debt to a fuel supplier totaling \$4,319,596.
- j) In accordance with Cabinet Minute C.M. 048 (2007), the Cabinet of RepMar has authorized the collateralization of General Fund tax revenues for a \$12,000,000 loan obtained by the Marshalls Energy Company, Inc. At September 30, 2009, MEC had guaranteed debt totaling \$9,471,961.

(13) Restatement

Subsequent to the issuance of RepMar's 2008 financial statements, it was determined that cash and cash equivalent balances of the General Fund were overstated by \$500,000. As a result of this determination, cash and cash equivalent balances have been restated from the amount previously reported of \$1,903,027.

(14) Subsequent Event

On November 5, 2009, the High Court rendered a judgment in favor of the Marshall Islands Social Security Administration (MISSA) relating to delinquent contributions, penalties and interest owed by Majuro Resort, Inc. On June 4, 2010, the High Court amended the judgment to substitute RepMar as the party defendant in place of Majuro Resort, Inc. Under the amended judgment, MISSA was awarded a judgment in the amount of \$464,001, inclusive of penalties, with interest calculated at 9% per annum.

REPUBLIC OF THE MARSHALL ISLANDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2009

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Deficit - Budget and Actual General Fund Year Ended September 30, 2009

	Budgeted Amounts		Actual - Budgetary Basis (see Note 1)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 24,643,523	\$ 24,643,523	\$ 24,328,751	\$ (314,772)
Fishing rights	2,000,000	1,500,000	1,500,000	-
Fees and charges	370,079	370,079	31,330	(338,749)
Interest and dividends	129,205	129,205	92,428	(36,777)
Other	6,107,089	7,388,014	7,740,241	352,227
Total revenues	<u>33,249,896</u>	<u>34,030,821</u>	<u>33,692,750</u>	<u>(338,071)</u>
Expenditures:				
Current:				
General government:				
President and Cabinet	1,938,517	2,006,357	1,780,181	226,176
Office of the Chief Secretary	673,330	663,888	652,821	11,067
Special appropriations	6,144,101	7,589,579	8,917,137	(1,327,558)
Council of Iroij	423,969	450,668	450,220	448
Office of the Auditor-General	898,340	883,111	881,360	1,751
Public Service Commission	464,761	448,235	447,826	409
Office of the Attorney General	876,477	601,607	592,080	9,527
Ministries	19,450,507	19,148,988	18,977,678	171,310
Environmental Protection Authority	201,265	165,652	170,430	(4,778)
Nitijela	1,693,545	1,675,142	1,626,281	48,861
Total expenditures	<u>32,764,812</u>	<u>33,633,227</u>	<u>34,496,014</u>	<u>(862,787)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>485,084</u>	<u>397,594</u>	<u>(803,264)</u>	<u>(1,200,858)</u>
Other financing sources:				
Operating transfers in	-	-	1,099,252	1,099,252
Other financing uses:				
Operating transfers out	(1,544,087)	(1,456,597)	(1,557,575)	(100,978)
Net change in unreserved fund deficit	<u>(1,059,003)</u>	<u>(1,059,003)</u>	<u>(1,261,587)</u>	<u>(202,584)</u>
Other changes in unreserved fund deficit:				
Decrease in reserve for related assets	-	-	1,348,613	1,348,613
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>1,059,003</u>	<u>1,059,003</u>	<u>1,059,003</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>1,146,029</u>	<u>1,146,029</u>
Unreserved fund deficit at the beginning of the year, as previously reported	(3,641,749)	(3,641,749)	(3,641,749)	-
Prior-period adjustment	-	-	(500,000)	(500,000)
Unreserved fund deficit at the beginning of the year, as restated	<u>(3,641,749)</u>	<u>(3,641,749)</u>	<u>(4,141,749)</u>	<u>(500,000)</u>
Unreserved fund deficit at the end of the year	<u>\$ (3,641,749)</u>	<u>\$ (3,641,749)</u>	<u>\$ (2,995,720)</u>	<u>\$ 646,029</u>

See accompanying notes to required supplementary information - budgetary reporting.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Required Supplementary Information - Budgetary Reporting September 30, 2009

(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 2009, Public Law No. 2008-4, was passed by the Nitijela on September 17, 2008. 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.

(2) Reconciliation - GAAP and Budgetary Bases of Accounting

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.

Accounting principles used in developing data on a budgetary basis differ from those used in preparing the financial statements in conformity with GAAP. Amounts included on the Statement of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund (which are presented on a non-GAAP budgetary basis) are reconciled to unreserved deficit of the Governmental Fund Balance Sheet within the other changes in unreserved deficit section of that statement. Furthermore, the net change in fund balance (deficit) to the net change in unreserved fund deficit for the General Fund is as follows:

Net change in fund balance	\$ (669,333)
Reserve for encumbrances	<u>(592,254)</u>
Net change in unreserved fund deficit	\$ <u>(1,261,587)</u>

REPUBLIC OF THE MARSHALL ISLANDS

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2009

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Expenditures by Account
Governmental Funds
Year Ended September 30, 2009

	General	Special Revenue	Permanent	Other	Total
		Grants Assistance	Compact Trust	Governmental Funds	
Expenditures:					
Salaries and wages	\$ 15,824,405	\$ 17,491,322	\$ -	\$ 1,489,396	\$ 34,805,123
Capital outlay	447,530	9,063,268	-	297,091	9,807,889
Grants and subsidies	5,871,341	13,177,059	-	1,497,446	20,545,846
Medical supplies	9,587	199,519	-	6,063,777	6,272,883
Contractual services	385,887	3,073,558	-	1,028,125	4,487,570
Travel	960,379	1,494,735	-	209,000	2,664,114
Utilities	2,972,898	2,061,314	-	72,674	5,106,886
Supplies and materials	475,190	2,505,986	-	109,245	3,090,421
Leased housing	757,540	1,113,366	-	62,926	1,933,832
POL	349,175	543,096	-	77,337	969,608
Rentals	1,017,980	285,941	-	66,743	1,370,664
Food stuffs	254,681	1,821,912	-	28,572	2,105,165
Professional services	777,512	623,901	-	261,171	1,662,584
Principal repayment	898,206	866,883	-	-	1,765,089
Interest	492,091	404,595	-	-	896,686
Allowances	733,185	59,250	-	9,796	802,231
Communications	539,113	323,387	-	121,028	983,528
Freight	31,341	77,668	-	101,201	210,210
Printing and reproduction	105,329	68,001	-	6,785	180,115
Insurance	80,740	33,275	-	2,387	116,402
Other	919,650	3,440,053	-	536,355	4,896,058
	<u>\$ 33,903,760</u>	<u>\$ 58,728,089</u>	<u>\$ -</u>	<u>\$ 12,041,055</u>	<u>\$ 104,672,904</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL FUND

September 30, 2009

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 Year Ended September 30, 2009 (with comparative totals for the year ended September 30, 2008)

	2009	2008
Revenues:		
Taxes:		
Income	\$ 11,203,742	\$ 10,979,040
Import	6,422,748	7,775,583
Gross revenue	5,394,373	5,849,248
Fuel	715,327	896,766
Penalties and interest	77,133	108,423
Other	515,428	550,163
	24,328,751	26,159,223
Fishing rights	1,500,000	1,500,000
Fees and charges	31,330	49,820
Interest and dividends	92,428	405,302
Other:		
Taiwan grant	4,000,000	4,000,000
Ship registry	3,250,000	2,000,000
Other grants	40,153	85,712
Other	450,088	459,055
	7,740,241	6,544,767
Total revenues	33,692,750	34,659,112
Expenditures:		
President and Cabinet:		
Office of the President	368,032	295,662
President and Ministers	575,459	570,298
Cabinet Operations	418,764	475,096
Customary Law Commission	152,512	152,442
RMI/USP Joint Secondary Education Project	222,880	222,880
National Band	-	74,189
	1,737,647	1,790,567
Office of the Chief Secretary:		
Administration	280,845	229,929
Deputy Chief Secretary - Ebeye	93,286	97,836
Economic Policy, Planning and Statistics Office	173,251	180,683
Office of Environmental Planning and Policy Coordination	74,991	97,993
Disaster Office	30,448	36,400
	652,821	642,841
Special appropriations:		
Presidential summit	14,999	154,621
Outer Islands Development Projects	291,379	-
Marshall Islands Shipping Corporation	994,000	-
Alele Corporation	66,928	-
Jaluit Power Plant subsidy	-	62,388
Land leases	865,184	862,724
Majuro Landowners electricity bills	-	929,271
Leased housing	198,428	210,680
Marshall Islands Visitors Authority	149,100	149,100
MWSC water subsidy	93,310	99,400
Contingencies	450,000	-
International subscriptions/membership fees	308,116	241,963
Ebeye Public Works	248,500	-
Copra price stabilization subsidy	589,185	1,000,000
ADB loan repayment	1,290,297	2,413,710
General Election and Constitutional Convention	43,868	439,179
National Energy Support Account	2,988,843	-
Air Marshall Islands	325,000	1,370,933
	8,917,137	7,933,969

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund, Continued Year Ended September 30, 2009 (with comparative totals for the year ended September 30, 2008)

	2009	2008
Expenditures, continued:		
Council of Iroij:		
Administration	118,658	158,873
Members	331,562	325,906
	450,220	484,779
Nitijela:		
Operations	513,011	498,484
General membership	987,978	899,235
Speaker's contingency	28,736	71,618
Committee	49,269	8,488
Legislative counsel	47,287	81,951
	1,626,281	1,559,776
Office of the Auditor-General:		
Auditor-General salary	4,638	42,733
Operations	184,288	135,746
Single audit - local match	424,624	328,470
	613,550	506,949
Public Service Commission:		
Members	92,547	92,443
Administration	355,279	367,084
	447,826	459,527
Office of the Attorney General	591,330	582,463
Ministries:		
Ministry of Education	3,667,951	3,771,941
Ministry of Health and Environment	2,568,717	2,334,807
Ministry of Transportation and Communication	581,833	1,582,317
Ministry of Resources and Development	586,356	587,960
Ministry of Internal Affairs	1,909,202	1,774,269
Ministry of Justice	2,881,084	2,848,501
Ministry of Finance	2,729,547	4,621,054
Ministry of Foreign Affairs and Trade	2,636,204	2,312,955
Ministry of Public Works	1,135,624	1,230,744
	18,696,518	21,064,548
Environmental Protection Authority	170,430	204,186
Total expenditures	33,903,760	35,229,605
Excess (deficiency) of revenues over (under) expenditures	(211,010)	(570,493)
Other financing sources:		
Operating transfers in:		
Republic of China Fund	752,965	4,604,495
Ministry of Justice Fund	346,287	386,377
Total other financing sources	1,099,252	4,990,872
Other financing uses:		
Operating transfers out:		
Judiciary Fund	866,354	845,314
Section 221(b) Education and Health Care Fund	-	4,280
Postal Services Fund	121,813	51,447
Marshall Islands Health Fund	140,000	-
Marshall Islands Scholarship, Grant and Loan Board Fund	98,961	100,000
Nuclear Claims Tribunal	50,000	-
Local Government Fund	280,447	394,240
Total other financing uses	1,557,575	1,395,281
Net change in fund balance	(669,333)	3,025,098
Fund balance at the beginning of the year, as previously reported	5,069,366	2,044,268
Prior-period adjustment	(500,000)	-
Fund balance at the beginning of the year, as restated	4,569,366	2,044,268
Fund balance at the end of the year	\$ 3,900,033	\$ 5,069,366

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Deficit Budget and Actual - General Fund Year Ended September 30, 2009

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Revenues:				
Taxes:				
Income	\$ 10,555,406	\$ 10,555,406	\$ 11,203,742	\$ 648,336
Import	7,980,409	7,980,409	6,422,748	(1,557,661)
Gross revenue	4,945,182	4,945,182	5,394,373	449,191
Fuel	483,898	483,898	715,327	231,429
Penalties and interest	137,701	137,701	77,133	(60,568)
Other	540,927	540,927	515,428	(25,499)
	<u>24,643,523</u>	<u>24,643,523</u>	<u>24,328,751</u>	<u>(314,772)</u>
Fishing rights	2,000,000	1,500,000	1,500,000	-
Fees and charges	370,079	370,079	31,330	(338,749)
Interest and dividends	129,205	129,205	92,428	(36,777)
Taiwan grant	4,000,000	4,000,000	4,000,000	-
Ship registry	2,000,000	3,250,000	3,250,000	-
Other	107,089	138,014	490,241	352,227
	<u>6,107,089</u>	<u>7,388,014</u>	<u>7,740,241</u>	<u>352,227</u>
Total revenues	<u>33,249,896</u>	<u>34,030,821</u>	<u>33,692,750</u>	<u>(338,071)</u>
Expenditures:				
President and Cabinet:				
Office of the President	462,633	400,118	396,848	3,270
President and Ministers	591,356	575,461	575,459	2
Cabinet Operations	482,249	430,850	430,826	24
Customary Law Commission	179,262	154,168	154,168	-
RMI/USP Joint Secondary Education Project	222,656	445,760	222,880	222,880
National Band	361	-	-	-
	<u>1,938,517</u>	<u>2,006,357</u>	<u>1,780,181</u>	<u>226,176</u>
Office of the Chief Secretary:				
Administration	213,818	280,913	280,845	68
Deputy Chief Secretary - Ebeye	92,576	101,544	93,286	8,258
EPPSO	228,038	173,252	173,251	1
OEPPC	93,437	74,991	74,991	-
Disaster Office	45,461	33,188	30,448	2,740
	<u>673,330</u>	<u>663,888</u>	<u>652,821</u>	<u>11,067</u>
Special appropriations:				
Presidential summit	17,772	14,999	14,999	-
Outer Islands Development Projects	238,863	291,379	291,379	-
Marshall Islands Shipping Corporation	994,000	994,000	994,000	-
Alele Corporation	64,428	66,928	66,928	-
Land leases	574,532	865,184	865,184	-
Leased housing	244,786	198,447	198,428	19
Marshall Islands Visitors Authority	149,100	149,100	149,100	-
MWSC water subsidy	99,400	93,400	93,310	90
Contingencies	-	450,000	450,000	-
International subscriptions/membership fees	349,354	308,354	308,116	238
Ebeye Public Works	248,500	264,600	248,500	16,100
Copra price stabilization subsidy	589,185	589,185	589,185	-
ADB loan repayment	999,066	1,336,113	1,290,297	45,816
General Election	9,633	44,862	43,868	994
Constitution Day	49,700	7,500	-	7,500
Emergency payments	-	81,496	-	81,496
National Energy Support Account	1,515,782	1,509,032	2,988,843	(1,479,811)
Air Marshall Islands, Inc.	-	325,000	325,000	-
	<u>6,144,101</u>	<u>7,589,579</u>	<u>8,917,137</u>	<u>(1,327,558)</u>
Council of Iroij:				
Administration	97,878	118,924	118,658	266
Members	326,091	331,744	331,562	182
	<u>423,969</u>	<u>450,668</u>	<u>450,220</u>	<u>448</u>
Office of the Auditor-General:				
Auditor-General salary	41,977	5,277	4,638	639
Operations	302,852	185,360	184,288	1,072
Single audit - local match	553,511	692,474	692,434	40
	<u>898,340</u>	<u>883,111</u>	<u>881,360</u>	<u>1,751</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Deficit, Continued Budget and Actual - General Fund Year Ended September 30, 2009

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, continued:				
Public Service Commission:				
Members	92,825	92,825	92,547	278
Administration	371,936	355,410	355,279	131
	<u>464,761</u>	<u>448,235</u>	<u>447,826</u>	<u>409</u>
Office of the Attorney General	876,477	601,607	592,080	9,527
Ministries:				
Ministry of Education	4,140,180	3,740,411	3,667,951	72,460
Ministry of Health and Environment	3,084,874	2,663,800	2,579,686	84,114
Ministry of Transportation and Communication	729,698	634,313	583,083	51,230
Ministry of Resources and Development	715,014	627,279	590,473	36,806
Ministry of Internal Affairs	2,178,923	2,030,741	1,924,644	106,097
Ministry of Justice	2,891,558	2,935,024	2,965,960	(30,936)
Ministry of Finance	1,964,236	2,569,533	2,741,897	(172,364)
Ministry of Foreign Affairs and Trade	2,590,132	2,777,446	2,788,159	(10,713)
Ministry of Public Works	1,155,892	1,170,441	1,135,825	34,616
	<u>19,450,507</u>	<u>19,148,988</u>	<u>18,977,678</u>	<u>171,310</u>
Environmental Protection Authority	201,265	165,652	170,430	(4,778)
Nitijela:				
Operations	557,377	513,190	513,011	179
General Membership	960,636	1,017,853	987,978	29,875
Speaker's Contingency	57,322	30,220	28,736	1,484
Committee	56,417	54,886	49,269	5,617
Legislative Counsel	61,793	58,993	47,287	11,706
	<u>1,693,545</u>	<u>1,675,142</u>	<u>1,626,281</u>	<u>48,861</u>
Total expenditures	<u>32,764,812</u>	<u>33,633,227</u>	<u>34,496,014</u>	<u>(862,787)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>485,084</u>	<u>397,594</u>	<u>(803,264)</u>	<u>(1,200,858)</u>
Other financing sources:				
Operating transfers in:				
Republic of China Fund	-	-	752,965	752,965
Ministry of Justice Fund	-	-	346,287	346,287
	<u>-</u>	<u>-</u>	<u>1,099,252</u>	<u>1,099,252</u>
Other financing uses:				
Operating transfers out:				
Judiciary Fund	951,486	913,396	866,354	47,042
Postal Services Fund	-	-	121,813	(121,813)
Marshall Islands Health Fund	-	-	140,000	(140,000)
Marshall Islands Scholarship, Grant and Loan Board Fund	98,961	98,961	98,961	-
Nuclear Claims Tribunal	99,400	50,000	50,000	-
Local Government Fund	394,240	394,240	280,447	113,793
	<u>1,544,087</u>	<u>1,456,597</u>	<u>1,557,575</u>	<u>(100,978)</u>
Net change in unreserved fund deficit	<u>(1,059,003)</u>	<u>(1,059,003)</u>	<u>(1,261,587)</u>	<u>(202,584)</u>
Other changes to unreserved fund deficit:				
Decrease in reserve for related assets	-	-	1,348,613	1,348,613
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	1,059,003	1,059,003	1,059,003	-
	<u>-</u>	<u>-</u>	<u>1,146,029</u>	<u>1,146,029</u>
Unreserved fund deficit at the beginning of the year, as previously reported	(3,641,749)	(3,641,749)	(3,641,749)	-
Prior-period adjustment	-	-	(500,000)	(500,000)
Unreserved fund deficit at the beginning of the year, as restated	<u>(3,641,749)</u>	<u>(3,641,749)</u>	<u>(4,141,749)</u>	<u>(500,000)</u>
Unreserved fund deficit at the end of the year	<u>\$ (3,641,749)</u>	<u>\$ (3,641,749)</u>	<u>\$ (2,995,720)</u>	<u>\$ 646,029</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2009

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, 2009, follows:

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.

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.

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.

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.

Judiciary Fund

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2009

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.

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.

National Environmental Protection Authority Fund

This fund accounts for the operations of the National Environmental Protection Authority. This fund was established under Public Law No. 1984-31, as amended by Public Law No. 1987-2, for the protection and management of the environment.

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 1983 from employers who employ non-resident workers, and accounts for all financial transactions of the National Training Council.

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.

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2009

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.

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.

Asian Development Bank (ADB) Development Projects

This fund accounts for capital 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)), and the skills training and vocational education project (ADB Loan Number 1791 RMI (SF)).

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2009

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.

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.

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, 2009**

	200090	200105	200224	200317	200318	200319	200330	200332	200333	200335	200337	200340	200515
	Reimbursable	Public Works	Land Registration Authority	Changed Circumstances	Labor (General)	Labor (Bond)	Judiciary	Ministry of Justice	Marshall Islands Revised Code	Alternative Energy	National Environmental Protection Authority	Resident Workers Training Account	Postal Service
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Time certificates of deposit	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, net:													
Taxes	-	-	-	-	-	-	-	-	-	-	-	66,315	-
Federal	313,375	-	-	-	-	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	810	-
Due from other funds	-	39,606	18,118	54,458	104,835	60,760	24,281	40,246	3,700	416	-	580,217	-
Advances	(1,685)	-	-	-	-	-	(302)	(614)	-	-	-	1,404	(710)
Total assets	<u>\$ 311,690</u>	<u>\$ 39,606</u>	<u>\$ 18,118</u>	<u>\$ 54,458</u>	<u>\$ 104,835</u>	<u>\$ 60,760</u>	<u>\$ 23,979</u>	<u>\$ 39,632</u>	<u>\$ 3,700</u>	<u>\$ 416</u>	<u>\$ -</u>	<u>\$ 648,746</u>	<u>\$ (710)</u>
LIABILITIES AND FUND BALANCES													
(DEFICITS)													
Liabilities:													
Accounts payable	\$ 459	\$ 1,096	\$ -	\$ -	\$ -	\$ -	\$ (145)	\$ 24,405	\$ -	\$ -	\$ -	\$ 5,247	\$ 43
Other liabilities and accruals	3,567	-	-	-	-	60,760	2,917	15,227	-	-	-	181,665	-
Due to other funds	273,221	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>277,247</u>	<u>1,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,760</u>	<u>2,772</u>	<u>39,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,912</u>	<u>43</u>
Fund balances:													
Reserved for:													
Related assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Encumbrances	5,889	2,887	-	-	41	-	12,338	62,025	-	-	-	104,140	229
Unreserved (deficit)	28,554	35,623	18,118	54,458	104,794	-	8,869	(62,025)	3,700	416	-	357,694	(982)
Total fund balances	<u>34,443</u>	<u>38,510</u>	<u>18,118</u>	<u>54,458</u>	<u>104,835</u>	<u>-</u>	<u>21,207</u>	<u>-</u>	<u>3,700</u>	<u>416</u>	<u>-</u>	<u>461,834</u>	<u>(753)</u>
Total liabilities and fund balances	<u>\$ 311,690</u>	<u>\$ 39,606</u>	<u>\$ 18,118</u>	<u>\$ 54,458</u>	<u>\$ 104,835</u>	<u>\$ 60,760</u>	<u>\$ 23,979</u>	<u>\$ 39,632</u>	<u>\$ 3,700</u>	<u>\$ 416</u>	<u>\$ -</u>	<u>\$ 648,746</u>	<u>\$ (710)</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

**Combining Balance Sheet, Continued
September 30, 2009**

	200520	200525	200527	200528	300400	300600	300612	800405					
	Sea Patrol	Transportation Services	Registrar General	Ministry of Internal Affairs	MIDA	Local Government	Four-Atoll Medical	ADB Development Projects	Marshall Islands Scholarship, Grant and Loan Board	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Total
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,268	\$ 406,286	\$ 657,752	\$ 545,175	\$ 43,867	\$ 1,675,348
Time certificates of deposit	-	-	-	-	-	-	-	-	154,226	-	-	-	154,226
Investments	-	-	-	-	318,630	-	-	-	-	-	-	-	318,630
Receivables, net:													
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	66,315
Federal	-	-	-	-	-	-	-	-	-	-	-	-	313,375
General	-	-	-	-	-	-	-	-	-	-	1,211,185	-	1,211,185
Other	-	-	-	-	-	-	153,032	-	-	27,651	1,076,425	251	1,258,169
Due from other funds	5,868	18,202	391	64,008	-	14,251	97,635	-	-	862,877	-	-	1,989,869
Advances	-	-	-	-	-	-	-	-	-	62,450	-	-	60,543
Total assets	<u>\$ 5,868</u>	<u>\$ 18,202</u>	<u>\$ 391</u>	<u>\$ 64,008</u>	<u>\$ 318,630</u>	<u>\$ 14,251</u>	<u>\$ 250,667</u>	<u>\$ 22,268</u>	<u>\$ 560,512</u>	<u>\$ 1,610,730</u>	<u>\$ 2,832,785</u>	<u>\$ 44,118</u>	<u>\$ 7,047,660</u>
LIABILITIES AND FUND BALANCES													
(DEFICITS)													
Liabilities:													
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,246	\$ 167,562	\$ 380,303	\$ -	\$ 580,216
Other liabilities and accruals	-	-	-	90	-	-	-	-	-	800,647	-	41,692	1,106,565
Due to other funds	-	-	-	-	-	-	-	-	-	-	862,877	-	1,136,098
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>90</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,246</u>	<u>968,209</u>	<u>1,243,180</u>	<u>41,692</u>	<u>2,822,879</u>
Fund balances:													
Reserved for:													
Related assets	-	-	-	-	318,630	-	-	22,268	-	-	-	-	340,898
Encumbrances	-	4,070	-	12,775	-	14,251	-	-	719,152	-	-	9,799	947,596
Unreserved (deficit)	5,868	14,132	391	51,143	-	-	250,667	-	(159,886)	642,521	1,589,605	(7,373)	2,936,287
Total fund balances	<u>5,868</u>	<u>18,202</u>	<u>391</u>	<u>63,918</u>	<u>318,630</u>	<u>14,251</u>	<u>250,667</u>	<u>22,268</u>	<u>559,266</u>	<u>642,521</u>	<u>1,589,605</u>	<u>2,426</u>	<u>4,224,781</u>
Total liabilities and fund balances	<u>\$ 5,868</u>	<u>\$ 18,202</u>	<u>\$ 391</u>	<u>\$ 64,008</u>	<u>\$ 318,630</u>	<u>\$ 14,251</u>	<u>\$ 250,667</u>	<u>\$ 22,268</u>	<u>\$ 560,512</u>	<u>\$ 1,610,730</u>	<u>\$ 2,832,785</u>	<u>\$ 44,118</u>	<u>\$ 7,047,660</u>

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, 2009**

	200090	200105	200224	200317	200318	200319	200330	200332	200333	200335	200337	200340	200515
	Reimbursable	Public Works	Land Registration Authority	Changed Circumstances	Labor (General)	Labor (Bond)	Judiciary	Ministry of Justice	Marshall Islands Revised Code	Alternative Energy	National Environmental Protection Authority	Resident Workers Training Account	Postal Service
Revenues:													
Federal and other grants	\$ 349,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	123,632	3,797	-	-	55,185	-	1,025	560,326	-	-	-	245,021	-
Sales	-	10,168	-	-	-	-	-	19,308	-	-	-	-	-
Total revenues	<u>473,278</u>	<u>13,965</u>	<u>-</u>	<u>-</u>	<u>55,185</u>	<u>-</u>	<u>1,025</u>	<u>579,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,021</u>	<u>-</u>
Expenditures by Function:													
Current:													
General government:													
Nitijela	-	-	-	-	-	-	-	-	300	-	-	-	-
Judiciary	-	-	-	-	-	-	862,354	-	-	-	-	-	-
Attorney-General	25,870	-	-	-	-	-	-	-	-	-	-	-	-
Ministry of Education	-	-	-	-	-	-	-	-	-	-	-	133,076	-
Ministry of Health and Environment	-	-	-	-	-	-	-	-	-	-	-	-	-
Ministry of Resources and Development	17,986	-	-	-	-	-	-	-	-	-	-	-	-
Ministry of Internal Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-
Ministry of Justice	-	-	-	-	-	-	-	233,347	-	-	-	-	-
Ministry of Finance	425,447	-	-	-	-	-	-	-	-	-	-	-	122,566
Ministry of Foreign Affairs and Trade	-	-	-	-	19,200	-	-	-	-	-	-	-	-
Ministry of Public Works	-	25,441	-	-	-	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>469,303</u>	<u>25,441</u>	<u>-</u>	<u>-</u>	<u>19,200</u>	<u>-</u>	<u>862,354</u>	<u>233,347</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>133,076</u>	<u>122,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,975</u>	<u>(11,476)</u>	<u>-</u>	<u>-</u>	<u>35,985</u>	<u>-</u>	<u>(861,329)</u>	<u>346,287</u>	<u>(300)</u>	<u>-</u>	<u>-</u>	<u>111,945</u>	<u>(122,566)</u>
Other financing sources (uses):													
Operating transfers in	-	-	-	-	-	-	866,354	-	-	-	-	-	121,813
Operating transfers out	-	-	-	-	-	-	-	(346,287)	-	-	-	-	-
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>866,354</u>	<u>(346,287)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,813</u>
Net change in fund balances	<u>3,975</u>	<u>(11,476)</u>	<u>-</u>	<u>-</u>	<u>35,985</u>	<u>-</u>	<u>5,025</u>	<u>-</u>	<u>(300)</u>	<u>-</u>	<u>-</u>	<u>111,945</u>	<u>(753)</u>
Fund balances at the beginning of the year	<u>30,468</u>	<u>49,986</u>	<u>18,118</u>	<u>54,458</u>	<u>68,850</u>	<u>-</u>	<u>16,182</u>	<u>-</u>	<u>4,000</u>	<u>416</u>	<u>-</u>	<u>349,889</u>	<u>-</u>
Fund balances (deficit) at the end of the year	<u>\$ 34,443</u>	<u>\$ 38,510</u>	<u>\$ 18,118</u>	<u>\$ 54,458</u>	<u>\$ 104,835</u>	<u>\$ -</u>	<u>\$ 21,207</u>	<u>\$ -</u>	<u>\$ 3,700</u>	<u>\$ 416</u>	<u>\$ -</u>	<u>\$ 461,834</u>	<u>\$ (753)</u>

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, 2009**

	200520	200525	200527	200528	300400	300600	300612	800405					
	Sea Patrol	Transportation Services	Registrar General	Ministry of Internal Affairs	MIDA	Local Government	Four-Atoll Medical	ADB Development Projects	Marshall Islands Scholarship, Grant and Loan Board	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Total
Revenues:													
Federal and other grants	\$ -	\$ -	\$ -	\$ 54,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,497	\$ -	\$ -	\$ 587,393
Fees and charges	-	-	-	35,616	-	-	-	-	22,293	323,254	6,733,635	18,498	8,122,282
Sales	75	205	-	16,301	-	-	-	-	-	-	23,217	-	69,274
Total revenues	75	205	-	106,167	-	-	-	-	22,293	506,751	6,756,852	18,498	8,778,949
Expenditures by Function:													
Current:													
General government:													
Nitijela	-	-	-	-	-	-	-	-	-	-	-	-	300
Judiciary	-	-	-	-	-	-	-	-	-	-	-	-	862,354
Attorney-General	-	-	-	-	-	-	-	-	-	-	-	-	25,870
Ministry of Education	-	-	-	-	-	-	-	-	1,061,422	-	-	-	1,194,498
Ministry of Health and Environment	-	-	-	-	-	-	-	-	-	3,291,041	4,153,120	-	7,444,161
Ministry of Resources and Development	-	-	-	-	-	-	-	-	-	-	-	-	17,986
Ministry of Internal Affairs	-	-	-	94,074	-	366,883	-	-	-	-	-	-	460,957
Ministry of Justice	-	-	-	-	-	-	-	-	-	-	-	-	233,347
Ministry of Finance	-	-	-	-	-	-	-	-	-	-	-	-	548,013
Ministry of Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	-	-	-	19,200
Ministry of Public Works	-	-	-	-	-	-	-	-	-	-	-	-	25,441
Nuclear claims related	-	-	-	-	-	-	919,592	-	-	-	-	289,336	1,208,928
Total expenditures	-	-	-	94,074	-	366,883	919,592	-	1,061,422	3,291,041	4,153,120	289,336	12,041,055
Excess (deficiency) of revenues over (under) expenditures	75	205	-	12,093	-	(366,883)	(919,592)	-	(1,039,129)	(2,784,290)	2,603,732	(270,838)	(3,262,106)
Other financing sources (uses):													
Operating transfers in	-	-	-	-	-	280,447	984,000	-	1,214,202	2,674,563	140,000	178,000	6,459,379
Operating transfers out	-	-	-	-	-	-	-	-	-	-	(2,674,563)	-	(3,020,850)
Total other financing sources (uses), net	-	-	-	-	-	280,447	984,000	-	1,214,202	2,674,563	(2,534,563)	178,000	3,438,529
Net change in fund balances	75	205	-	12,093	-	(86,436)	64,408	-	175,073	(109,727)	69,169	(92,838)	176,423
Fund balances at the beginning of the year	5,793	17,997	391	51,825	318,630	100,687	186,259	22,268	384,193	752,248	1,520,436	95,264	4,048,358
Fund balances at the end of the year	\$ 5,868	\$ 18,202	\$ 391	\$ 63,918	\$ 318,630	\$ 14,251	\$ 250,667	\$ 22,268	\$ 559,266	\$ 642,521	\$ 1,589,605	\$ 2,426	\$ 4,224,781

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, 2009**

	200090	200105	200224	200317	200318	200319	200330	200332	200333	200335	200337	200340	200515
	Reimbursable	Public Works	Land Registration Authority	Changed Circumstances	Labor (General)	Labor (Bond)	Judiciary	Ministry of Justice	Marshall Islands Revised Code	Alternative Energy	National Environmental Protection Authority	Resident Workers Training Account	Postal Service
Revenues:													
Federal and other grants	\$ 349,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	123,632	3,797	-	-	55,185	-	1,025	560,326	-	-	-	245,021	-
Sales	-	10,168	-	-	-	-	-	19,308	-	-	-	-	-
Total revenues	<u>473,278</u>	<u>13,965</u>	<u>-</u>	<u>-</u>	<u>55,185</u>	<u>-</u>	<u>1,025</u>	<u>579,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,021</u>	<u>-</u>
Expenditures by Account:													
Grants and subsidies	-	-	-	-	-	-	-	-	-	-	-	-	112,808
Salaries and wages	373,847	-	-	-	-	-	551,139	-	-	-	-	4,231	-
Medical supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	-	91,378	-	-	-	-	-
Capital outlay	22,368	18,537	-	-	7,139	-	16,050	57,686	-	-	-	590	-
Travel	17,651	-	-	-	2,562	-	16,657	25,071	-	-	-	24,432	4,684
Food stuffs	59	-	-	-	-	-	2,355	24,371	-	-	-	-	-
Supplies and materials	7,291	6,904	-	-	7,834	-	6,845	20,942	-	-	-	8,976	250
POL	4,506	-	-	-	-	-	18,552	49,257	-	-	-	2,981	727
Rentals	100	-	-	-	-	-	1,352	9,100	-	-	-	3,000	-
Allowances	-	-	-	-	-	-	9,796	-	-	-	-	-	-
Communications	-	-	-	-	-	-	15,980	17,408	-	-	-	17,168	2,497
Insurance	1,250	-	-	-	-	-	442	-	-	-	-	-	-
Utilities	29,506	-	-	-	-	-	16,950	-	-	-	-	-	-
Leased housing	-	-	-	-	-	-	61,326	-	-	-	-	-	1,600
Freight	-	-	-	-	406	-	-	2,750	-	-	-	-	-
Professional services	9,650	-	-	-	-	-	31,604	-	-	-	-	-	-
Printing and reproduction	-	-	-	-	754	-	3,082	2,523	-	-	-	426	-
Other	3,075	-	-	-	505	-	18,846	24,239	300	-	-	71,272	-
Total expenditures	<u>469,303</u>	<u>25,441</u>	<u>-</u>	<u>-</u>	<u>19,200</u>	<u>-</u>	<u>862,354</u>	<u>233,347</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>133,076</u>	<u>122,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,975</u>	<u>(11,476)</u>	<u>-</u>	<u>-</u>	<u>35,985</u>	<u>-</u>	<u>(861,329)</u>	<u>346,287</u>	<u>(300)</u>	<u>-</u>	<u>-</u>	<u>111,945</u>	<u>(122,566)</u>
Other financing sources (uses):													
Operating transfers in	-	-	-	-	-	-	866,354	-	-	-	-	-	121,813
Operating transfers out	-	-	-	-	-	-	-	(346,287)	-	-	-	-	-
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>866,354</u>	<u>(346,287)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,813</u>
Net change in fund balances	<u>3,975</u>	<u>(11,476)</u>	<u>-</u>	<u>-</u>	<u>35,985</u>	<u>-</u>	<u>5,025</u>	<u>-</u>	<u>(300)</u>	<u>-</u>	<u>-</u>	<u>111,945</u>	<u>(753)</u>
Fund balances at the beginning of the year	<u>30,468</u>	<u>49,986</u>	<u>18,118</u>	<u>54,458</u>	<u>68,850</u>	<u>-</u>	<u>16,182</u>	<u>-</u>	<u>4,000</u>	<u>416</u>	<u>-</u>	<u>349,889</u>	<u>-</u>
Fund balances (deficit) at the end of the year	<u>\$ 34,443</u>	<u>\$ 38,510</u>	<u>\$ 18,118</u>	<u>\$ 54,458</u>	<u>\$ 104,835</u>	<u>\$ -</u>	<u>\$ 21,207</u>	<u>\$ -</u>	<u>\$ 3,700</u>	<u>\$ 416</u>	<u>\$ -</u>	<u>\$ 461,834</u>	<u>\$ (753)</u>

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, 2009**

	200520	200525	200527	200528	300400	300600	300612	800405					
	Sea Patrol	Transportation Services	Registrar General	Ministry of Internal Affairs	MIDA	Local Government	Four-Atoll Medical	ADB Development Projects	Marshall Islands Scholarship, Grant and Loan Board	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Total
Revenues:													
Federal and other grants	\$ -	\$ -	\$ -	\$ 54,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,497	\$ -	\$ -	\$ 587,393
Fees and charges	-	-	-	35,616	-	-	-	-	22,293	323,254	6,733,635	18,498	8,122,282
Sales	75	205	-	16,301	-	-	-	-	-	-	23,217	-	69,274
Total revenues	75	205	-	106,167	-	-	-	-	22,293	506,751	6,756,852	18,498	8,778,949
Expenditures by Account:													
Grants and subsidies	-	-	-	-	-	366,883	-	-	1,017,755	-	-	-	1,497,446
Salaries and wages	-	-	-	3,343	-	-	-	-	-	55,583	308,150	193,103	1,489,396
Medical supplies	-	-	-	-	-	-	-	-	-	2,739,163	3,324,614	-	6,063,777
Contractual services	-	-	-	6,720	-	-	919,592	-	-	-	-	10,435	1,028,125
Capital outlay	-	-	-	35,718	-	-	-	-	3,880	135,123	-	-	297,091
Travel	-	-	-	22,072	-	-	-	-	3,347	38,558	31,125	22,841	209,000
Food stuffs	-	-	-	1,787	-	-	-	-	-	-	-	-	28,572
Supplies and materials	-	-	-	17,693	-	-	-	-	2,645	27,947	-	1,918	109,245
POL	-	-	-	1,314	-	-	-	-	-	-	-	-	77,337
Rentals	-	-	-	-	-	-	-	-	9,000	-	-	44,191	66,743
Allowances	-	-	-	-	-	-	-	-	-	-	-	-	9,796
Communications	-	-	-	-	-	-	-	-	6,782	38,918	15,165	7,110	121,028
Insurance	-	-	-	-	-	-	-	-	-	-	695	-	2,387
Utilities	-	-	-	150	-	-	-	-	-	-	26,068	-	72,674
Leased housing	-	-	-	-	-	-	-	-	-	-	-	-	62,926
Freight	-	-	-	-	-	-	-	-	-	98,045	-	-	101,201
Professional services	-	-	-	-	-	-	-	-	-	59,917	160,000	-	261,171
Printing and reproduction	-	-	-	-	-	-	-	-	-	-	-	-	6,785
Other	-	-	-	5,277	-	-	-	-	18,013	97,787	287,303	9,738	536,355
Total expenditures	-	-	-	94,074	-	366,883	919,592	-	1,061,422	3,291,041	4,153,120	289,336	12,041,055
Excess (deficiency) of revenues over (under) expenditures	75	205	-	12,093	-	(366,883)	(919,592)	-	(1,039,129)	(2,784,290)	2,603,732	(270,838)	(3,262,106)
Other financing sources (uses):													
Operating transfers in	-	-	-	-	-	280,447	984,000	-	1,214,202	2,674,563	140,000	178,000	6,459,379
Operating transfers out	-	-	-	-	-	-	-	-	-	-	(2,674,563)	-	(3,020,850)
Total other financing sources (uses), net	-	-	-	-	-	280,447	984,000	-	1,214,202	2,674,563	(2,534,563)	178,000	3,438,529
Net change in fund balances	75	205	-	12,093	-	(86,436)	64,408	-	175,073	(109,727)	69,169	(92,838)	176,423
Fund balances at the beginning of the year	5,793	17,997	391	51,825	318,630	100,687	186,259	22,268	384,193	752,248	1,520,436	95,264	4,048,358
Fund balances (deficit) at the end of the year	\$ 5,868	\$ 18,202	\$ 391	\$ 63,918	\$ 318,630	\$ 14,251	\$ 250,667	\$ 22,268	\$ 559,266	\$ 642,521	\$ 1,589,605	\$ 2,426	\$ 4,224,781

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUSTS

September 30, 2009

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, 2009, 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 Assets
Fiduciary Funds - Private Purpose Trusts
September 30, 2009

DILOG Fund Number	350610	510610	300614		
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Nuclear Claims Trust	
				Total	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 836,178	\$ -	\$ -	\$ -	\$ 836,178
Time certificates of deposit	4,775,752	-	-	-	4,775,752
Receivables, net:					
Contributions	2,114,800	-	-	-	2,114,800
Other	1,531,557	-	-	-	1,531,557
Investments	56,801,815	-	-	126,529	56,928,344
Due from other funds	-	421,658	24,666,573	10,461	25,098,692
Capital assets, net of accumulated depreciation	88,151	-	-	-	88,151
Total assets	<u>66,148,253</u>	<u>421,658</u>	<u>24,666,573</u>	<u>136,990</u>	<u>91,373,474</u>
<u>LIABILITIES</u>					
Accounts payable	72,943	-	-	-	72,943
Other liabilities and accruals	1,192,550	-	-	-	1,192,550
Total liabilities	<u>1,265,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,265,493</u>
<u>NET ASSETS</u>					
Held in trust for:					
Social security benefits	64,882,760	-	-	-	64,882,760
Nuclear claims	-	-	-	136,990	136,990
Land use distributions	-	421,658	24,666,573	-	25,088,231
Total net assets	<u>\$ 64,882,760</u>	<u>\$ 421,658</u>	<u>\$ 24,666,573</u>	<u>\$ 136,990</u>	<u>\$ 90,107,981</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trusts
Year Ended September 30, 2009

DILOG Fund Number	350610	510610	300614		
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Nuclear Claims Trust	
				Total	
Additions:					
Contributions:					
Private employees	\$ 7,912,754	\$ -	\$ -	\$ -	\$ 7,912,754
Government employees	3,896,499	-	-	-	3,896,499
Penalties and interest	794,938	-	-	-	794,938
Total contributions	<u>12,604,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,604,191</u>
Investment earnings (loss):					
Net increase (decrease) in the fair value of investments	2,132,085	-	-	(3,818)	2,128,267
Interest and dividends	1,319,877	-	56,719	-	1,376,596
Total investment earnings (loss)	<u>3,451,962</u>	<u>-</u>	<u>56,719</u>	<u>(3,818)</u>	<u>3,504,863</u>
Less investment expense	104,524	-	-	6,888	111,412
Net investment earnings (loss)	<u>3,347,438</u>	<u>-</u>	<u>56,719</u>	<u>(10,706)</u>	<u>3,393,451</u>
Other:					
Compact funding	-	-	17,110,328	-	17,110,328
Other	362,598	-	-	-	362,598
	<u>362,598</u>	<u>-</u>	<u>17,110,328</u>	<u>-</u>	<u>17,472,926</u>
Total additions	<u>16,314,227</u>	<u>-</u>	<u>17,167,047</u>	<u>(10,706)</u>	<u>33,470,568</u>
Deductions:					
Land use distributions	-	-	12,101,158	-	12,101,158
Benefits	13,645,174	-	-	-	13,645,174
Administrative expenses	972,954	-	12	-	972,966
Transfers out	-	-	-	128,000	128,000
Total deductions	<u>14,618,128</u>	<u>-</u>	<u>12,101,170</u>	<u>128,000</u>	<u>26,847,298</u>
Change in net assets	1,696,099	-	5,065,877	(138,706)	6,623,270
Net assets at the beginning of the year	63,186,661	421,658	19,600,696	275,696	83,484,711
Net assets at the end of the year	<u>\$ 64,882,760</u>	<u>\$ 421,658</u>	<u>\$ 24,666,573</u>	<u>\$ 136,990</u>	<u>\$ 90,107,981</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR COMPONENT UNITS

September 30, 2009

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, 2009, follows:

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.

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.

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.

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.

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR COMPONENT UNITS

September 30, 2009

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.

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.

Tobolar Copra Processing Plant, Inc. (TCPPI)

TCPPI 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. TCPPI 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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

Combining Schedule of Net Assets September 30, 2009

	Air Marshall Islands, Inc.	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	RMI Environmental Protection Authority	Tobolar Copra Processing Plant, Inc.	Total
ASSETS											
Current assets:											
Cash and cash equivalents	\$ 20,217	\$ 235,401	\$ 14,799	\$ 73,097	\$ 42,297	\$ 91,475	\$ 226,780	\$ 191,879	\$ 27,039	\$ 70,208	\$ 993,192
Receivables, net	217,369	501,923	35,130	252,200	148,417	1,490	61,796	24,273	34,094	106,264	1,382,956
Inventories	463,630	305,648	-	23,251	148,001	14,217	8,972	-	-	819,567	1,783,286
Other current assets	237,557	786,726	3,028	15,628	10,617	5,051	-	1,351	3,080	263	1,063,301
Total current assets	<u>938,773</u>	<u>1,829,698</u>	<u>52,957</u>	<u>364,176</u>	<u>349,332</u>	<u>112,233</u>	<u>297,548</u>	<u>217,503</u>	<u>64,213</u>	<u>996,302</u>	<u>5,222,735</u>
Noncurrent assets:											
Capital assets, net of accumulated depreciation	3,895,904	4,241,345	730,243	1,658,343	59,445	41,689	283,767	1,571	44,137	673,766	11,630,210
Total assets	<u>\$ 4,834,677</u>	<u>\$ 6,071,043</u>	<u>\$ 783,200</u>	<u>\$ 2,022,519</u>	<u>\$ 408,777</u>	<u>\$ 153,922</u>	<u>\$ 581,315</u>	<u>\$ 219,074</u>	<u>\$ 108,350</u>	<u>\$ 1,670,068</u>	<u>\$ 16,852,945</u>
LIABILITIES											
Current liabilities:											
Current portion of long-term debt	\$ 303,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,293
Accounts payable	345,339	386,417	23,230	306,234	40,950	7,277	287,200	-	3,762	425,860	1,826,269
Other liabilities and accruals	1,038,851	1,260,917	43,270	1,165,375	180,441	104,926	231,271	9,657	-	19,212	4,053,920
Due to primary government	3,441,890	-	-	-	-	-	-	-	-	-	3,441,890
Deferred revenues	188,069	166,302	-	-	43,915	18,901	-	-	18,778	-	435,965
Total current liabilities	<u>5,317,442</u>	<u>1,813,636</u>	<u>66,500</u>	<u>1,471,609</u>	<u>265,306</u>	<u>131,104</u>	<u>518,471</u>	<u>9,657</u>	<u>22,540</u>	<u>445,072</u>	<u>10,061,337</u>
Noncurrent liabilities:											
Noncurrent portion of long-term debt	254,986	-	-	-	-	-	-	-	-	-	254,986
Total liabilities	<u>5,572,428</u>	<u>1,813,636</u>	<u>66,500</u>	<u>1,471,609</u>	<u>265,306</u>	<u>131,104</u>	<u>518,471</u>	<u>9,657</u>	<u>22,540</u>	<u>445,072</u>	<u>10,316,323</u>
NET ASSETS											
Invested in capital assets, net of related debt	3,895,904	4,241,345	730,243	1,658,343	59,445	41,689	283,767	1,571	44,137	673,766	11,630,210
Restricted	-	-	-	-	-	-	-	-	38,435	-	38,435
Unrestricted	(4,633,655)	16,062	(13,543)	(1,107,433)	84,026	(18,871)	(220,923)	207,846	3,238	551,230	(5,132,023)
Total net assets	<u>(737,751)</u>	<u>4,257,407</u>	<u>716,700</u>	<u>550,910</u>	<u>143,471</u>	<u>22,818</u>	<u>62,844</u>	<u>209,417</u>	<u>85,810</u>	<u>1,224,996</u>	<u>6,536,622</u>
	<u>\$ 4,834,677</u>	<u>\$ 6,071,043</u>	<u>\$ 783,200</u>	<u>\$ 2,022,519</u>	<u>\$ 408,777</u>	<u>\$ 153,922</u>	<u>\$ 581,315</u>	<u>\$ 219,074</u>	<u>\$ 108,350</u>	<u>\$ 1,670,068</u>	<u>\$ 16,852,945</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

Combining Schedule of Revenues, Expenses, and Changes in Net Assets Year Ended September 30, 2009

	Air Marshall Islands, Inc.	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	RMI Environmental Protection Authority	Tobolar Copra Processing Plant, Inc.	Total
Operating revenues:											
Charges for services	\$ 1,712,346	\$ 3,053,117	\$ 173,710	\$ 1,271,541	\$ 925,952	\$ 114,095	\$ 932,817	\$ -	\$ 54,214	\$ -	\$ 8,237,792
Sales	-	-	-	861,453	-	211,869	336,590	-	-	2,264,985	3,674,897
Other	-	67,830	-	7,716	23,848	-	-	14,716	8,367	-	122,477
Total operating revenues	<u>1,712,346</u>	<u>3,120,947</u>	<u>173,710</u>	<u>2,140,710</u>	<u>949,800</u>	<u>325,964</u>	<u>1,269,407</u>	<u>14,716</u>	<u>62,581</u>	<u>2,264,985</u>	<u>12,035,166</u>
Operating expenses:											
Cost of services	2,394,684	5,408,200	720,625	1,836,323	1,309,044	424,328	2,549,110	-	-	4,120,690	18,763,004
Administration costs	505,045	-	-	506,725	-	-	-	274,110	460,066	418,168	2,164,114
Depreciation and amortization	601,397	860,092	100,848	201,660	33,134	5,609	78,597	1,633	15,794	95,740	1,994,504
Total operating expenses	<u>3,501,126</u>	<u>6,268,292</u>	<u>821,473</u>	<u>2,544,708</u>	<u>1,342,178</u>	<u>429,937</u>	<u>2,627,707</u>	<u>275,743</u>	<u>475,860</u>	<u>4,634,598</u>	<u>22,921,622</u>
Operating income (loss)	<u>(1,788,780)</u>	<u>(3,147,345)</u>	<u>(647,763)</u>	<u>(403,998)</u>	<u>(392,378)</u>	<u>(103,973)</u>	<u>(1,358,300)</u>	<u>(261,027)</u>	<u>(413,279)</u>	<u>(2,369,613)</u>	<u>(10,886,456)</u>
Nonoperating revenues (expenses):											
Contributions from the primary government	499,400	3,075,712	-	-	346,928	126,791	1,091,847	248,500	309,921	997,000	6,696,099
Interest expense	(35,579)	(97,165)	-	-	-	-	-	-	-	(58,576)	(191,320)
Grants and other contributions	-	-	695,000	-	-	-	-	-	82,131	-	777,131
Other	179,259	(403,124)	669,463	(32,497)	(25,410)	-	(40,021)	(25,379)	(39,409)	31,281	314,163
Total nonoperating revenues (expenses), net	<u>643,080</u>	<u>2,575,423</u>	<u>1,364,463</u>	<u>(32,497)</u>	<u>321,518</u>	<u>126,791</u>	<u>1,051,826</u>	<u>223,121</u>	<u>352,643</u>	<u>969,705</u>	<u>7,596,073</u>
Net income (loss)	<u>(1,145,700)</u>	<u>(571,922)</u>	<u>716,700</u>	<u>(436,495)</u>	<u>(70,860)</u>	<u>22,818</u>	<u>(306,474)</u>	<u>(37,906)</u>	<u>(60,636)</u>	<u>(1,399,908)</u>	<u>(3,290,383)</u>
Net assets at the beginning of the year	<u>407,949</u>	<u>4,829,329</u>	<u>-</u>	<u>987,405</u>	<u>214,331</u>	<u>-</u>	<u>369,318</u>	<u>247,323</u>	<u>146,446</u>	<u>2,624,904</u>	<u>9,827,005</u>
Net assets at the end of the year	<u>\$ (737,751)</u>	<u>\$ 4,257,407</u>	<u>\$ 716,700</u>	<u>\$ 550,910</u>	<u>\$ 143,471</u>	<u>\$ 22,818</u>	<u>\$ 62,844</u>	<u>\$ 209,417</u>	<u>\$ 85,810</u>	<u>\$ 1,224,996</u>	<u>\$ 6,536,622</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
GRANTS ASSISTANCE FUND

September 30, 2009

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, 2009, 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 211 Compact Capital Account

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title II, Article I, Section 211(a)(1) and approved by Nitijela resolution 62. The aforementioned section requires no less than 40% of the total amounts appropriated by the United States Congress to be applied to the capital account.

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 221(b) Education and Health Care Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title II, Article I, Section 221(b) 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 federal grants that RepMar received from the European Union.

REPUBLIC OF THE MARSHALL ISLANDS
GRANTS ASSISTANCE FUND

September 30, 2009

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.

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, 2009

DILOG Fund Number	350200	350210	350305	350315	510130	600350	700100	700360	700370		
	Section 215(a)(1) Commu- nications	Section 211 Capital Account	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
ASSETS											
Receivables:											
Federal agencies	\$ -	\$ -	\$ -	\$ -	\$ 526,676	\$ -	\$ -	\$ -	\$ -	\$ 1,375,407	\$ 1,902,083
General	-	-	-	-	-	-	-	-	814,584	-	814,584
Due from other funds	40,380	-	690	1,593	-	881,510	-	109,330	-	5,766,299	6,799,802
Advances	-	-	-	-	-	40,664	16,202	1,488	-	(3,365)	54,989
Total assets	<u>\$ 40,380</u>	<u>\$ -</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 526,676</u>	<u>\$ 922,174</u>	<u>\$ 16,202</u>	<u>\$ 110,818</u>	<u>\$ 814,584</u>	<u>\$ 7,138,341</u>	<u>\$ 9,571,458</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 45,000	\$ 547,097	\$ 20,857	\$ 2,503	\$ 52,583	\$ 1,419,930	\$ 2,087,970
Other liabilities and accruals	-	-	-	-	-	28,658	1,569	2,347	4,017	163,471	200,062
Payable to federal agencies	-	-	-	-	-	314,698	-	-	-	377,032	691,730
Retention payable	-	-	-	-	-	-	-	-	-	974,350	974,350
Contracts payable	-	-	-	-	-	-	-	-	-	392,278	392,278
Due to other funds	-	-	-	-	481,676	-	30,337	-	757,984	16,016	1,286,013
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>526,676</u>	<u>890,453</u>	<u>52,763</u>	<u>4,850</u>	<u>814,584</u>	<u>3,343,077</u>	<u>5,632,403</u>
Fund balances (deficits):											
Reserved for:											
Encumbrances	40,380	2,693	-	-	241,167	1,132,737	41,509	31,496	912,200	10,775,441	13,177,623
Continuing appropriations	-	-	-	-	-	-	-	-	-	9,993,717	9,993,717
Unreserved (deficit)	-	(2,693)	690	1,593	(241,167)	(1,101,016)	(78,070)	74,472	(912,200)	(16,973,894)	(19,232,285)
Total fund balances (deficits)	<u>40,380</u>	<u>-</u>	<u>690</u>	<u>1,593</u>	<u>-</u>	<u>31,721</u>	<u>(36,561)</u>	<u>105,968</u>	<u>-</u>	<u>3,795,264</u>	<u>3,939,055</u>
Total liabilities and fund balances	<u>\$ 40,380</u>	<u>\$ -</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 526,676</u>	<u>\$ 922,174</u>	<u>\$ 16,202</u>	<u>\$ 110,818</u>	<u>\$ 814,584</u>	<u>\$ 7,138,341</u>	<u>\$ 9,571,458</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, 2009

DILOG Fund Number	350200	350210	350305	350315	510130	600350	700100	700360	700370		
	Section 215(a)(1) Commu- nications	Section 211 Capital Account	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
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ 492,093	\$ 8,182,932	\$ 93,187	\$ 547,117	\$ 6,114,584	\$ 47,031,664	\$ 62,461,577
Expenditures by Function:											
Current:											
General government:											
President and Cabinet	-	-	-	-	-	-	-	-	78,363	-	78,363
Office of the Chief Secretary	-	-	-	-	-	1,012	131,626	269,865	-	-	402,503
Special appropriations	-	-	-	-	-	-	-	-	1,182,792	-	1,182,792
Council of Iroif	-	-	-	-	-	-	-	-	4,218	-	4,218
Nitijela	-	-	-	-	-	-	-	29,852	-	-	29,852
Office of the Auditor-General	-	-	-	-	492,093	18,825	-	-	-	-	510,918
Ministry of Education	-	-	-	-	-	2,389,064	-	-	-	26,690,040	29,079,104
Ministry of Health and Environment	-	-	-	-	-	3,538,623	-	-	12,416	7,358,316	10,909,355
Ministry of Transportation and Communications	-	-	-	-	-	-	-	-	74,550	1,000,000	1,074,550
Ministry of Resources and Development	-	-	-	-	-	67,626	-	15,933	1,005,157	-	1,088,716
Ministry of Internal Affairs	-	-	-	-	-	122,229	-	-	59,726	-	181,955
Ministry of Justice	-	-	-	-	-	-	-	-	81,522	-	81,522
Ministry of Finance	-	-	-	-	-	1,027,560	277,188	-	229,009	3,318,457	4,852,214
Ministry of Foreign Affairs	-	-	-	-	-	-	-	45,485	62,399	225,107	332,991
Ministry of Public Works	-	-	-	-	-	-	-	-	497,620	-	497,620
Environmental Protection Authority	-	-	-	-	-	-	-	-	-	225,371	225,371
Debt service:											
Principal repayment	-	-	-	-	-	-	-	-	866,883	-	866,883
Interest	-	-	-	-	-	-	-	-	404,595	-	404,595
Capital outlay											
Capital outlay	-	-	-	-	-	-	-	-	-	6,924,567	6,924,567
Total expenditures											
Total expenditures	-	-	-	-	492,093	7,164,939	408,814	361,135	4,559,250	45,741,858	58,728,089
Excess (deficiency) of revenues over (under) expenditures											
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	1,017,993	(315,627)	185,982	1,555,334	1,289,806	3,733,488
Other financing sources (uses):											
Operating transfers in	-	-	-	-	-	-	-	-	-	802,369	802,369
Operating transfers out	-	-	-	-	-	(984,000)	-	-	(1,555,334)	(1,541,453)	(4,080,787)
Total other financing sources (uses), net											
Total other financing sources (uses), net	-	-	-	-	-	(984,000)	-	-	(1,555,334)	(739,084)	(3,278,418)
Net change in fund balances (deficits)											
Net change in fund balances (deficits)	-	-	-	-	-	33,993	(315,627)	185,982	-	550,722	455,070
Fund balances (deficits) at the beginning of the year											
Fund balances (deficits) at the beginning of the year	40,380	-	690	1,593	-	(2,272)	279,066	(80,014)	-	3,244,542	3,483,985
Fund balances (deficits) at the end of the year											
Fund balances (deficits) at the end of the year	\$ 40,380	\$ -	\$ 690	\$ 1,593	\$ -	\$ 31,721	\$ (36,561)	\$ 105,968	\$ -	\$ 3,795,264	\$ 3,939,055

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, 2009

DILOG Fund Number	350200	350210	350305	350315	510130	600350	700100	700360	700370		
	Section 215(a)(1) Communi- cations	Section 211 Capital Account	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
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ 492,093	\$ 8,182,932	\$ 93,187	\$ 547,117	\$ 6,114,584	\$ 47,031,664	\$ 62,461,577
Expenditures by Account:											
Salaries and wages	-	-	-	-	-	2,563,803	74,156	107,812	408,378	14,337,173	17,491,322
Capital outlay	-	-	-	-	-	774,046	6,059	21,235	481,020	7,780,908	9,063,268
Grants and subsidies	-	-	-	-	-	42,182	55,298	22,000	1,276,057	11,781,522	13,177,059
Utilities	-	-	-	-	-	46,963	-	138	(46,405)	2,060,618	2,061,314
Leased housing	-	-	-	-	-	9,000	-	15,573	-	1,088,793	1,113,366
Supplies and materials	-	-	-	-	-	265,519	24,458	21,710	37,152	2,157,147	2,505,986
Contractual services	-	-	-	-	-	895,077	163,816	6,783	9,680	1,998,202	3,073,558
Travel	-	-	-	-	-	1,017,446	30,496	40,184	-	406,609	1,494,735
Food stuffs	-	-	-	-	-	909,779	16,805	59,871	27,882	807,575	1,821,912
Allowances	-	-	-	-	-	-	-	-	-	59,250	59,250
Professional services	-	-	-	-	492,093	31,800	-	-	-	100,008	623,901
Principal repayment	-	-	-	-	-	-	-	-	866,883	-	866,883
Interest	-	-	-	-	-	-	-	-	404,595	-	404,595
Medical supplies	-	-	-	-	-	17,982	-	-	-	181,537	199,519
Communications	-	-	-	-	-	67,833	-	11,430	4,919	239,205	323,387
POL	-	-	-	-	-	87,413	4,938	715	45,354	404,676	543,096
Rentals	-	-	-	-	-	55,351	10,873	12,581	28,838	178,298	285,941
Freight	-	-	-	-	-	14,382	2,669	68	-	60,549	77,668
Printing and reproduction	-	-	-	-	-	43,577	5,459	1,131	2,144	15,690	68,001
Insurance	-	-	-	-	-	-	-	102	12,695	20,478	33,275
Other	-	-	-	-	-	322,786	13,787	39,802	1,000,058	2,063,620	3,440,053
Total expenditures	-	-	-	-	492,093	7,164,939	408,814	361,135	4,559,250	45,741,858	58,728,089
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	1,017,993	(315,627)	185,982	1,555,334	1,289,806	3,733,488
Other financing sources (uses):											
Operating transfers in	-	-	-	-	-	-	-	-	-	802,369	802,369
Operating transfers out	-	-	-	-	-	(984,000)	-	-	(1,555,334)	(1,541,453)	(4,080,787)
Total other financing sources (uses), net	-	-	-	-	-	(984,000)	-	-	(1,555,334)	(739,084)	(3,278,418)
Net change in fund balances (deficits)	-	-	-	-	-	33,993	(315,627)	185,982	-	550,722	455,070
Fund balances (deficits) at the beginning of the year	40,380	-	690	1,593	-	(2,272)	279,066	(80,014)	-	3,244,542	3,483,985
Fund balances (deficits) at the end of the year	\$ 40,380	\$ -	\$ 690	\$ 1,593	\$ -	\$ 31,721	\$ (36,561)	\$ 105,968	\$ -	\$ 3,795,264	\$ 3,939,055

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPACT SECTOR GRANTS FUND

September 30, 2009

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)(3) Private Sector Development 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)(3) and approved by Nitijela resolution 123 to support the efforts to attract foreign investment and increase indigenous business activity 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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPACT SECTOR GRANTS FUND

September 30, 2009

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.

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, 2009

DILOG Fund Number	410100	410102	410110	410120	410140	410150	410160	410170	510100	510110	510120	
	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
ASSETS												
Receivables:												
Federal agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,375,407	\$ -	\$ -	\$ 1,375,407
Due from other funds	1,192,840	1,230,138	83,977	235,911	10,487	297,284	220,403	17,428	-	2,049,693	428,138	5,766,299
Advances	-	(3,365)	-	-	-	-	-	-	-	-	-	(3,365)
Total assets	<u>\$ 1,192,840</u>	<u>\$ 1,226,773</u>	<u>\$ 83,977</u>	<u>\$ 235,911</u>	<u>\$ 10,487</u>	<u>\$ 297,284</u>	<u>\$ 220,403</u>	<u>\$ 17,428</u>	<u>\$ 1,375,407</u>	<u>\$ 2,049,693</u>	<u>\$ 428,138</u>	<u>\$ 7,138,341</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ 419,327	\$ 552,470	\$ 126,546	\$ 45,209	\$ -	\$ 132,948	\$ 92,340	\$ 4,089	\$ 9,485	\$ 37,516	\$ -	\$ 1,419,930
Other liabilities and accruals	77,122	22,220	54,425	-	-	6,400	-	1,598	1,706	-	-	163,471
Payable to federal agencies	283,112	-	26,055	24,447	-	41,898	-	1,520	-	-	-	377,032
Retention payable	-	-	-	-	-	-	-	-	955,922	18,428	-	974,350
Contracts payable	-	-	-	-	-	-	-	-	392,278	-	-	392,278
Due to other funds	-	-	-	-	-	-	-	-	16,016	-	-	16,016
Total liabilities	<u>779,561</u>	<u>574,690</u>	<u>207,026</u>	<u>69,656</u>	<u>-</u>	<u>181,246</u>	<u>92,340</u>	<u>7,207</u>	<u>1,375,407</u>	<u>55,944</u>	<u>-</u>	<u>3,343,077</u>
Fund balances (deficits):												
Reserved for:												
Encumbrances	724,287	731,131	215,085	74,925	-	406,912	-	5,587	8,298,416	319,098	-	10,775,441
Continuing appropriations	-	-	-	-	-	-	-	-	9,993,717	-	-	9,993,717
Unreserved (deficit)	(311,008)	(79,048)	(338,134)	91,330	10,487	(290,874)	128,063	4,634	(18,292,133)	1,674,651	428,138	(16,973,894)
Total fund balances (deficits)	<u>413,279</u>	<u>652,083</u>	<u>(123,049)</u>	<u>166,255</u>	<u>10,487</u>	<u>116,038</u>	<u>128,063</u>	<u>10,221</u>	<u>-</u>	<u>1,993,749</u>	<u>428,138</u>	<u>3,795,264</u>
Total liabilities and fund balances	<u>\$ 1,192,840</u>	<u>\$ 1,226,773</u>	<u>\$ 83,977</u>	<u>\$ 235,911</u>	<u>\$ 10,487</u>	<u>\$ 297,284</u>	<u>\$ 220,403</u>	<u>\$ 17,428</u>	<u>\$ 1,375,407</u>	<u>\$ 2,049,693</u>	<u>\$ 428,138</u>	<u>\$ 7,138,341</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, 2009

DILOG Fund Number	410100	410102	410110	410120	410140	410150	410160	410170	510100	510110	510120	
	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
Revenues:												
Compact funding	\$ 12,174,298	\$ 6,096,662	\$ 7,378,565	\$ 399,033	\$ -	\$ 3,494,236	\$ 3,203,356	\$ 236,734	\$ 13,218,273	\$ 602,369	\$ 228,138	\$ 47,031,664
Expenditures by Function:												
Current:												
General government:												
Ministry of Education	11,448,634	5,458,466	-	-	-	3,265,979	-	-	6,516,961	-	-	26,690,040
Ministry of Health and Environment	-	-	7,317,188	-	-	41,128	-	-	-	-	-	7,358,316
Ministry of Transportation and Communications	-	-	-	-	-	-	-	-	1,000,000	-	-	1,000,000
Ministry of Finance	-	-	-	100,008	-	-	3,218,449	-	-	-	-	3,318,457
Ministry of Foreign Affairs	-	-	-	225,107	-	-	-	-	-	-	-	225,107
Environmental Protection Authority	-	-	-	-	-	-	-	225,371	-	-	-	225,371
Capital outlay	-	-	-	-	-	-	-	-	5,701,312	1,223,255	-	6,924,567
Total expenditures	11,448,634	5,458,466	7,317,188	325,115	-	3,307,107	3,218,449	225,371	13,218,273	1,223,255	-	45,741,858
Excess (deficiency) of revenues over (under) expenditures	725,664	638,196	61,377	73,918	-	187,129	(15,093)	11,363	-	(620,886)	228,138	1,289,806
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	602,369	200,000	802,369
Operating transfers out	(600,000)	(841,453)	-	-	-	(100,000)	-	-	-	-	-	(1,541,453)
Total other financing sources (uses), net	(600,000)	(841,453)	-	-	-	(100,000)	-	-	-	602,369	200,000	(739,084)
Net change in fund balances (deficits)	125,664	(203,257)	61,377	73,918	-	87,129	(15,093)	11,363	-	(18,517)	428,138	550,722
Fund balances (deficits) at the beginning of the year	287,615	855,340	(184,426)	92,337	10,487	28,909	143,156	(1,142)	-	2,012,266	-	3,244,542
Fund balances (deficits) at the end of the year	\$ 413,279	\$ 652,083	\$ (123,049)	\$ 166,255	\$ 10,487	\$ 116,038	\$ 128,063	\$ 10,221	\$ -	\$ 1,993,749	\$ 428,138	\$ 3,795,264

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, 2009

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	
Revenues:												
Compact funding	\$ 12,174,298	\$ 6,096,662	\$ 7,378,565	\$ 399,033	\$ -	\$ 3,494,236	\$ 3,203,356	\$ 236,734	\$ 13,218,273	\$ 602,369	\$ 228,138	\$ 47,031,664
Expenditures by Account:												
Salaries and wages	6,824,600	1,715,806	4,589,120	-	-	917,005	-	146,199	144,443	-	-	14,337,173
Capital outlay	118,263	245,890	16,148	-	-	268,561	-	29,986	5,969,609	1,132,451	-	7,780,908
Grants and subsidies	1,679,535	151,383	324,999	-	-	-	3,069,229	-	6,556,376	-	-	11,781,522
Utilities	533,669	65,360	774,823	-	-	536,546	149,220	1,000	-	-	-	2,060,618
Leased housing	295,774	-	786,314	-	-	-	-	-	6,705	-	-	1,088,793
Supplies and materials	912,855	903,762	43,714	-	-	254,609	-	686	41,521	-	-	2,157,147
Contractual services	106,533	915,445	95,000	225,107	-	637,117	-	19,000	-	-	-	1,998,202
Travel	128,121	90,415	58,329	-	-	78,852	-	13,098	37,794	-	-	406,609
Food stuffs	222,469	349,366	117,146	-	-	118,594	-	-	-	-	-	807,575
Allowances	59,250	-	-	-	-	-	-	-	-	-	-	59,250
Professional services	-	-	-	100,008	-	-	-	-	-	-	-	100,008
Medical supplies	-	-	181,143	-	-	394	-	-	-	-	-	181,537
Communications	109,220	15,753	36,237	-	-	68,644	-	8,000	1,351	-	-	239,205
POL	145,773	27,850	13,131	-	-	109,282	-	4,319	104,321	-	-	404,676
Rentals	64,390	102,563	-	-	-	11,345	-	-	-	-	-	178,298
Freight	48,906	6,524	-	-	-	4,166	-	700	253	-	-	60,549
Printing and reproduction	12,590	2,100	1,000	-	-	-	-	-	-	-	-	15,690
Insurance	17,601	-	821	-	-	623	-	1,433	-	-	-	20,478
Other	169,085	866,249	279,263	-	-	301,369	-	950	355,900	90,804	-	2,063,620
Total expenditures	11,448,634	5,458,466	7,317,188	325,115	-	3,307,107	3,218,449	225,371	13,218,273	1,223,255	-	45,741,858
Excess (deficiency) of revenues over (under) expenditures	725,664	638,196	61,377	73,918	-	187,129	(15,093)	11,363	-	(620,886)	228,138	1,289,806
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	602,369	200,000	802,369
Operating transfers out	(600,000)	(841,453)	-	-	-	(100,000)	-	-	-	-	-	(1,541,453)
Total other financing sources (uses), net	(600,000)	(841,453)	-	-	-	(100,000)	-	-	-	602,369	200,000	(739,084)
Net change in fund balances (deficits)	125,664	(203,257)	61,377	73,918	-	87,129	(15,093)	11,363	-	(18,517)	428,138	550,722
Fund balances (deficits) at the beginning of the year	287,615	855,340	(184,426)	92,337	10,487	28,909	143,156	(1,142)	-	2,012,266	-	3,244,542
Fund balances (deficits) at the end of the year	\$ 413,279	\$ 652,083	\$ (123,049)	\$ 166,255	\$ 10,487	\$ 116,038	\$ 128,063	\$ 10,221	\$ -	\$ 1,993,749	\$ 428,138	\$ 3,795,264

See Accompanying Independent Auditors' Report.