

REPUBLIC OF THE MARSHALL ISLANDS

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

YEAR ENDED SEPTEMBER 30, 2015

REPUBLIC OF THE MARSHALL ISLANDS

**FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements as set forth in Section III of the foregoing table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marshall Islands National Telecommunications Authority, which represents 14 percent, 3 percent, and 7 percent, respectively, of the total assets, net position, and program revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marshall Islands National Telecommunications Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective net position or financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matters

Social Security Obligations

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

Debt Guarantee

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

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information:

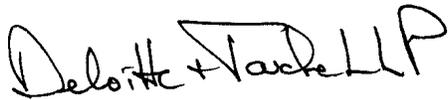
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as set forth in Section II of the foregoing table of contents, as well as the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund,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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RepMar's basic financial statements. The Other Supplementary Information, as set forth in Section V of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information set forth in Section V of the foregoing table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, on our consideration of RepMar's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RepMar's internal control over financial reporting and compliance.

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

November 18, 2016

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with RepMar's basic financial statements, which follow this section. Fiscal year 2014 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 \$121 million (net position), increasing by \$2.4 million (or 2%) from \$118.6 million in the prior year. Of this amount, \$77.6 million represents RepMar's investment in capital assets; \$67.9 million represents amounts restricted for various purposes, with the remaining deficiency of \$24.5 million to be funded from future governmental activities.
- During the current fiscal year, RepMar's expenses for governmental activities were \$112.4 million, including special appropriations made to autonomous agencies, which were funded in part by \$57.7 million in program revenues, \$59.7 million in taxes and other general revenues. Program revenues decreased by \$6.1 million (or 9.6%) from \$63.8 million in the prior year to \$57.7 million, which was attributable primarily to a decrease in grants and contributions. Taxes and other general revenues increased by \$5.7 million (or 10.6%) from \$54 million in the prior year to \$59.7 million, which was attributable primarily to the increase in unrestricted grants and contributions. Expenses increased by \$9.8 million (or 9.5%) from \$102.6 million in the prior year to \$112.4 million, which was attributable primarily to an increase in education, health, and general government expenses.
- The Compact Trust Fund experienced a decrease in fund balance of \$1.6 million in the current fiscal year, decreasing RepMar's trust fund balance to \$54.3 million from \$55.9 million in the prior year (down 2.9%).
- For the current fiscal year, General Fund revenues (and other financing sources) of \$53.3 million exceeded General Fund expenditures (and other financing uses) of \$53 million. General fund revenues (and other financing sources) were up \$5.4 million (or 11.2%) from prior year primarily due to an increase in fishing revenue contributions from the Marshall Islands Marine Resources Authority (MIMRA) of \$4.2 million and ship registry revenues of \$1.3 million. Concurrently, General Fund expenditures (and other financing uses) were up \$7.1 million (or 15.4%) from prior year primarily due to an increase in special appropriations of \$7.2 million (or 73.1%) from prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2015

Government-wide Financial Statements, Continued

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

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

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

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

Fund Financial Statements

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

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

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

Governmental funds - These are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of RepMar's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance RepMar's programs. The basic governmental fund financial statements can be found on pages 18 and 19 of this report.

Fiduciary funds - These are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support RepMar's own programs. RepMar is the trustee, or fiduciary, for other assets that because of trust arrangements, can be used only for the trust beneficiaries. RepMar is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of RepMar's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of change in fiduciary net position. The basic fiduciary fund financial statements can be found on pages 21 and 22 of this report.

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Management's Discussion and Analysis Year Ended September 30, 2015

Component Unit Financial Statements

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 23 and 24 of this report.

Notes to the Financial Statements

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

Other Information

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

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

A FINANCIAL ANALYSIS OF REPMAR AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of RepMar, assets exceeded liabilities by \$121 million at the close of the most recent fiscal year; however, such is either restricted as to the purpose it can be used for or is invested in capital assets. RepMar uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although RepMar's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities. The majority of RepMar's net position is comprised of its capital assets and long-term liabilities. Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year, respectively. RepMar's current assets amounted to \$35.4 million while its current liabilities were \$15 million. Restricted net position represents resources that are subject to external constraints. The table below summarizes RepMar's net position at the close of the current year compared with prior year.

RepMar's Net Position
As of September 30

	Governmental Activities 2015	Governmental Activities 2014	Total Percentage Change 2015-2014
Current and other assets	\$ 99,192,229	\$ 99,017,848	0.2%
Capital assets	95,211,885	98,493,078	-3.3%
Total assets	194,404,114	197,510,926	-1.6%
Long-term debt outstanding	59,501,530	62,217,164	-4.4%
Other liabilities	13,907,202	16,682,792	-16.6%
Total liabilities	73,408,732	78,899,956	-7.0%
Net position:			
Net investment in capital assets	77,656,327	77,960,748	-0.4%
Restricted	67,860,911	69,036,059	-1.7%
Unrestricted	(24,521,856)	(28,385,837)	-13.6%
Total net position	\$ 120,995,382	\$ 118,610,970	2.0%

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis
Year Ended September 30, 2015

Net Position, Continued

At the end of the current fiscal year, RepMar's unrestricted net position deficiency was \$24.5 million, a decrease of the prior year amount by \$3.9 million (or 13.6%). This deficiency is the result of having long-term commitments that are greater than currently available resources. Specifically, RepMar did not include in past annual budgets the full amounts needed to finance future liabilities arising from ADB loans as well as to pay for unused employee annual leave balances. RepMar will include these amounts in future years' budgets as they become due.

Changes in Net Position

As discussed earlier, net position of the primary government increased by \$2.4 million, which represents an increase of 2% from the prior year's amount of \$118.6 million. This result indicates that RepMar's financial condition, as a whole, improved from the prior year. The table below summarizes RepMar's change in net position for the current fiscal year as compared with prior year.

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

	Governmental Activities 2015	Governmental Activities 2014	Total Percentage Change 2015-2014
Revenues:			
Program revenues:			
Charges for services	\$ 10,016,741	\$ 9,297,966	7.7%
Operating grants and contributions	44,101,356	40,945,983	7.7%
Capital grants and contributions	<u>3,616,346</u>	<u>13,612,257</u>	-73.4%
	<u>57,734,443</u>	<u>63,856,206</u>	-9.6%
General revenues:			
Taxes	25,445,105	25,000,602	1.8%
Grants and contributions	27,191,385	22,840,180	19.1%
Ship registry	6,000,000	4,750,000	26.3%
Other general revenues	<u>1,025,652</u>	<u>1,367,265</u>	-25.0%
	<u>59,662,142</u>	<u>53,958,047</u>	10.6%
Total revenues	<u>117,396,585</u>	<u>117,814,253</u>	-0.4%
Expenses:			
Education	30,064,761	27,937,195	7.6%
Health and environment	26,998,896	22,201,817	21.6%
Finance	6,962,996	7,876,010	-11.6%
Special appropriations	17,429,232	9,586,425	81.8%
Foreign affairs and trade	2,949,115	3,637,240	-18.9%
Public works	2,964,782	5,728,306	-48.2%
Justice	3,715,297	3,649,650	1.8%
Internal affairs	2,979,583	2,957,162	0.8%
Capital projects	2,456,841	1,761,495	39.5%
Resources and development	2,552,204	2,497,861	2.2%
Transportation and communication	1,998,389	2,999,987	-33.4%
President and cabinet	1,552,716	1,854,809	-16.3%
Nitijela	1,930,597	1,649,090	17.1%
Nuclear claims related	1,341,689	1,512,101	-11.3%
Interest	519,425	908,157	-42.8%
Other	<u>5,977,157</u>	<u>5,848,269</u>	2.2%
Total expenses	<u>112,393,680</u>	<u>102,605,574</u>	9.5%
	5,002,905	15,208,679	-67.1%
Special item	-	(2,363,634)	-100.0%
Contributions (to) from permanent funds	<u>(2,618,493)</u>	<u>3,479,918</u>	-175.2%
Change in net position	2,384,412	16,324,963	-85.4%
Net position, beginning of year	<u>118,610,970</u>	<u>102,286,007</u>	16.0%
Net position, end of year	<u>\$ 120,995,382</u>	<u>\$ 118,610,970</u>	2.0%

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2015

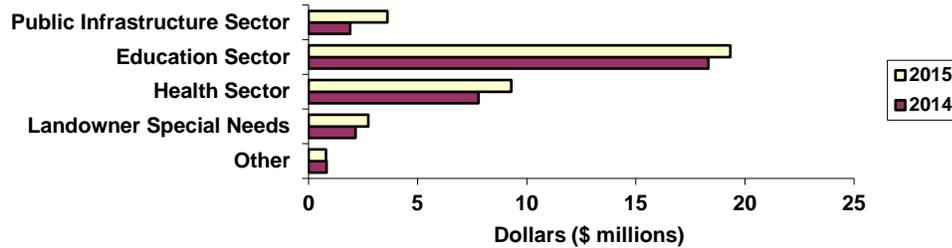
Changes in Net Position, Continued

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

- Total revenues remained stable at \$117.4 million, slightly down by \$0.4 million (or 0.4%) compared with prior year. General revenues increased by \$5.7 million (or 10.6%) as compared with prior year and were offset by a decrease in program revenues of \$6.1 million (or 9.6%) as compared with the prior year. The increase in general revenues reflects a \$4.2 million increase in contributions from MIMRA and a \$1.3 million increase in ship registry revenues. The decrease in program revenues reflects the recognition in the prior year of \$11.7 million in donated capital assets from the Government of Japan and the Republic of China offset by an increase in current year Compact sector grants of \$4.8 million.
- At the same time, cost of governmental activities increased in the current year by \$9.8 million (or 9.5%), which was attributable primarily to an increase in education, health, and general government expenses.
- The Compact Trust Fund experienced a decrease in fund balance of \$1.6 million in the current fiscal year, decreasing RepMar's trust fund balance to \$54.3 million from \$55.9 million in the prior year (down 2.9%).

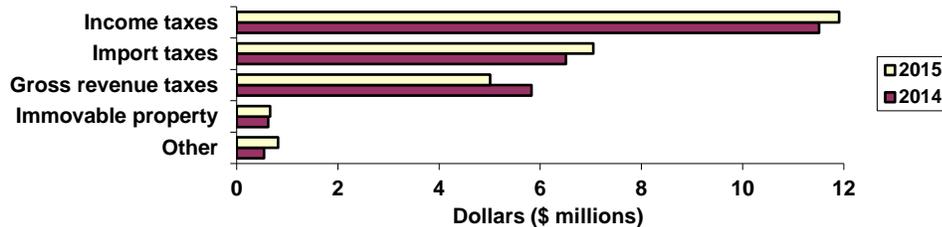
A significant portion of RepMar's program revenues involve contributions from the Government of the United States under the Compact of Free Association. Overall funding from Compact sector grant revenues increased by \$4.8 million (or 15.3%) from prior year primarily due to an increase in infrastructure and health sector funding. A graphic summary of overall Compact sector 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. At \$25.4 million in the current year, tax revenues remained stable compared with the \$25 million collected in the prior year. 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



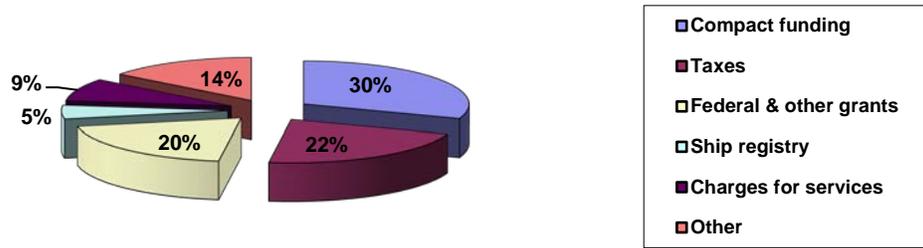
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Management's Discussion and Analysis Year Ended September 30, 2015

Changes in Net Position, Continued

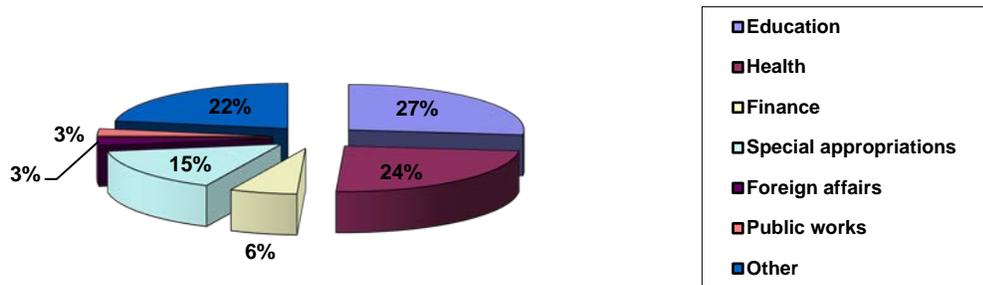
Graphs 3 and 4 below indicate the major components of revenues and cost of governmental activities.

Graph 3
RepMar's Revenue Sources
For the Year Ended September 30, 2015



Compact funding, local taxes and federal and other grants are the major sources of revenue for RepMar, which comprise 72% of total revenues for the current year. The remaining 28% is primarily comprised of ship registry fees, fishing revenue contributions from MIMRA, and various fees and service charges.

Graph 4
RepMar's Cost of Governmental Activities
For the Year Ended September 30, 2015



Other expenses that make up a portion of the costs of governmental activities include ministerial expenses within the Ministry of Justice (\$3.7 million), the Ministry of Internal Affairs (\$3 million), the Ministry of Transportation and Communication (\$2 million), and the Ministry of Resources and Development (\$2.6 million); legislative expenses within the Nitijela (\$1.9 million); and executive expenses within the President's Office and Cabinet (\$1.6 million).

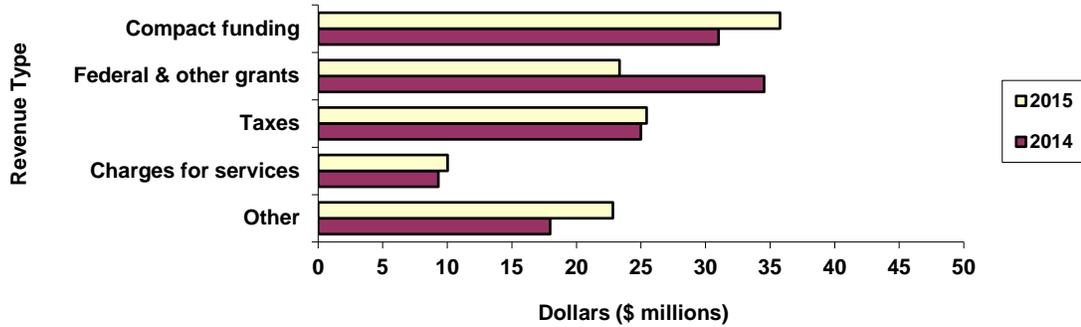
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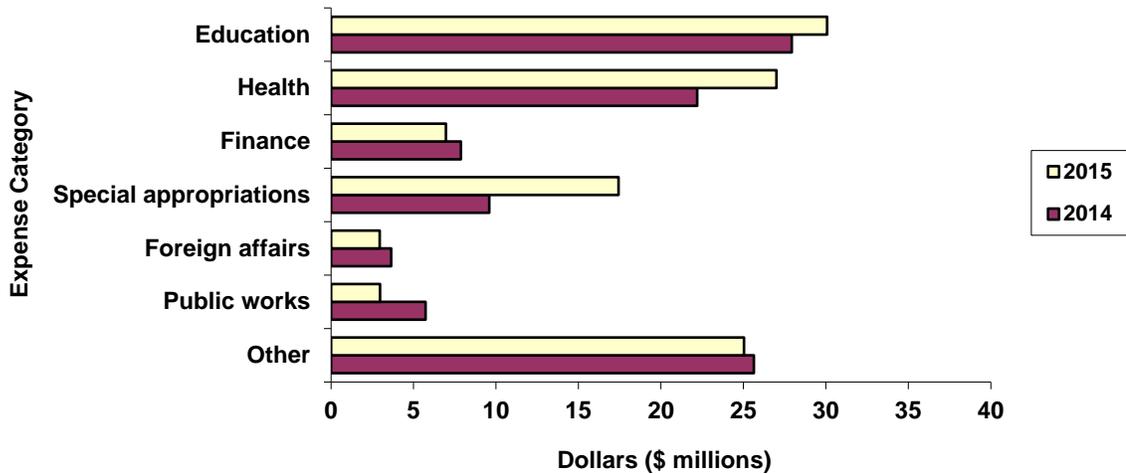
Changes in Net Position, Continued

Graphs 5 and 6 below show a comparison of the major components of revenues and cost of governmental activities for fiscal years 2015 and 2014.

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



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



Other expenses in the current year includes ministerial expenses within the Ministry of Resources & Development of \$2.6 million, up from \$2.5 million in the prior year; the Ministry of Transportation and Communication of \$2 million, down from \$3 million in the prior year; the Ministry of Justice of \$3.7 million, up from \$3.6 million in the prior year; the Ministry of Internal Affairs of \$3 million, constant with the prior year; legislative expenses within the Nitijela of \$1.9 million, up from \$1.6 million in the prior year; and executive expenses within the President's Office and Cabinet of \$1.6 million, down from \$1.9 million in the prior year.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2015

Analysis of Changes in Net Position

During the current fiscal year, RepMar's total net position increased by \$2.4 million compared with an increase in the prior fiscal year of \$16.3 million. This represents a decrease year on year in the change in net position of \$13.9 million (or 85.4%). The key elements of this decrease are: (1) an increase in contributions from component units of \$4.2 million; (2) an increase in ship registry revenue of \$1.3 million; (3) an increase in tax revenues of \$0.4 million; (4) a decrease in Compact Trust earnings of \$6.1 million; (5) an increase in expenses, net of program revenues, of \$15.9 million; and (6) a decrease in the write-off of previously capitalized costs of \$2.4 million. The elements of these changes are reflected below:

	Governmental Activities 2015	Governmental Activities 2014	Total Percentage Change 2015-2014
General revenues:			
Taxes	\$ 25,445,105	\$ 25,000,602	1.8%
Grants and contributions	11,200,000	11,000,000	1.8%
Contributions from component units	15,991,385	11,840,180	35.1%
Ship registry	6,000,000	4,750,000	26.3%
Other general revenues	<u>1,025,652</u>	<u>1,367,265</u>	-25.0%
Total general revenues	<u>59,662,142</u>	<u>53,958,047</u>	10.6%
Expenses, net of program revenues:			
Education	7,908,736	7,234,090	9.3%
Health and environment	3,547,261	2,844,379	24.7%
Special appropriations	16,676,835	9,536,425	74.9%
Finance	2,808,578	2,513,624	11.7%
Public works	2,943,519	5,556,772	-47.0%
Resources and development	2,340,809	2,172,300	7.8%
Justice	2,993,007	2,700,480	10.8%
Internal affairs	2,473,715	2,739,315	-9.7%
Foreign affairs and trade	2,892,715	3,322,640	-12.9%
President and cabinet	1,552,716	1,854,809	-16.3%
Capital projects	312,303	(139,762)	-323.5%
Nitijela	1,930,337	1,649,030	17.1%
Transportation and communication	1,998,117	(8,447,688)	-123.7%
Nuclear claims related	87,975	300,097	-70.7%
Interest	519,425	908,157	-42.8%
Other	<u>3,673,189</u>	<u>4,004,700</u>	-8.3%
Total expenses, net	<u>54,659,237</u>	<u>38,749,368</u>	41.1%
	5,002,905	15,208,679	-67.1%
Special items	-	(2,363,634)	-100.0%
Contributions to permanent fund	<u>(2,618,493)</u>	<u>3,479,918</u>	-175.2%
Change in net position	<u>\$ 2,384,412</u>	<u>\$ 16,324,963</u>	-85.4%

General revenues increased by \$5.7 million (or 10.6%) from the previous fiscal year. The increase was primarily due to increases in fishing revenue contributions from MIMRA and ship registry revenues of \$4.2 million (or 36.6%) and \$1.3 million (or 26.3%), respectively, compared with prior year.

Expenses, net of program revenues, increased by \$15.9 million (or 41.1%) from the previous fiscal year. The increase was primarily due to an increase in special appropriations of \$7.2 million (or 74.9%) compared with prior year as well as the recognition of donated capital assets of \$11.7 million from the Government of Japan (\$11.4 million) and the Republic of China (\$0.3 million) in the prior year.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2015

FINANCIAL ANALYSIS OF REPMAR'S FUNDS

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

Governmental Funds

The focus of RepMar's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing RepMar's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, RepMar's governmental funds reported combined ending fund balances of \$88.8 million, which represents an increase of \$0.5 million (or 0.6%) in comparison with the prior year. This increase is primarily attributable to an excess of receipts over expenditures for the General Fund and the Grants Assistance Fund of \$0.3 million and \$1.9 million, respectively, offset by a decrease in the fair value of RepMar's investments in the Compact Trust Fund of \$1.6 million. Of this total combined fund balance, \$64.1 million is designated as nonspendable and cannot be spent either because it is not in a spendable form or because of legal or contractual constraints; \$10.9 million is designated as restricted and is constrained for specific purposes which are externally imposed; and \$10.7 million is designated as committed and is constrained for specific purposes which are internally imposed. The combined unassigned fund balance of RepMar's governmental funds is \$3.1 million.

The General Fund is the chief operating fund of RepMar. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3.4 million, an increase of \$4.3 million from the prior year negative \$0.9 million. Total fund balance was \$16 million compared with a total fund balance of \$15.7 million at the end of the prior fiscal year, an increase of \$0.3 million. The increase in the overall fund balance of the General Fund was primarily the result of the increase in contributions from MIMRA.

The Grants Assistance Fund has a total fund balance of \$11 million, which primarily represents Republic of China (ROC) and Compact Sector grant revenues received not yet expended at year end. The net increase in fund balance during the current year in the Grants Assistance Fund was \$1.9 million (or 20.5%).

The Compact Trust Fund has a total fund balance of \$54.3 million, all of which is reserved for the funding of future operations of the primary government commencing in fiscal year 2023. The net decrease in fund balance during the current year in the Compact Trust Fund was \$1.6 million (or 2.9%), which reflects a net decrease in the value of trust fund investments of \$2.6 million offset by a \$0.65 million contribution from the General Fund and \$0.35 million contribution from the Grants Assistance Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the fiscal year, budget revisions of \$5.9 million were made by management and elected officials of RepMar to the General Fund budget. Revenues collected (including transfers in) of \$52.1 million were higher than budgeted amounts of \$51.6 million due primarily to tax collections, which exceeded budgeted amounts by \$0.3 million. In addition, charges to appropriations (including transfers out) of \$52.8 million were lower than budgeted amounts of \$55.1 million due primarily to lower actual ministerial expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

RepMar's investment in capital assets for its governmental activities as of September 30, 2015 amounted to \$202.1 million, net of accumulated depreciation of \$106.9 million, leaving a net book value of \$95.2 million. This represents a decrease of \$3.3 million (or 3.3%) from the \$98.5 million reported in the prior year. RepMar's capital assets include electrical and water infrastructure, roads and bridges, heavy equipment, ships, buildings, and various projects under construction.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis
Year Ended September 30, 2015

Capital Assets, Continued

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

	Governmental Activities 2015	Governmental Activities 2014	Total Percentage Change 2015-2014
Electrical distribution	\$ 1,327,772	\$ 1,438,566	-7.7%
Buildings	64,041,051	69,930,966	-8.4%
Water infrastructure system	2,286,162	2,664,817	-14.2%
Docks, roads and bridges	4,350,956	4,860,368	-10.5%
Ships	14,144,972	15,108,262	-6.4%
Software	424,001	530,001	-20.0%
Heavy equipment	4,290,864	3,905,490	9.9%
Construction in progress	4,346,107	54,608	7858.7%
Total	\$ 95,211,885	\$ 98,493,078	-3.3%

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>
Ebeye Dock Shelter	\$ 0.04	\$ 0.24

- 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>
Delap Elementary School Classroom	\$ 0.11	\$ 0.12
DUD Kindergarten Classrooms	\$ 0.13	\$ 0.19

- Acquisition of various heavy equipment in the amount of \$1.02 million funded primarily by Compact Sector and other grants.

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

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2015

Long-term Debt

The Government Borrowing Act of 1985 authorizes RepMar to borrow for such purposes as approved by the Nitijela. Since 1991, RepMar has entered into fourteen separate loans with the ADB (See table below). Long-term debt obligations decreased by \$2.7 million (or 4.4%) in the current fiscal year.

RepMar's Outstanding Debt Asian Development Bank September 30,

	Governmental Activities 2015	Governmental Activities 2014	Total Percentage Change 2015-2014
Fisheries Development Project	\$ 2,255,252	\$ 2,395,970	-5.9%
Typhoon Rehabilitation	356,471	376,841	-5.4%
Basic Education Project	5,772,557	6,084,480	-5.1%
Majuro Water Supply Project No. 1	519,316	548,293	-5.3%
Health and Population Project	3,969,051	4,178,055	-5.0%
Majuro Water Supply Project No. 2	6,641,076	6,807,377	-2.4%
Public Sector Reform Program	9,371,083	9,596,859	-2.4%
Ebeye Health and Infrastructure Project	5,969,093	6,342,160	-5.9%
Skills Training and Vocational Education Project	3,589,941	3,795,080	-5.4%
Fiscal and Financial Management Program No. 1	539,000	1,027,900	-47.6%
Fiscal and Financial Management Program No. 2	5,243,104	5,767,415	-9.1%
Outer Island Transport Infrastructure Project	401,779	422,927	-5.0%
Public Sector Program Loan	9,979,846	9,979,846	0.0%
Fiscal Reform and Debt Management Project	<u>4,893,961</u>	<u>4,893,961</u>	0.0%
Total	<u>\$ 59,501,530</u>	<u>\$ 62,217,164</u>	-4.4%

As indicated above, total long-term debt decreased (by \$2.7 million or 4.4%) during the current year. This decrease resulted from declining principal balances associated with debt service payments.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In fiscal year 2015, the continued positive revenue and fund balance trends noted in this report together with positive trends from 2014 as compared to fiscal year 2013 reflect an increase in unrestricted grants and subsidies from internal and external sources together with an increase in tax revenues reflecting a fundamentally improving economy. The economically robust fishing sector has allowed contributions from MIMRA to RepMar to significantly increase and this trend is expected to continue in fiscal years 2016 and 2017 as favorable market conditions allow MIMRA to increase its daily fishing fees.

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

Economic growth in the RMI economy returned to positive territory in 2015 as the fisheries sector strengthened. Output grew by about 0.5% while inflation dropped to -2.2% amid falling oil and utility prices. Going forward, economic growth is expected to rise to about 1.5% and inflation is expected to rise to about 0.5% in 2016 as the effects of the drought earlier this year are offset by the presumed resumption of Compact-funded infrastructure spending.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2015

Important risks cloud the positive economic outlook. In the short term, further delays in the implementation of infrastructure projects and potential loss of a correspondent banking relationship could lower growth. Over the medium term, an extreme weather-related event, inadequate fiscal consolidation, and delays with social security reform could pose threats. On the upside, a decisive push for structural reforms could boost long-term growth.

A recent International Monetary Fund (IMF) staff mission has recommended the strengthening of economic policy framework to enhance economic resilience and lift potential economic growth. Amongst the mission's recommendations, four key areas were emphasized: (i) securing fiscal sustainability; (ii) adapting to climate change; (iii) facilitating private sector growth; and (iv) ensuring financial stability.

RepMar has developed the Decrement Management Plan (DMP) prepared for the scheduled decline in U.S. Compact grants until FY2023. Fully implemented, this plan should generate a gradual fiscal adjustment of 4 percentage points of GDP over the remaining seven years of the amended Compact agreement. Along with complementary measures that can generate additional fiscal savings, this could generate a fiscal surplus of 3 percent of GDP by FY2023 and onwards. In turn, this would help preserve the inflation-adjusted value of the Compact Trust Fund beyond FY2023, which is needed both to safeguard an important resource for future generations and to cope with the market volatility in investment returns.

To ensure successful fiscal adjustments over the medium-term, the social security system needs to be put on a sustainable path. Under the current structure, the social security fund's reserves could be depleted by early FY2022.

Regarding climate change, the Marshall Islands is one of the most vulnerable countries to rising sea levels. With this in mind, RepMar needs to plan for both structural and cyclical fiscal costs stemming from climate change. Intensified efforts have been initiated to mitigate natural disaster risk and build resilience, including through the Joint National Action Plan (JNAP) that contains climate-change adaptation and disaster risk-management strategies.

To facilitate private sector growth, State Owned Enterprise (SOE) reform is key. In that context, important progress has been made by restructuring the Marshalls Energy Company (MEC), and by enacting the State-Owned Enterprise Act in October 2015. Management recognizes the necessity for continued reforms at SOE's, several of which continue to pose drains on limited RepMar resources. Air Marshall Islands, MINTA and Tobolar all have negative cash flows and persist in needing RepMar subsidies each year. Among its component units, only MIMRA has been a net revenue provider to the primary government but the long-term future of continued support from the fishing sector cannot be taken for granted.

To ensure financial stability, the mission recommends strengthening the Banking Commission's authority and autonomy in carrying out effective supervision, and broadening its oversight to include the Marshall Island Development Bank (MIDB). The mission welcomes the MIDB's plan to refocus on its core mandate of providing commercial lending, rather than consumer loans. To deal with potential de-risking challenges, the authorities should continue to address regulatory gaps, including by bringing anti-money laundering (AML) legislation in line with international standards, and maintaining close dialogue with the U.S. regulators.

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

CONTACTING REPMAR'S FINANCIAL MANAGEMENT

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

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Net Position September 30, 2015

	Primary Government	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 10,186,559	\$ 8,499,826
Time certificates of deposit	446,549	26,121,936
Receivables, net of allowance for uncollectibles	16,112,440	39,830,407
Advances	679,057	-
Inventories	-	4,940,406
Due from component units, net of allowance for uncollectibles	350,841	237,702
Due from external parties	1,662,185	-
Other current assets	-	1,144,226
Restricted assets:		
Cash and cash equivalents	6,017,987	-
Total current assets	35,455,618	80,774,503
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	-	567,927
Time certificates of deposit	-	1,759,453
Investments	54,277,813	-
Investments	998,250	6,200,091
Due from component units	8,460,548	-
Capital assets:		
Nondepreciable capital assets	4,346,107	37,264,203
Other capital assets, net of accumulated depreciation	90,865,778	98,412,868
Other noncurrent assets	-	3,408,684
Total noncurrent assets	158,948,496	147,613,226
Total assets	\$ 194,404,114	\$ 228,387,729
<u>LIABILITIES</u>		
Current liabilities:		
Bank overdraft	\$ -	\$ 23,018
Short-term debt	-	4,145,934
Current portion of long-term obligations	2,936,607	27,717,659
Accounts payable	5,985,279	14,060,999
Customer deposits	-	1,878,102
Other liabilities and accruals	3,975,611	8,816,741
Retention payable	266,067	-
Contracts payable	-	975,549
Accrued interest payable	184,814	-
Compensated absences payable	1,126,256	-
Due to primary government	-	5,253,445
Due to component units	551,741	237,702
Unearned revenues	-	3,910,569
Total current liabilities	15,026,375	67,019,718
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	56,564,923	5,680,457
Compensated absences payable, net of current portion	1,817,434	-
Due to primary government	-	8,460,548
Total noncurrent liabilities	58,382,357	14,141,005
Total liabilities	73,408,732	81,160,723
Commitments and contingencies		
<u>NET POSITION</u>		
Net investment in capital assets	77,656,327	104,039,520
Restricted for:		
Future operations - nonexpendable	54,277,813	-
Compact related	5,916,339	-
Other purposes	7,666,759	1,846,540
Unrestricted (deficits)	(24,521,856)	41,340,946
Total net position	120,995,382	147,227,006
Total liabilities and net position	\$ 194,404,114	\$ 228,387,729

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

**Statement of Activities
Year Ended September 30, 2015**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government:						
Governmental activities:						
President and Cabinet	\$ 1,552,716	\$ -	\$ -	\$ -	\$ (1,552,716)	\$ -
Office of the Chief Secretary	1,070,164	-	1,093,388	-	23,224	-
Special appropriations	17,429,232	-	250,555	501,842	(16,676,835)	-
Council of Iroij	422,018	-	-	-	(422,018)	-
Nitijela	1,930,597	260	-	-	(1,930,337)	-
Office of the Auditor-General	1,289,403	-	450,473	-	(838,930)	-
Public Service Commission	635,215	-	-	-	(635,215)	-
Judiciary	962,049	91,380	-	-	(870,669)	-
Office of the Attorney General	870,453	91,200	-	-	(779,253)	-
Education	30,064,761	-	21,391,362	764,663	(7,908,736)	-
Health and Environment	26,998,896	8,449,556	14,796,776	205,303	(3,547,261)	-
Transportation and Communication	1,998,389	272	-	-	(1,998,117)	-
Resources and Development	2,552,204	17,972	193,423	-	(2,340,809)	-
Internal Affairs	2,979,583	21,596	484,272	-	(2,473,715)	-
Justice	3,715,297	722,290	-	-	(2,993,007)	-
Finance	6,962,996	546,195	3,608,223	-	(2,808,578)	-
Foreign Affairs and Trade	2,949,115	56,400	-	-	(2,892,715)	-
Public Works	2,964,782	19,620	1,643	-	(2,943,519)	-
Environmental Protection Authority	727,855	-	577,527	-	(150,328)	-
Nuclear claims related	1,341,689	-	1,253,714	-	(87,975)	-
Capital projects	2,456,841	-	-	2,144,538	(312,303)	-
Unallocated interest - long-term debt	519,425	-	-	-	(519,425)	-
Total primary government	\$ 112,393,680	\$ 10,016,741	\$ 44,101,356	\$ 3,616,346	(54,659,237)	-
Component units:						
Air Marshall Islands, Inc.	3,518,538	2,505,761	-	2,219,661	-	1,206,884
College of the Marshall Islands	11,961,512	8,111,740	-	219,471	-	(3,630,301)
Marshalls Energy Company, Inc.	36,454,984	36,897,489	80,880	255,078	-	778,463
Marshall Islands Development Bank	2,432,026	4,650,615	-	-	-	2,218,589
Marshall Islands Marine Resources Authority	19,594,084	31,569,468	16,000	-	-	11,991,384
Marshall Islands National Telecom. Authority	10,376,785	8,430,670	-	2,900	-	(1,943,215)
RMI Ports Authority	6,168,671	4,035,173	-	5,565,639	-	3,432,141
Other nonmajor component units	22,905,008	13,957,408	285,292	622,259	-	(8,040,049)
Total component units	\$ 113,411,608	\$ 110,158,324	\$ 382,172	\$ 8,885,008	-	6,013,896
General revenues:						
Taxes:						
Income taxes					11,905,940	-
Import taxes					7,046,749	-
Gross revenue taxes					5,011,830	-
Immovable property					660,788	-
Fuel taxes					695,134	-
Penalties and interest					50,766	-
Other					73,898	-
Grants and contributions not restricted to specific programs					11,200,000	-
Contributions from component units					15,991,385	-
Ship registry					6,000,000	-
Unrestricted investment earnings					178,768	813,503
Contributions from primary government					-	14,569,371
Other					846,884	-
Total general revenues					59,662,142	15,382,874
Contributions to permanent funds					(2,618,493)	-
Total general revenues and contributions					57,043,649	15,382,874
Change in net position					2,384,412	21,396,770
Net position at the beginning of the year					118,610,970	125,830,236
Net position at the end of the year					\$ 120,995,382	\$ 147,227,006

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

**Balance Sheet
Governmental Funds
September 30, 2015**

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 7,519,872	\$ -	\$ -	\$ 2,666,687	\$ 10,186,559
Time certificates of deposit	-	-	-	446,549	446,549
Investments	998,250	-	-	-	998,250
Receivables, net:					
Taxes	2,346,978	-	-	102,250	2,449,228
Federal agencies	338,515	7,552,263	-	-	7,890,778
General	335,788	3,566,006	-	1,621,837	5,523,631
Other	-	-	-	248,803	248,803
Due from other funds	4,314,876	7,296,804	-	3,872,881	15,484,561
Due from component units	8,811,389	-	-	-	8,811,389
Advances	101,655	95,439	-	481,963	679,057
Restricted assets:					
Cash and cash equivalents	6,017,987	-	-	-	6,017,987
Investments	-	-	54,277,813	-	54,277,813
Total assets	<u>\$ 30,785,310</u>	<u>\$ 18,510,512</u>	<u>\$ 54,277,813</u>	<u>\$ 9,440,970</u>	<u>\$ 113,014,605</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,006,144	\$ 2,293,657	\$ -	\$ 1,685,478	\$ 5,985,279
Other liabilities and accruals	2,739,848	624,623	-	211,140	3,575,611
Retention payable	-	266,067	-	-	266,067
Due to component units	551,741	-	-	-	551,741
Due to other funds	9,507,500	4,314,876	-	-	13,822,376
Total liabilities	<u>14,805,233</u>	<u>7,499,223</u>	<u>-</u>	<u>1,896,618</u>	<u>24,201,074</u>
Fund balances:					
Nonspendable	9,809,639	-	54,277,813	-	64,087,452
Restricted	2,708,181	7,318,191	-	899,193	10,925,565
Committed	14,251	4,083,963	-	6,645,159	10,743,373
Unassigned	3,448,006	(390,865)	-	-	3,057,141
Total fund balances	<u>15,980,077</u>	<u>11,011,289</u>	<u>54,277,813</u>	<u>7,544,352</u>	<u>88,813,531</u>
Total liabilities and fund balances	<u>\$ 30,785,310</u>	<u>\$ 18,510,512</u>	<u>\$ 54,277,813</u>	<u>\$ 9,440,970</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					95,211,885
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities include:					
				(184,814)	
				(59,501,530)	
				(2,943,690)	
				(400,000)	
					<u>(63,030,034)</u>
Net position of governmental activities					<u>\$ 120,995,382</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, 2015**

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
Revenues:					
Taxes	\$ 25,445,105	\$ -	\$ -	\$ -	\$ 25,445,105
Federal and other grants	4,217,192	54,303,559	-	396,951	58,917,702
Sales	-	-	-	66,012	66,012
Ship registry	6,000,000	-	-	-	6,000,000
Net change in the fair value of investments	-	-	(2,618,493)	-	(2,618,493)
Interest and dividends	163,933	-	-	14,835	178,768
Fees and charges	215,632	-	-	9,735,097	9,950,729
Contributions from component units	15,991,385	-	-	-	15,991,385
Other	846,884	-	-	-	846,884
Total revenues	52,880,131	54,303,559	(2,618,493)	10,212,895	114,778,092
Expenditures:					
Current:					
President and Cabinet	1,549,530	-	-	-	1,549,530
Office of the Chief Secretary	616,589	721,075	-	-	1,337,664
Special appropriations	16,989,586	839,646	-	-	17,829,232
Council of Iroij	422,018	-	-	-	422,018
Nitijela	1,807,786	121,508	-	-	1,929,294
Office of the Auditor-General	835,930	453,473	-	-	1,289,403
Public Service Commission	620,215	-	-	-	620,215
Judiciary	-	-	-	962,049	962,049
Office of the Attorney General	870,453	-	-	-	870,453
Ministries:					
Education	5,750,334	23,348,570	-	1,900,750	30,999,654
Health and Environment	2,787,851	14,629,172	-	9,131,528	26,548,551
Transportation and Communication	826,209	469,144	-	-	1,295,353
Resources and Development	1,218,332	1,253,646	-	-	2,471,978
Internal Affairs	1,913,026	1,007,339	-	19,002	2,939,367
Justice	3,142,844	-	-	269,962	3,412,806
Finance	3,552,249	3,397,739	-	-	6,949,988
Foreign Affairs and Trade	2,697,734	74,554	-	12,171	2,784,459
Public Works	1,353,494	82,314	-	8,136	1,443,944
Environmental Protection Authority	221,182	506,673	-	-	727,855
Nuclear claims related	-	-	-	1,341,689	1,341,689
Debt service:					
Principal repayment	2,715,634	-	-	-	2,715,634
Interest	733,114	-	-	-	733,114
Capital outlay	-	3,067,560	-	-	3,067,560
Total expenditures	50,624,110	49,972,413	-	13,645,287	114,241,810
Excess (deficiency) of revenues over (under) expenditures	2,256,021	4,331,146	(2,618,493)	(3,432,392)	536,282
Other financing sources (uses):					
Operating transfers in	452,328	-	1,000,000	3,874,696	5,327,024
Operating transfers out	(2,416,067)	(2,458,629)	-	(452,328)	(5,327,024)
Total other financing sources (uses), net	(1,963,739)	(2,458,629)	1,000,000	3,422,368	-
Net change in fund balances	292,282	1,872,517	(1,618,493)	(10,024)	536,282
Fund balances at the beginning of the year	15,687,795	9,138,772	55,896,306	7,554,376	88,277,249
Fund balances at the end of the year	\$ 15,980,077	\$ 11,011,289	\$ 54,277,813	\$ 7,544,352	\$ 88,813,531

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, 2015

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

Net change in fund balances - total governmental funds \$ 536,282

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	1,548,126	
Depreciation expense, net	<u>(4,829,319)</u>	(3,281,193)

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

Repayment of ADB loans	2,715,634	
Repayment of asset purchase agreement	<u>2,200,000</u>	4,915,634

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	<u>213,689</u>	
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Change in net position of governmental activities		\$ <u>2,384,412</u>
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See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2015

	Private Purpose Trust	Agency
<u>ASSETS</u>		
Cash and cash equivalents	\$ 772,855	\$ -
Receivables, net:		
Contributions	1,784,736	-
Other	678,480	-
Investments	66,391,301	-
Due from other funds	820,375	164,484
Capital assets, net of accumulated depreciation	72,652	-
Total assets	70,520,399	\$ 164,484
<u>LIABILITIES</u>		
Accounts payable	87,346	\$ -
Other liabilities and accruals	136,151	164,484
Due to other funds	2,647,044	-
Total liabilities	2,870,541	\$ 164,484
<u>NET POSITION</u>		
Held in trust for:		
Social security benefits	66,832,396	
Nuclear claims	57,862	
Land use distributions	759,600	
Total net position	\$ 67,649,858	

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended September 30, 2015

	<u>Private Purpose Trust</u>
Additions:	
Contributions:	
Private employees	\$ 9,340,446
Government employees	4,307,410
Penalties and interest	<u>410,578</u>
Total contributions	<u>14,058,434</u>
Investment income:	
Net change in the fair value of investments	(1,191,062)
Interest and dividends	<u>1,602,563</u>
Total investment income	411,501
Less investment expense	<u>146,590</u>
Net investment income	<u>264,911</u>
Other:	
Compact funding	20,929,785
Other	<u>365,149</u>
Total additions	<u>35,618,279</u>
Deductions:	
Land use distributions	20,827,317
Benefits	19,261,636
Administrative expenses	<u>961,119</u>
Total deductions	<u>41,050,072</u>
Change in net position held in trust for:	
Social security benefits	(5,534,261)
Land use distributions	102,468
Net position at the beginning of the year	<u>73,081,651</u>
Net position at the end of the year	<u>\$ 67,649,858</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

**Combining Statement of Net Position
Component Units
September 30, 2015**

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Nonmajor Component Units	Total
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 94,696	\$ 479,154	\$ 546,983	\$ 373,544	\$ 3,812,316	\$ 984,487	\$ 575,049	\$ 1,633,597	\$ 8,499,826
Time certificates of deposit	-	-	1,124,752	-	23,766,604	740,321	490,259	-	26,121,936
Receivables, net	87,749	1,601,142	6,427,457	21,819,919	5,162,729	1,340,743	1,013,334	2,377,334	39,830,407
Inventories	469,209	646,868	1,970,180	-	-	266,917	-	1,587,232	4,940,406
Due from component units	-	-	-	-	-	-	237,702	-	237,702
Other current assets	43,006	310,725	172,508	-	-	20,350	16,025	581,612	1,144,226
Total current assets	694,660	3,037,889	10,241,880	22,193,463	32,741,649	3,352,818	2,332,369	6,179,775	80,774,503
Noncurrent assets:									
Restricted:									
Cash and cash equivalents	-	-	-	567,927	-	-	-	-	567,927
Time certificates of deposit	-	-	-	59,453	-	-	1,700,000	-	1,759,453
Investments	-	1,021,926	-	366,748	4,811,417	-	-	-	6,200,091
Capital assets:									
Nondepreciable capital assets	387,824	372,306	5,152,249	70,808	-	719,744	30,299,515	261,757	37,264,203
Capital assets, net of accumulated depreciation	6,558,201	15,941,924	6,169,154	828,814	202,955	27,565,604	34,316,005	6,830,211	98,412,868
Other noncurrent assets	2,174,882	-	98,171	-	-	-	1,135,631	-	3,408,684
Total noncurrent assets	9,120,907	17,336,156	11,419,574	1,893,750	5,014,372	28,285,348	67,451,151	7,091,968	147,613,226
Total assets	\$ 9,815,567	\$ 20,374,045	\$ 21,661,454	\$ 24,087,213	\$ 37,756,021	\$ 31,638,166	\$ 69,783,520	\$ 13,271,743	\$ 228,387,729
LIABILITIES									
Current liabilities:									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,018	\$ 23,018
Short-term debt	-	-	2,351,607	-	-	-	-	1,794,327	4,145,934
Current portion of long-term debt	681,582	-	1,074,744	221,647	-	25,361,478	333,988	44,220	27,717,659
Accounts payable	2,404,926	1,097,211	5,313,467	215,546	378,325	411,510	331,706	3,908,308	14,060,999
Customer deposits	-	-	-	1,478,777	-	399,325	-	-	1,878,102
Other liabilities and accruals	268,062	950,915	2,796,139	20,404	129,678	482,143	214,999	3,954,401	8,816,741
Contracts payable	-	-	-	-	-	-	975,549	-	975,549
Due to primary government	3,116,890	-	350,841	-	-	1,000,000	785,714	-	5,253,445
Due to component units	237,702	-	-	-	-	-	-	-	237,702
Unearned revenues	90,410	1,379,555	2,042,543	316,717	-	-	-	81,344	3,910,569
Total current liabilities	6,799,572	3,427,681	13,929,341	2,253,091	508,003	27,654,456	2,641,956	9,805,618	67,019,718
Noncurrent liabilities:									
Noncurrent portion of long-term debt	947,408	-	3,042,835	845,142	-	-	543,264	301,808	5,680,457
Due to primary government	-	-	7,375,142	1,085,406	-	-	-	-	8,460,548
Total noncurrent liabilities	947,408	-	10,417,977	1,930,548	-	-	543,264	301,808	14,141,005
Total liabilities	7,746,980	3,427,681	24,347,318	4,183,639	508,003	27,654,456	3,185,220	10,107,426	81,160,723
NET POSITION									
Net investment in capital assets	6,946,025	16,314,230	7,203,824	899,622	202,955	1,923,870	63,738,268	6,810,726	104,039,520
Restricted	-	1,021,926	-	279,581	-	-	-	545,033	1,846,540
Unrestricted	(4,877,438)	(389,792)	(9,889,688)	18,724,371	37,045,063	2,059,840	2,860,032	(4,191,442)	41,340,946
Total net position	2,068,587	16,946,364	(2,685,864)	19,903,574	37,248,018	3,983,710	66,598,300	3,164,317	147,227,006
	\$ 9,815,567	\$ 20,374,045	\$ 21,661,454	\$ 24,087,213	\$ 37,756,021	\$ 31,638,166	\$ 69,783,520	\$ 13,271,743	\$ 228,387,729

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Statement of Revenues, Expenses, and Changes in Net Position Component Units Year Ended September 30, 2015

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Nonmajor Component Units	Total
Operating revenues:									
Charges for services	\$ 2,018,793	\$ 557,680	\$ 16,362,849	\$ 4,440,248	\$ 31,143,376	\$ 8,430,670	\$ 3,752,139	\$ 8,666,419	\$ 75,372,174
Sales	-	848,769	20,534,640	-	-	-	-	5,027,551	26,410,960
Grants	-	6,270,857	-	144,008	-	-	-	-	6,414,865
Other	486,968	434,434	-	66,359	426,092	-	283,034	263,438	1,960,325
Total operating revenues	2,505,761	8,111,740	36,897,489	4,650,615	31,569,468	8,430,670	4,035,173	13,957,408	110,158,324
Operating expenses:									
Cost of services	1,993,064	8,019,448	32,769,655	227,495	3,711,300	5,370,306	2,771,379	16,623,912	71,486,559
Administration costs	547,007	2,547,292	1,803,348	1,948,005	-	598,362	-	4,352,554	11,796,568
Depreciation and amortization	811,193	1,394,328	1,326,289	256,526	109,784	2,675,804	3,311,404	1,745,268	11,630,596
Total operating expenses	3,351,264	11,961,068	35,899,292	2,432,026	3,821,084	8,644,472	6,082,783	22,721,734	94,913,723
Operating income (loss)	(845,503)	(3,849,328)	998,197	2,218,589	27,748,384	(213,802)	(2,047,610)	(8,764,326)	15,244,601
Nonoperating revenues (expenses):									
Contributions from the primary government	1,916,903	2,818,604	475,168	-	-	1,863,000	-	7,495,696	14,569,371
Equity in net earnings of joint venture	-	-	-	-	260,495	-	-	-	260,495
Net change in the fair value of investments	-	(63,776)	-	187,332	-	20,271	-	-	143,827
Interest income	-	-	-	-	332,117	-	77,064	-	409,181
Interest expense	(167,274)	-	(555,692)	-	-	(1,263,810)	(76,238)	(141,633)	(2,204,647)
Grants and other contributions	-	-	80,880	-	16,000	-	-	285,292	382,172
Contributions to the primary government	-	-	-	-	(15,773,000)	-	-	-	(15,773,000)
Other	-	(444)	-	-	-	(468,503)	(9,650)	(41,641)	(520,238)
Total nonoperating revenues (expenses), net	1,749,629	2,754,384	356	187,332	(15,164,388)	150,958	(8,824)	7,597,714	(2,732,839)
Net income (loss) before capital contributions	904,126	(1,094,944)	998,553	2,405,921	12,583,996	(62,844)	(2,056,434)	(1,166,612)	12,511,762
Capital contributions	2,219,661	219,471	255,078	-	-	2,900	5,565,639	622,259	8,885,008
Change in net position	3,123,787	(875,473)	1,253,631	2,405,921	12,583,996	(59,944)	3,509,205	(544,353)	21,396,770
Net position at the beginning of the year	(1,055,200)	17,821,837	(3,939,495)	17,497,653	24,664,022	4,043,654	63,089,095	3,708,670	125,830,236
Net position at the end of the year	\$ 2,068,587	\$ 16,946,364	\$ (2,685,864)	\$ 19,903,574	\$ 37,248,018	\$ 3,983,710	\$ 66,598,300	\$ 3,164,317	\$ 147,227,006

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

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

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

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

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

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

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

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

P.O. Box 245
Majuro, Marshall Islands 96960

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

B. Government-Wide Financial Statements

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

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

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements, Continued

The government-wide Statement of Net Position reports \$67,860,911 of restricted net position, of which \$7,666,759 is restricted by enabling legislation.

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

C. Fund Financial Statements

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

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

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

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

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

RepMar reports the following major funds:

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

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

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

In addition, RepMar reports the following fund types:

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

E. Cash and Cash Equivalents and Time Certificates of Deposit

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

F. Investments

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

G. Receivables

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

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

H. Inventories

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

I. Interfund Receivables/Payables

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

J. Restricted Assets

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

K. Capital Assets

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

K. Capital Assets, Continued

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

L. Deferred Outflows of Resources

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

M. Unearned Revenue

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

N. Long-term Debt

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

O. Compensated Absences

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

P. Deferred Inflows of Resources

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

Q. Fund Equity

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

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

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

A formal minimum fund balance policy has not been adopted.

R. Risk Financing

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

S. New Accounting Standards

During fiscal year 2015, RepMar implemented the following pronouncements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

S. New Accounting Standards, Continued

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale.

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

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements of RepMar.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

S. New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

T. Encumbrances

RepMar utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2015, RepMar has significant encumbrances summarized as follows:

<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 2,212,152	\$ 10,727,248	\$ -	\$ 218,828	\$ 13,158,228

U. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2015

(1) Summary of Significant Accounting Policies, Continued

V. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with RepMar's financial statements for the year ended September 30, 2014 from which summarized information was derived.

(2) Deposits and Investments

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

- (a) Public monies shall not be deposited with any financial institution that is not a member of the Federal Deposit Insurance Corporation (FDIC) of the United States or the Federal Savings and Loan Insurance Corporation (FSLIC) of the United States, unless the Secretary of Finance is satisfied, on the advice of the Banking Commissioner, that a financial institution (although not a member of the FDIC or FSLIC), owns sufficient assets to cover the total amount of the deposit;
- (b) The demand deposit account shall be continuously maintained to cover not less than seventy-five percent of the cash expenditures projected to be expended over the next succeeding ninety day period;
- (c) All deposits, accounts and funds maintained pursuant to this Act shall be subordinate deposits, accounts and funds of the General Fund; and
- (d) No withdrawal of monies shall be made out of or charged against time or savings deposits, accounts or funds maintained pursuant to this Act except to transfer funds into the demand deposit account of the General Fund. All expenditures shall be made out of or charged against the demand deposit account of the General Fund only.

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2015

(2) Deposits and Investments, Continued

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

A. Deposits

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

As of September 30, 2015, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit was \$16,651,095 and the corresponding bank balances were \$18,051,295. Of the bank balances, \$16,341,507 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2015, bank deposits in the amount of \$1,168,727 were FDIC insured. Bank deposits of \$1,709,788 are maintained in financial institutions not subject to depository insurance. RepMar does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2015, the carrying amount of the fiduciary fund's total cash and cash equivalents was \$772,855 and the corresponding bank balances were \$950,680. Of the bank balances, \$363,357 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2015, bank deposits in the amount of \$250,000 were FDIC insured. Bank deposits of \$587,323 are maintained in financial institutions not subject to depository insurance. RepMar does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2015, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$36,949,142 and the corresponding bank balances were \$37,502,747. Of the bank balances, \$7,079,148 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2015, bank deposits in the amount of \$2,288,544 were FDIC insured. Bank deposits of \$30,423,599 are maintained in financial institutions not subject to depository insurance. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(2) Deposits and Investments, Continued

B. Investments

Primary Government

Investments of the primary government as of September 30, 2015, are as follows:

Compact Trust Fund:	
Equity mutual funds	\$ 31,684,031
Fixed income mutual funds	10,017,860
Hedge funds	6,322,079
Real estate funds	3,702,651
Private markets	1,966,352
Other	<u>584,840</u>
	\$ <u>54,277,813</u>

Additionally, as of September 30, 2015, the primary government holds approximately 13% of the outstanding shares of Pacific Islands Development Bank with a carrying amount of \$998,250. As the fair market value of this investment is not readily available, such has been recorded at cost.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, RepMar will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. RepMar's investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all of these investments were held in RepMar's name by RepMar's custodial financial institutions at September 30, 2015.

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

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

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of September 30, 2015, there were no investments in any one issuer that exceeded 5% of total investments.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(2) Deposits and Investments, Continued

B. Investments, Continued

Fiduciary Funds

Investments in marketable securities of the fiduciary funds as of September 30, 2015, are as follows:

Marshall Islands Social Security Administration (MISSA):	
Money market funds	\$ 53,257
Common equity securities	5,072,693
Mutual funds	<u>47,805,484</u>
	\$ <u>52,931,434</u>
 Nuclear Claims Trust Fund (NCTF):	
Money market funds	\$ <u>2,289</u>

Additionally, MISSA owns 65,609 shares of common stock of Marshall Islands Holdings, Inc. (MIHI), which engages in all aspects of holding company activities in the Marshall Islands and which is the sole shareholder of Bank of Marshall Islands (BOMI). MISSA also owns 3,000 shares of common stock of Marshall Islands Service Corporation, which is majority-owned by MIHI. The investment in MIHI is accounted for on the equity method since the investment constitutes 37% ownership share as of September 30, 2015. At September 30, 2015, MISSA's investment in MIHI amounted to \$13,427,578. The investment in MISC is accounted for at cost. At September 30, 2015, MISSA's investment in MISC amounted to \$30,000. During the year ended September 30, 2015, MISSA received dividend payments from MIHI of \$458,402. For the year ended September 30, 2015, net increase in fair value of investments included \$1,688,053 of equity in net earnings of MIHI.

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(2) Deposits and Investments, Continued

B. Investments, Continued

Fiduciary Funds, Continued

- (iii) Preferred and common stocks - Shares of preferred or common stocks of any corporation created or existing under the laws of RepMar or under the laws of the United States or any state, territory or commonwealth thereof provided that the purchase of such shares shall be considered reasonable and prudent by MISSA's investment advisor at the time of purchase, that not more than fifteen percent (15%) of the market value of the Fund shall be invested in the stock of any one corporation, and that not more than twenty-five percent (25%) of the market value of the Fund shall be invested in any one industry group.

- (iv) Insurance company obligations - Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in the Republic or in any state, territory or commonwealth of the United States provided that the total market value of these investments at no time shall exceed ten percent (10%) of all investments of the Fund.

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

MISSA and NCTF investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all of these investments were held respectively in the name of MISSA and NCTF by their custodial financial institutions at September 30, 2015.

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, 2015, there were no investments in any one issuer that exceeded 5% of total investments.

Discretely Presented Component Units

Investments of the discretely presented component units as of September 30, 2015, are as follows:

College of the Marshall Islands (CMI):	
Money market funds	\$ 8,608
Common equity securities	181,950
Mutual funds	<u>831,368</u>
	<u>\$ 1,021,926</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units, Continued

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

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

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

Marshall Islands Marine Resources Authority (MIMRA):
Investment in joint venture \$ 4,811,417

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

A summary of audited financial information as of and for the year ended December 31, 2015, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>13,874,090</u>
Liabilities	\$ <u>3,965,842</u>
Net earnings	\$ <u>360,528</u>

For the year ended September 30, 2015, MIMRA recognized equity in net earnings of MIFCO of \$260,495.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(3) Receivables

Primary Government

Receivables as of September 30, 2015, for the primary government's individual major governmental funds, nonmajor governmental funds in the aggregate, and fiduciary funds, including applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
Receivables:						
Taxes	\$ 2,346,978	\$ -	\$ -	\$ 102,250	\$ -	\$ 2,449,228
Federal agencies	338,515	7,552,263	-	-	-	7,890,778
General	1,179,304	3,757,942	-	7,480,864	-	12,418,110
Contributions	-	-	-	-	9,735,555	9,735,555
Loans	4,368,787	-	-	20,601,685	-	24,970,472
Other	-	-	-	248,803	77,374	326,177
	<u>8,233,584</u>	<u>11,310,205</u>	<u>-</u>	<u>28,433,602</u>	<u>9,812,929</u>	<u>57,790,320</u>
Less: allowance for uncollectible						
Accounts	<u>(5,212,303)</u>	<u>(191,936)</u>	<u>-</u>	<u>(26,460,712)</u>	<u>(7,349,713)</u>	<u>(39,214,664)</u>
Net receivables	<u>\$ 3,021,281</u>	<u>\$ 11,118,269</u>	<u>\$ -</u>	<u>\$ 1,972,890</u>	<u>\$ 2,463,216</u>	<u>\$ 18,575,656</u>

Loans receivable of the primary government are summarized as follows:

General Fund:

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

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

\$ 4,368,787

Nonmajor Governmental Funds:

Loans to qualified Marshallese students under a student financial assistance program, interest free, uncollateralized with no set repayment terms, and may be converted to grants at a later date if the recipients meet certain criteria. These loans have been fully provided for in the allowance for uncollectible accounts. During the year ended September 30, 2015, loans in the amount of \$690,792 were converted to grants as the recipients met the criteria for conversion. \$ 20,601,685

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(3) Receivables, Continued

Discretely Presented Component Units

Receivables as of September 30, 2015, for the discretely presented component units, including applicable allowance for uncollectible accounts, are as follows:

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Non-major Component Units	Totals
Receivables:									
Federal agencies	\$ -	\$ 396,774	\$ -	\$ -	\$ -	\$ -	\$ 774,997	\$ 72,800	\$ 1,244,571
General	730,223	2,513,511	10,427,699	-	5,085,824	1,473,921	1,486,106	6,947,653	28,664,937
Loans	-	-	-	23,786,124	-	-	-	-	23,786,124
Other	-	158,518	2,173,331	769,732	879,268	300,267	159,004	1,176,483	5,616,603
	730,223	3,068,803	12,601,030	24,555,856	5,965,092	1,774,188	2,420,107	8,196,936	59,312,235
Less: allowance for uncollectible Accounts	(642,474)	(1,467,661)	(6,173,573)	(2,735,937)	(802,363)	(433,455)	(1,406,773)	(5,819,602)	(19,481,828)
Net receivables	\$ 87,749	\$ 1,601,142	\$ 6,427,457	\$ 21,819,919	\$ 5,162,729	\$ 1,340,743	\$ 1,013,334	\$ 2,377,334	\$ 39,830,407

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. The majority of the loan portfolio is unsecured, while the remaining portion is secured by various forms of collateral. These loans are cosigned by third parties. The basis for expected repayment of a majority of consumer and housing loans is the continued employment of the borrower and allotment agreements between MIDB and the borrower's employer. All loans are at fixed rates ranging from 4% - 12% per annum.

(4) Interfund Receivables and Payables

Primary Government

Receivables and payables between funds reflected as due to/from other funds in the governmental funds balance sheet at September 30, 2015, are summarized as follows:

Receivable Fund	Payable Fund	Due From Other Funds	Due To Other Funds
General	Grants Assistance	\$ 4,314,876	\$ 4,314,876
Grants Assistance	General	7,296,804	7,296,804
Nonmajor governmental funds	General	1,225,837	1,225,837
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	2,647,044	-
Fiduciary Funds - Private Purpose Trust	General	-	820,375
Fiduciary Funds - Agency	General	-	164,484
		15,484,561	13,822,376
Fiduciary Funds - Private Purpose Trust	General	820,375	2,647,044
Fiduciary Funds - Agency	General	164,484	-
		\$ 16,469,420	\$ 16,469,420

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(4) Interfund Receivables and Payables, Continued

Primary Government, Continued

Receivables and payables between funds reflected as due to/from component units at September 30, 2015, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Marshall's Energy Company, Inc.	\$ 7,725,983	\$ -
Marshall Islands Development Bank	1,085,406	-
Marshall Islands Marine Resources Authority	-	330,000
RMI Ports Authority	-	152,678
Nonmajor component units	<u>-</u>	<u>69,063</u>
	<u>\$ 8,811,389</u>	<u>\$ 551,741</u>

The amount recorded by the General Fund due from the Marshall's Energy Company, Inc. of \$7,725,983 represents a subsidiary loan agreement under an Asian Development Bank (ADB) loan (Loan Number 2659 RMI (SF)) received by RepMar from the ADB. Interest accrues at the rate of 1% per annum through September 30, 2018 and at 1.5% per annum thereafter with principal and interest payments due of \$37,960 and matures on May 31, 2034.

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

<u>Year ending</u> <u>September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 350,841	\$ 104,679	\$ 455,520
2017	383,523	71,997	455,520
2018	419,833	35,687	455,520
2019	361,707	93,813	455,520
2020	364,380	91,140	455,520
2021 - 2025	1,906,134	371,466	2,277,600
2026 - 2030	2,054,496	223,104	2,277,600
2031 - 2034	<u>1,885,069</u>	<u>95,414</u>	<u>1,980,483</u>
	<u>\$ 7,725,983</u>	<u>\$ 1,087,300</u>	<u>\$ 8,813,283</u>

The amount recorded by the General Fund due from the Marshall Islands Development Bank (MIDB) of \$1,085,406 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.

The amount recorded as due from component units of the primary government of \$8,811,389 does not equal the corresponding due to primary government of the discretely presented component units of \$13,713,993 due to an allowance for doubtful accounts recorded by the General Fund and the Grants Assistance Fund of \$3,302,604 and \$1,600,000, respectively. The amount recorded as due to component units of the primary government of \$551,741 does not equal the corresponding due from primary government of the discretely presented component units due to allowance for doubtful accounts recorded by the respective component units of \$551,741.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(4) Interfund Receivables and Payables, Continued

Discretely Presented Component Units

Receivables and payables between funds reflected as due to/from primary government at September 30, 2015, are summarized as follows:

	Due From	Due To
Air Marshall Islands, Inc.:		
General Fund	\$ -	\$ 1,516,890
Grants Assistance Fund	-	1,600,000
Marshalls Energy Company, Inc.:		
General Fund	-	7,725,983
Marshall Islands Development Bank:		
General Fund	-	1,085,406
Marshall Islands National Telecommunications Authority:		
General Fund	-	1,000,000
RMI Ports Authority:		
General Fund	-	785,714
	\$ -	\$ 13,713,993

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

Receivables and payables between funds reflected as due to/from component units at September 30, 2015, are summarized as follows:

	Due From	Due To
RMI Ports Authority:		
Air Marshall Islands, Inc.	\$ 237,702	\$ -
Air Marshall Islands, Inc.:		
RMI Ports Authority	-	237,702
	\$ 237,702	\$ 237,702

The amount recorded by the RMI Ports Authority due from Air Marshall Islands, Inc. of \$237,702 accrues interest at the rate of 8% per annum and matured on March 30, 2013.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(5) Capital Assets

Capital asset activities for the year ended September 30, 2015, are as follows:

Primary Government

	Estimated Useful <u>Lives</u>	Balance October <u>1, 2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Balance September <u>30, 2015</u>
Depreciable capital assets:						
Electrical distribution	30 yrs	\$ 30,540,465	\$ -	\$ -	\$ -	\$ 30,540,465
Buildings	30 - 40 yrs	112,193,234	-	(3,800,000)	-	108,393,234
Water infrastructure system	25 yrs	9,616,908	-	-	-	9,616,908
Docks, roads and bridges	25 - 30 yrs	14,686,898	-	35,862	-	14,722,760
Ships	25 yrs	24,082,254	-	-	-	24,082,254
Software	10 yrs	2,539,710	-	-	-	2,539,710
Heavy equipment	3 - 10 yrs	<u>6,823,906</u>	<u>1,020,765</u>	<u>-</u>	<u>-</u>	<u>7,844,671</u>
		<u>200,483,375</u>	<u>1,020,765</u>	<u>(3,764,138)</u>	<u>-</u>	<u>197,740,002</u>
Less accumulated depreciation:						
Electrical distribution		(29,101,899)	(110,794)	-	-	(29,212,693)
Buildings		(42,262,268)	(2,139,915)	50,000	-	(44,352,183)
Water infrastructure system		(6,952,091)	(378,655)	-	-	(7,330,746)
Docks, roads and bridges		(9,826,530)	(545,274)	-	-	(10,371,804)
Ships		(8,973,992)	(963,290)	-	-	(9,937,282)
Software		(2,009,709)	(106,000)	-	-	(2,115,709)
Heavy equipment		<u>(2,918,416)</u>	<u>(635,391)</u>	<u>-</u>	<u>-</u>	<u>(3,553,807)</u>
		<u>(102,044,905)</u>	<u>(4,879,319)</u>	<u>50,000</u>	<u>-</u>	<u>(106,874,224)</u>
Total depreciable capital assets, net		98,438,470	(3,858,554)	(3,714,138)	-	90,865,778
Nondepreciable capital assets:						
Construction in progress		<u>54,608</u>	<u>527,361</u>	<u>3,764,138</u>	<u>-</u>	<u>4,346,107</u>
		<u>\$ 98,493,078</u>	<u>\$ (3,331,193)</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 95,211,885</u>

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

President and Cabinet	\$ 3,186
Public Service Commission	15,000
Education	1,401,822
Health and Environment	529,695
Transportation and Communication	703,036
Resources and Development	80,226
Internal Affairs	40,216
Justice	302,491
Finance	48,870
Foreign Affairs and Trade	164,656
Public Works	1,588,818
Nitijela	<u>1,303</u>
	<u>\$ 4,879,319</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(5) Capital Assets, Continued

Discretely Presented Component Units

	Estimated Useful Lives	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015
Depreciable capital assets:					
Buildings	3 - 34 yrs	\$ 51,277,804	\$ 572,145	\$ -	\$ 51,849,949
Utility plant	3 - 40 yrs	98,268,650	4,176,938	(316,498)	102,129,090
Machinery and equipment	2 - 25 yrs	46,729,860	1,934,882	(600,076)	48,064,666
Infrastructure	5 - 50 yrs	<u>47,163,292</u>	<u>28,840</u>	<u>-</u>	<u>47,192,132</u>
		243,439,606	6,712,805	(916,574)	249,235,837
Less accumulated depreciation		<u>(140,060,930)</u>	<u>(11,632,705)</u>	<u>870,666</u>	<u>(150,822,969)</u>
Total depreciable capital assets, net		103,378,676	(4,909,900)	(45,908)	98,412,868
Nondepreciable capital assets:					
Land		372,306	-	-	372,306
Construction in progress		<u>30,982,841</u>	<u>8,449,305</u>	<u>(2,540,249)</u>	<u>36,891,897</u>
		<u>31,355,147</u>	<u>8,449,305</u>	<u>(2,540,249)</u>	<u>37,264,203</u>
		<u>\$134,733,823</u>	<u>\$ 3,529,405</u>	<u>\$ (2,586,157)</u>	<u>\$135,677,071</u>

(6) Short-term Debt

Discretely Presented Component Units

Marshalls Energy Company, Inc. (MEC):

On July 7, 2014, MEC obtained a short-term bank loan to finance the construction of a warehouse in the amount of \$1,900,000, interest at 7.5% per annum, due and payable on December 31, 2014, collateralized by a guarantee from RepMar. On February 5, 2015, MEC obtained a short-term bank loan to finance fuel purchases in the amount of \$2,000,000, interest at 7.5% per annum, principal and interest payable in monthly installments of \$175,000, due and payable on February 29, 2016, collateralized by a time certificate of deposit, receivables and inventory. On June 5, 2015, MEC obtained a short-term bank loan to finance fuel purchases in the amount of \$1,500,000, interest at 7.5% per annum, principal and interest payable in a lump sum on December 31, 2015, collateralized by receivables and inventory. At September 30, 2015, the amount outstanding against these loan facilities was \$2,351,607.

Tobolar Copra Processing Authority (TCPA):

On October 6, 2014, TCPA renewed a bank credit line of \$1,700,000 to finance the buying of copra, interest at 7.5% per annum, due and payable on September 30, 2015, collateralized by a guarantee from RepMar. On September 24, 2015, TCPA obtained an additional short-term borrowing of \$100,000 to finance the buying of copra, interest at 7.5% per annum. At September 30, 2015, the amount outstanding against these loan facilities was \$1,794,327.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(6) Short-term Debt, Continued

Discretely Presented Component Units, Continued

Short-term debt activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
MEC:				
Bank loan	\$ 2,571,141	\$ 3,500,000	\$ (3,719,534)	\$ 2,351,607
TCPA:				
Bank credit line	<u>1,000,066</u>	<u>1,868,000</u>	<u>(1,073,739)</u>	<u>1,794,327</u>
	<u>\$ 3,571,207</u>	<u>\$ 5,368,000</u>	<u>\$ (4,793,273)</u>	<u>\$ 4,145,934</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, 2015, the primary government had the following long-term debt outstanding and payable to the Asian Development Bank (ADB):

Loan Number 1102 MAR (SF) - Fisheries Development Project Loan (SDR 2,432,599), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced January 1, 2002 in an amount of SDR 24,300, increasing to SDR 48,600 on January 1, 2012.	\$ 2,255,252
Loan Number 1218 MAR (SF) - Typhoon Rehabilitation Loan (SDR 364,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced May 15, 2003 in an amount of SDR 3,600, increasing to SDR 7,300 on May 15, 2013.	356,471
Loan Number 1249 MAR (SF) - Basic Education Project Loan (SDR 5,717,446), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced April 15, 2004 in an amount of SDR 57,200, increasing to SDR 114,300 on April 15, 2014.	5,772,557
Loan Number 1250 MAR (SF) - Majuro Water Supply Project Loan No. 1 (SDR 478,496), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced November 15, 2003 in an amount of SDR 4,800, increasing to SDR 9,600 on November 15, 2013.	519,316
Loan Number 1316 RMI (SF) - Health and Population Project Loan (SDR 3,858,516), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced January 1, 2005 in an amount of SDR 38,600, increasing to SDR 77,200 on January 1, 2015.	3,969,051

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2015

(7) Long-term Obligations, Continued

Primary Government, Continued

Loan Number 1389 RMI (SF) - Majuro Water Supply Project Loan No. 2 (SDR 6,062,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced March 1, 2006 in an amount of SDR 60,700, increasing to SDR 121,200 on March 1, 2016.	6,641,076
Loan Number 1513 RMI (SF) - Public Sector Reform Program Loan (SDR 8,241,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced June 1, 2007 in an amount of SDR 82,400, increasing to SDR 164,800 on June 1, 2017.	9,371,083
Loan Number 1694 RMI (SF) - Ebeye Health and Infrastructure Project Loan (SDR 6,918,118), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced February 1, 2008 in an amount of SDR 144,127.	5,969,093
Loan Number 1791 RMI (SF) - Skills Training and Vocational Education Project Loan (SDR 3,483,174), non-interest bearing with a service charge of 1.5% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced May 15, 2009 in an amount of SDR 72,566.	3,589,941
Loan Number 1828 RMI - Fiscal and Financial Management Program Loan No. 1 (\$4,000,000), interest at the ADB's pool-based variable lending rate system for U.S. dollar loans (5.85% at September 30, 2015), a front-end fee of 1%, and a commitment charge of 0.75% per annum on the amount of the loan unwithdrawn from the Loan Account. Semi-annual loan payments commenced November 15, 2004 in an initial amount of \$89,900 with graduated increases of 5% to \$276,100 through May 15, 2016.	539,000
Loan Number 1829 RMI (SF) - Fiscal and Financial Management Program Loan No. 2 (SDR 6,320,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence November 15, 2009 in an amount of SDR 197,500, at which time the service charge increases to 1.5% per annum.	5,243,104
Loan Number 1948 RMI (SF) - Outer Island Transport Infrastructure Project (SDR 5,304,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence February 1, 2011 in an amount of SDR 110,500, at which time the service charge increases to 1.5% per annum.	401,779

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(7) Long-term Obligations, Continued

Primary Government, Continued

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

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

\$ 59,501,530

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

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,936,607	\$ 661,438	\$ 3,598,045
2017	2,510,509	603,690	3,114,199
2018	2,623,411	574,028	3,197,439
2019	2,623,411	544,077	3,167,488
2020	3,247,151	563,483	3,810,634
2021 - 2025	17,634,409	2,290,788	19,925,197
2026 - 2030	15,168,361	1,284,819	16,453,180
2031 - 2035	11,688,789	424,377	12,113,166
2036 - 2037	<u>1,068,882</u>	<u>7,518</u>	<u>1,076,400</u>
	<u>\$ 59,501,530</u>	<u>\$ 6,954,218</u>	<u>\$ 66,455,748</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(7) Long-term Obligations, Continued

Discretely Presented Component Units

As of September 30, 2015, the discretely presented component units had the following long-term debt outstanding:

Air Marshall Islands, Inc. (AMI):

Note payable to Marshall Islands Development Bank, dated May 30, 2013, interest at 6.5% per annum, with principal and interest due in monthly installments of \$51,100, due May 30, 2018. The loan has been collateralized by certain aircraft operated by AMI and a guarantee from RepMar. Loan proceeds of \$2,500,000 were used to fund Dash 8 aircraft improvements. \$ 1,628,990

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>
2016	\$ 681,582	\$ 144,853	\$ 826,435
2017	568,940	44,213	613,153
2018	<u>378,468</u>	<u>8,756</u>	<u>387,224</u>
	<u>\$ 1,628,990</u>	<u>\$ 197,822</u>	<u>\$ 1,826,812</u>

Marshalls Energy Company, Inc. (MEC):

Loan payable to the Federal Financing Bank (FFB), dated November 17, 1997, interest based on the FFB rates at the date of the loan advances and range from 5.49% to 7.25% per annum, with principal and interest payable in quarterly installments of \$273,770 through January 2, 2018, with loan repayments guaranteed by the Rural Utilities Service (RUS). On June 22, 2012, RUS granted a two-year \$2 million loan deferment giving MEC a two-year break from having to make payments to RUS. Effective June 22, 2012 through March 31, 2014, interest payments of \$25,000 were due quarterly. Thereafter, quarterly payments of \$299,121 are due. The loan will mature on December 31, 2019. 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 in compliance with these ratio requirements as of September 30, 2015. \$ 4,117,579

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>
2016	\$ 1,074,744	\$ 121,816	\$ 1,196,560
2017	1,138,184	58,376	1,196,560
2018	1,192,241	4,300	1,196,541
2019	<u>712,410</u>	<u>-</u>	<u>712,410</u>
	<u>\$ 4,117,579</u>	<u>\$ 184,492</u>	<u>\$ 4,302,071</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

Marshall Islands Development Bank (MIDB):

Bank loan dated September 22, 2015, interest at 6.5% per annum, principal and interest due in monthly installments of \$25,265 through November 30, 2019, collateralized by time certificate of deposit. Loan proceeds of \$1,090,500 were used to consolidate prior year loans. \$ 1,066,789

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>
2016	\$ 221,647	\$ 81,533	\$ 303,180
2017	255,587	47,593	303,180
2018	272,842	30,338	303,180
2019	291,167	12,013	303,180
2020	<u>25,546</u>	<u>139</u>	<u>25,685</u>
	<u>\$ 1,066,789</u>	<u>\$ 171,616</u>	<u>\$ 1,238,405</u>

Marshall Islands National Telecommunications Authority (MINTA):

Loans payable to the RUS (formerly the Rural Electrification Administration) from the Rural Electrification and Telephone Revolving Fund, dated August 17, 1989 of \$18,800,000, increased by \$3,999,000 on April 23, 1993, and further increased by \$18,500,000, with interest at 3.64% to 5% per annum. Certain portions of these loans have been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS in the event of default by MINTA. Mortgages over specific MINTA ground leases and essentially all assets of MINTA have collateralized both loans. \$ 25,361,478

MINTA previously defaulted on its loan payments to RUS. In April 2013, MINTA began making reduced monthly loan payments covering slightly more than loan interest. At September 30, 2015, MINTA owed approximately \$900,000 in RUS arrearages. MINTA has been formally notified by RUS of the loan default. Thus, all amounts due are reclassified as current liabilities. Subsequent to year end, MINTA received a subsidy of \$1,194,000 from RepMar (see Note 14).

RMI Ports Authority (RMIPA):

Bank loan dated October 12, 2012, interest at 7.5% per annum, principal and interest due in monthly installments of \$20,125 through October 30, 2017, collateralized by time certificate of deposit. Loan proceeds of \$1,000,000 were used to fund various capital improvement projects. \$ 462,946

Bank loan dated January 11, 2013, interest at 7% per annum, principal and interest due in monthly installments of \$12,300 through December 31, 2018, collateralized by time certificate of deposit. Loan proceeds of \$700,000 were used to fund various capital improvement projects. 414,306

\$ 877,252

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

RMI Ports Authority (RMIPA), 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>
2016	\$ 333,988	\$ 55,112	\$ 389,100
2017	359,723	29,377	389,100
2018	157,422	8,853	166,275
2019	26,119	445	26,564
	<u>\$ 877,252</u>	<u>\$ 93,787</u>	<u>\$ 971,039</u>

Majuro Atoll Waste Company (MAWC):

Bank loan dated September 26, 2013, interest at 8% per annum, principal and interest due in monthly installments of \$2,935 through September 30, 2017, collateralized by a 2013 Freightliner Garbage Truck. Loan proceeds of \$120,000 were used to fund various operating expenses. \$ 64,786

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 31,151	\$ 4,069	\$ 35,220
2017	33,635	1,471	35,106
	<u>\$ 64,786</u>	<u>\$ 5,540</u>	<u>\$ 70,326</u>

Tobolar Copra Processing Authority (TCPA):

Bank loan dated August 15, 2013, interest at 7.5% per annum, principal and interest due in monthly installments of \$2,781 through October 15, 2028, collateralized by a general security agreement over all assets of TCPA and a guarantee from RepMar. Loan proceeds of \$300,000 were used to fund capital expenditures. \$ 281,242

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 13,069	\$ 20,303	\$ 33,372
2017	14,077	19,295	33,372
2018	15,163	18,209	33,372
2019	16,331	17,041	33,372
2020	17,590	15,782	33,372
2021 - 2025	85,010	48,480	133,490
2026 - 2029	120,002	19,088	139,090
	<u>\$ 281,242</u>	<u>\$ 158,198</u>	<u>\$ 439,440</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(8) Change in Long-term Obligations

Primary Government

Other long-term liabilities will be liquidated in the future primarily from the General Fund and the Grants Assistance Fund. During the year ended September 30, 2015, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net position:

	Balance October 1, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2015	Due Within <u>One Year</u>
Loans payable:					
ADB loans	\$ 62,217,164	\$ -	\$ (2,715,634)	\$ 59,501,530	\$ 2,936,607
Other:					
Compensated absences	2,943,690	1,510,177	(1,893,525)	2,943,690	1,126,256
Other	<u>2,600,000</u>	<u>-</u>	<u>(2,200,000)</u>	<u>400,000</u>	<u>400,000</u>
	<u>\$ 67,760,854</u>	<u>\$ 1,510,177</u>	<u>\$ (6,809,159)</u>	<u>\$ 62,845,220</u>	<u>\$ 4,462,863</u>

On April 23, 2013, RepMar acquired Ann's Palace at a cost of \$1,500,000 and entered into a purchase agreement with the owner that required a down payment of \$300,000 within seven days of execution of the agreement with the remaining amount owed to be paid in quarterly instalments of \$100,000 commencing October 5, 2013. As of September 30, 2015, the amount owing under this purchase agreement is \$400,000, and which is presented within other liabilities and accruals of the governmental activities.

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

Discretely Presented Component Units

Changes in long-term liabilities of discretely presented component units for the year ended September 30, 2015, are as follows:

	Balance October 1, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2015	Due Within <u>One Year</u>
Loans payable:					
AMI	\$ 2,376,134	\$ -	\$ (747,144)	\$ 1,628,990	\$ 681,582
MEC	5,373,155	-	(1,255,576)	4,117,579	1,074,744
MIDB	3,609,051	-	(2,542,262)	1,066,789	221,647
MINTA	27,296,244	-	(1,934,766)	25,361,478	25,361,478
RMIPA	1,190,114	-	(312,862)	877,252	333,988
MAWC	93,561	-	(28,775)	64,786	31,151
TCPA	<u>289,168</u>	<u>-</u>	<u>(7,926)</u>	<u>281,242</u>	<u>13,069</u>
	40,227,427	-	(6,829,311)	33,398,116	27,717,659
Due to primary government	<u>14,956,918</u>	<u>-</u>	<u>(1,242,925)</u>	<u>13,713,993</u>	<u>5,253,445</u>
	<u>\$ 55,184,345</u>	<u>\$ -</u>	<u>\$ (8,072,236)</u>	<u>\$ 47,112,109</u>	<u>\$ 32,971,104</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(9) Restricted Assets

Primary Government

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

Escrow account established for the benefit of landowners of Kwajalein Atoll.	\$ 291,270
Savings account established in accordance with Section 211(d)(2) of the Compact of Free Association, as amended, for the purpose of funding RepMar's infrastructure maintenance plan.	1,300,446
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.	2,253,600
Deposit account established for the purpose of receiving payments pursuant to the Compact of Free Association, as amended.	2,142
Savings accounts collateralizing a credit card facility.	62,529
Deposit account established in accordance with ADB Loan 2659-RMI (SF).	2,029,946
Savings account established for the purpose of accounting for funds held by RepMar in a custodial capacity relating to unclaimed property.	<u>78,054</u>
	<u>\$ 6,017,987</u>

Restricted investments of the primary government are as follows:

Investments held in a trust fund for the purpose of accumulating resources to fund RepMar government operations after fiscal year 2023.	\$ <u>54,277,813</u>
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Discretely Presented Component Units

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

Marshall Islands Development Bank:

Savings account collateralizing loans funded by Rural Housing Service (RHS).	\$ 567,927
Time certificate of deposit collateralizing bank loans payable.	<u>59,453</u>
	<u>627,380</u>

RMI Ports Authority:

Time certificate of deposit collateralizing bank loans payable.	<u>1,700,000</u>
	<u>\$ 2,327,380</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(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, 2015, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Compact Trust Fund	\$ 650,000	\$ -
Nonmajor governmental funds	<u>1,766,067</u>	<u>452,328</u>
	<u>2,416,067</u>	<u>452,328</u>
Grants Assistance Fund:		
Compact Trust Fund	350,000	-
Nonmajor governmental funds	<u>2,108,629</u>	<u>-</u>
	<u>2,458,629</u>	<u>-</u>
Compact Trust Fund:		
General Fund	-	650,000
Grants Assistance Fund	<u>-</u>	<u>350,000</u>
	<u>-</u>	<u>1,000,000</u>
Nonmajor governmental funds:		
General Fund	452,328	1,766,067
Grants Assistance Fund	<u>-</u>	<u>2,108,629</u>
	<u>452,328</u>	<u>3,874,696</u>
	<u>\$ 5,327,024</u>	<u>\$ 5,327,024</u>

Transfers are used to 1) move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) record reductions in interfund loans for amounts that are not expected to be repaid. Specifically, RepMar transferred \$650,000 from the General Fund to the Compact Trust Fund to fund additional contributions; \$1,766,067 from the General Fund to the Nonmajor Governmental Funds to finance Judicial branch operations and scholarships; \$350,000 from the Grants Assistance Fund to the Compact Trust Fund to fund additional contributions; \$2,108,629 from the Grants Assistance Fund to the Nonmajor Governmental Funds to finance scholarships and Four-atoll medical costs; and \$452,328 from the Nonmajor Governmental Funds to the General Fund to fund general operations.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(11) Fund Balances

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

	<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Fund balances:					
Nonspendable:					
Pacific Islands Development Bank investment	\$ 998,250	\$ -	\$ -	\$ -	\$ 998,250
Loan receivable – MEC	7,725,983	-	-	-	7,725,983
Loan receivable – MIDB	1,085,406	-	-	-	1,085,406
Permanent fund principal	-	-	54,277,813	-	54,277,813
Restricted:					
Education	-	524,948	-	-	524,948
Health	-	13,075	-	-	13,075
Capacity building	-	163,374	-	-	163,374
Environmental	-	34,988	-	-	34,988
Ebeye special needs	-	491,748	-	-	491,748
Landowners special needs	-	41,259	-	-	41,259
Infrastructure maintenance	-	2,885,128	-	-	2,885,128
Disaster assistance	-	3,121,008	-	-	3,121,008
Compact – other	-	41,070	-	-	41,070
Education – scholarships	-	1,593	-	695,634	697,227
ADB loan projects	2,563,896	-	-	-	2,563,896
Telecommunications and ICT Technical Assistance					
Project Grant (World Bank)	81,756	-	-	-	81,756
Credit card collateralization	62,529	-	-	-	62,529
Nuclear claims related	-	-	-	203,559	203,559
Committed:					
Nitijela	-	-	-	5,970	5,970
Judiciary	-	-	-	315,579	315,579
Health and environment	-	-	-	5,705,574	5,705,574
Transportation and communication	-	-	-	26,559	26,559
Internal affairs	14,251	-	-	31,604	45,855
Justice	-	-	-	6,487	6,487
Foreign affairs and trade	-	-	-	110,432	110,432
Public works	-	-	-	60,542	60,542
Land registration authority	-	-	-	18,118	18,118
National Training Council	-	-	-	364,554	364,554
Capital projects	-	3,957,650	-	-	3,957,650
Other	-	126,313	-	-	126,313
Unassigned	3,448,006	(390,865)	-	-	3,057,141
	<u>\$ 15,980,077</u>	<u>\$ 11,011,289</u>	<u>\$ 54,277,813</u>	<u>\$ 7,544,352</u>	<u>\$ 88,813,531</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(12) Compact Trust Fund

Section 216(a) of the Compact, as amended, provides for annual contributions from the United States into a trust fund established in accordance with the Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended, Regarding a Trust Fund (Trust Fund Agreement). The contributions by the United States were conditioned upon RepMar contributing to the trust fund at least \$25,000,000 on October 1, 2003, \$2,500,000 prior to October 1, 2004, and a final \$2,500,000 prior to October 1, 2005. As of September 30, 2015, RepMar has contributed the required amounts to the "A Account" as required under Article 16 of the Trust Fund Agreement; however, Article 21 of the Trust Fund Agreement states that the United States may withdraw the Present Market Value of its contributions to the "A Account" if certain events occur.

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

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

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

RepMar - "A Account" and "C Account"	\$ 42,295,593
RepMar - "D Account"	<u>11,982,220</u>
	\$ <u>54,277,813</u>

At September 30, 2015, the fair market value of contributions to the Compact Trust Fund "A Account" by the United States and the Republic of China, including associated undistributed income, and the related "C Account" is as follows:

United States - "A Account" and "C Account"	\$ 177,938,871
Republic of China - "A Account" and "C Account"	<u>26,907,595</u>
	\$ <u>204,846,466</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(13) Contingencies and Commitments

Nuclear Claims Trust Fund (NCTF)

Section 177(c) of the Compact of Free Association (the Compact) provides, on a one-time grant basis, the amount of \$150,000,000 to RepMar to be used to establish a trust fund from which annual distributions are to be made in accordance with Article II of the Agreement between the Government of the United States and RepMar for Implementation of Section 177 of the Compact (the Agreement). Pursuant to the Agreement, RepMar established the NCTF from which these distributions are made. Over a period of fifteen years, the Nuclear Claims Tribunal (NCT) received \$45,750,000 from the NCTF that was made available for whole or partial payment of monetary awards. As of September 30, 2015, NCT has committed to the distribution of monetary awards for personal injury claims of \$23,159,963 and of property damage claims of \$2,284,108,436, which will be paid out against the reserved fund balance and future sums that NCT expects to receive from the NCTF. The reserved fund balance of the NCTF is \$57,862 as of September 30, 2015. Accordingly, additional funds will have to be made available through future earnings of the funds invested in the NCTF after the end of the Compact or from a renegotiated financial settlement of damages with the United States.

Marshall Islands National Telecommunications Authority (MINTA)

MINTA is in default on its loan payments to RUS. As a result, RepMar made subsidy payments to MINTA to fund MINTA's debt service payments. At September 30, 2015, MINTA owed \$900,000 in RUS arrearages. RepMar has demonstrated the ability and willingness in the past to provide financing for MINTA's debt payments. In 2015, RepMar provided subsidy payments of \$1,863,000 to MINTA in order for MINTA to meet debt service payments (see Note 14). MINTA has been formally notified by RUS that it is in default; however, RUS has not taken any additional action or modified any terms of the loan agreements. The ability of MINTA to continue as a going concern is dependent upon MINTA management's plan and the resolution of the aforementioned issue. No provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

Federal Grants

RepMar participates in a number of federally assisted grant programs and other various U.S. Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Questioned costs relating to fiscal years 2005 through 2014 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2015. In addition, RepMar is considered to have responsibility for any questioned costs that may result from Single Audits of subgrantees who have not satisfied the audit requirements of OMB Circular A-133. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(13) Contingencies and Commitments, Continued

Marshalls Energy Company, Inc. (MEC)

As of September 30, 2015, MEC is in compliance with certain coverage ratio requirements relating to a loan agreement with Rural Utilities Service (RUS). The mortgage notes have been unconditionally guaranteed by RepMar. RepMar may be liable for the debt service payments to RUS in the event of default by MEC.

Marshall Islands Social Security Administration (MISSA)

In June 2016, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2014. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of \$442,510,000 and \$72,367,000, respectively, as of October 1, 2014. The funded ratio of the Retirement Fund as of October 1, 2014 is 16%. As of September 30, 2015, MISSA recorded total fund equity of \$66,733,803 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.

Coin Issue

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

Leases

RepMar enters into numerous leases with various landowners. The lease terms generally range from one to fifteen years. However, appropriations to fund these leases are made only on an annual basis. For fiscal year 2015, RepMar appropriated \$886,432 to fund such leases.

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

<u>Year ending September 30,</u>	<u>Total</u>
2016	\$ 95,080
2017	95,080
2018	95,080
2019	95,080
2020	95,080
2021 - 2025	491,399
2026 - 2030	507,399
2031 - 2035	105,013
2036 - 2040	89,418
2041 - 2044	<u>63,533</u>
	<u>\$ 1,732,162</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(13) Contingencies and Commitments, Continued

Leases, Continued

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

<u>Year ending September 30,</u>	<u>Total</u>
2016	\$ 127,153
2017	123,682
2018	126,475
2019	129,351
2020	132,313
2021 - 2025	704,120
2026 - 2030	772,351
2031 - 2035	<u>682,613</u>
	<u>\$ 2,798,328</u>

Litigation

RepMar is party to various legal proceedings, many of which are normal recurrences in governmental operations. The Attorney General of RepMar is of the opinion that the probable outcome of suits existing at September 30, 2015 is not predictable. No provision for any liability has been made in the accompanying financial statements because management believes that no unfavorable outcome is likely to occur.

Trust Company of the Marshall Islands

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(13) Contingencies and Commitments, Continued

Trust Company of the Marshall Islands, Continued

On July 22, 2015, RepMar agreed to further amend the financial provisions of this Joint Venture Agreement whereby annual payments payable by TCMI through December 31 of each year would be as follows:

<u>Year ending December 31,</u>	<u>Total</u>
2015	\$ 6,000,000
2016	\$ 6,500,000
2017	\$ 7,000,000
2018	\$ 7,500,000
2019	\$ 7,500,000
2020	\$ 8,000,000

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

Sick Leave

It is the policy of RepMar to record expenditures for sick leave when leave is actually taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury. The estimated accumulated amount of unused sick leave as of September 30, 2015 is \$11,069,405.

Loan Guarantees

Marshall Islands Development Bank (MIDB) has pledged an escrow account in support of certain USDA Rural Development housing loans, the balance of which amounted to \$10,588,127 as of September 30, 2015. In the event of default, MIDB could be exposed to an amount in excess of the escrow account balance, an amount that is presently indeterminable. No provision for any liability that may result from this matter has been provided for within the accompanying financial statements.

Air Marshall Islands, Inc. (AMI)

At September 30, 2015, AMI is liable to the Marshall Islands Social Security Administration (MISSA) for certain delinquent employee and employer contributions, totaling \$1,126,541, which includes related penalties and interest. On December 28, 2010, AMI entered into a promissory note with MISSA in the amount of \$1,059,068 associated with these delinquent contributions. The note bears interest at 12% per annum with monthly payments of \$15,000 commencing January 10, 2011. In addition, a \$50,000 payment is due on or before January 31, 2011 and another on or before April 30, 2011. On September 23, 2011, MISSA filed suit against AMI for defaulting on the above promissory note. On November 30, 2012, the High Court entered judgment against AMI in favor of MISSA for \$1,411,985, inclusive of penalties relating to delinquent contributions.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(13) Contingencies and Commitments, Continued

Air Marshall Islands, Inc. (AMI), Continued

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

Budgetary Compliance

For the year ended September 30, 2015, certain over-expenditures exceeding appropriations within the General Fund were as follows:

MOE Snack/Hot Lunch Program	\$ 247,165
Centralized Utility Billings	\$ 253,299
Land Leases	\$ 53,530
Majuro Landowners Electricity Bills	\$ 1,304,418
Malgov (MISSA)	\$ 30,165
AMI Repayment Plan	\$ 994,483
Public Service Commission	\$ 126,675
Ministry of Justice	\$ 38,936
Ministry of Finance	\$ 204,545
Marshall Islands Scholarship Grant and Loan Board	\$ 68,150

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

Insurance Coverage

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

Other Commitments

Significant commitments of the primary government as of September 30, 2015, are as follows:

- a) Guaranteed bank debt of Air Marshall Islands, Inc. (AMI) with a letter of guarantee. At September 30, 2015, AMI had guaranteed debt totaling \$1,628,990.
- b) Guaranteed bank debt of Marshalls Energy Company, Inc. (MEC) with a letter of guarantee. At September 30, 2015, MEC had guaranteed bank debt totaling \$2,351,607.
- c) Guaranteed bank debt of Tobolar Copra Processing Authority (TCPA) with a letter of guarantee. At September 30, 2015, TCPA had guaranteed bank debt totaling \$2,075,569.
- d) Guaranteed debt of MEC in respect to a loan from the United States Rural Utilities Service (RUS) with a letter of guarantee. At September 30, 2015, MEC had guaranteed RUS debt totaling \$4,117,579.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2015

(13) Contingencies and Commitments, Continued

Other Commitments, Continued

- e) Guaranteed debt of Marshall Islands National Telecommunications Authority (MINTA) in respect of a loan from RUS with a letter of guarantee. At September 30, 2015, MINTA had guaranteed RUS debt totaling \$25,361,478.
- f) RepMar has entered into lease agreements with certain landowners for the use of land situated at the Majuro international airport. The terms of the lease agreements are for a 25-year period commencing September 1, 1996. Annual lease rental commitments are \$305,613 per year.
- g) RepMar has issued a letter of guarantee of \$178,000 plus interest for the benefit of the Delap Assembly of God Church for a loan issued by Marshall Islands Development Bank.
- h) In accordance with Cabinet Minute C.M. 158 (2012), the Cabinet of RepMar has issued a government guarantee for and on behalf of MEC to a fuel supplier for amounts owing by MEC relating to the purchase of fuel products not to exceed \$10,000,000. At September 30, 2015, MEC had guaranteed debt to a fuel supplier totaling \$2,787,718.
- i) In accordance with Cabinet Minute C.M. 029 (2012), the Cabinet of RepMar approved the extension of financial support for the College of the Marshall Islands in the annual amount of \$3,000,000 through fiscal year 2017.

(14) Subsequent Events

On October 21, 2015, the Cabinet of RepMar authorized and approved a \$1.2 million bank loan to bring the Marshall Islands National Telecommunications Authority's debt with the Rural Utilities Service current.

On May 26, 2016, RepMar transferred ownership in the Long Island Hotel to the University of South Pacific Marshall Islands.

REPUBLIC OF THE MARSHALL ISLANDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2015

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund (Fund 100100) Year Ended September 30, 2015

	Budgeted Amounts		Actual - Budgetary Basis (see Note 1)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 25,136,477	\$ 25,136,477	\$ 25,445,105	\$ 308,628
Fees and charges	927,500	927,500	28,449	(899,051)
Interest and dividends	-	-	163,933	163,933
Other	19,352,500	25,228,473	26,038,269	809,796
Total revenues	<u>45,416,477</u>	<u>51,292,450</u>	<u>51,675,756</u>	<u>383,306</u>
Expenditures:				
President and Cabinet	1,550,831	1,732,925	1,640,791	92,134
Office of the Chief Secretary	623,450	668,179	618,091	50,088
Special appropriations	15,741,235	19,219,425	20,438,163	(1,218,738)
Council of Iroij	432,782	432,782	423,556	9,226
Office of the Auditor-General	1,563,403	1,593,338	1,449,339	143,999
Public Service Commission	498,585	498,499	625,174	(126,675)
Office of the Attorney General	917,229	858,842	784,308	74,534
Ministries	23,443,501	25,309,180	22,419,857	2,889,323
Environmental Protection Authority	184,119	184,119	170,143	13,976
Nitijela	1,913,718	1,943,718	1,841,972	101,746
Total expenditures	<u>46,868,853</u>	<u>52,441,007</u>	<u>50,411,394</u>	<u>2,029,613</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,452,376)</u>	<u>(1,148,557)</u>	<u>1,264,362</u>	<u>2,412,919</u>
Other financing sources (uses):				
Operating transfers in	314,000	314,000	452,328	138,328
Operating transfers out	(2,324,572)	(2,628,391)	(2,416,067)	212,324
Other financing sources (uses), net	<u>(2,010,572)</u>	<u>(2,314,391)</u>	<u>(1,963,739)</u>	<u>350,652</u>
(3,462,948)	<u>(3,462,948)</u>	<u>(699,377)</u>	<u>2,763,571</u>	
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>3,462,948</u>	<u>3,462,948</u>	<u>1,362,532</u>	<u>(2,100,416)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 663,155</u>	<u>\$ 663,155</u>

See accompanying notes to required supplementary information - budgetary reporting.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Required Supplementary Information - Budgetary Reporting September 30, 2015

(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 2015, Public Law No. 2014-32, was passed by the Nitijela on September 30, 2014. Formal budget integration is employed as a management control device during the year for all funds. The Cabinet has the authority to reprogram budgeted estimates in accordance with the Constitution. All annual appropriations lapse at fiscal year-end unless otherwise specified by law. Supplemental appropriations may occur throughout the year. Unexpended encumbrances at each fiscal year end are carried forward until they are expended or canceled without further legislative action. RepMar does not establish budgets for the operations of its other governmental funds.

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

(2) Reconciliation of Budgetary Schedule

	Net Change In Fund Balance	Reserve for Encumbrances
Budgetary basis – Fund 100100	\$ <u>663,155</u>	\$ <u>1,362,532</u>
GASB 54 Funds included within the General Fund:		
Reimbursable Fund	(29,026)	43,712
Judiciary Fund	401,275	-
EPA Fund	(51,039)	-
ADB Development Fund	<u>(692,083)</u>	<u>805,908</u>
	<u>(370,873)</u>	<u>849,620</u>
General Fund	\$ <u><u>292,282</u></u>	\$ <u><u>2,212,152</u></u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2015

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Expenditures by Account
Governmental Funds
Year Ended September 30, 2015

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
Expenditures:					
Salaries and wages	\$ 17,602,539	\$ 20,166,618	\$ -	\$ 1,150,572	\$ 38,919,729
Grants and subsidies	13,098,490	9,093,195	-	1,584,404	23,776,089
Utilities	5,261,676	1,981,555	-	107,240	7,350,471
Contractual services	1,103,326	3,589,260	-	5,121,547	9,814,133
Capital outlay	755,090	6,072,728	-	413,870	7,241,688
Travel	935,034	1,455,097	-	984,511	3,374,642
Medical supplies	-	95,513	-	3,329,214	3,424,727
Principal repayment	2,715,634	-	-	-	2,715,634
Supplies and materials	367,255	1,971,708	-	119,284	2,458,247
Leased housing	1,455,588	551,713	-	67,500	2,074,801
Rentals	1,731,017	186,988	-	24,911	1,942,916
Food stuffs	405,441	1,000,608	-	9,325	1,415,374
Interest	733,114	-	-	-	733,114
Communications	576,868	271,490	-	94,457	942,815
POL	379,601	479,920	-	91,225	950,746
Allowances	813,854	10,950	-	2,400	827,204
Professional services	181,661	325,120	-	191,436	698,217
Printing and reproduction	36,048	51,640	-	2,432	90,120
Insurance	66,044	68,267	-	20,075	154,386
Freight	29,492	49,523	-	6,150	85,165
Other	2,376,338	2,550,520	-	324,734	5,251,592
	<u>\$ 50,624,110</u>	<u>\$ 49,972,413</u>	<u>\$ -</u>	<u>\$ 13,645,287</u>	<u>\$ 114,241,810</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

September 30, 2015

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund (Fund 100100) Year Ended September 30, 2015 (with comparative totals for the year ended September 30, 2014)

	2015	2014
Revenues:		
Taxes:		
Income	\$ 11,905,940	\$ 11,508,824
Import	6,016,713	5,725,414
Import - CMI	1,030,036	780,138
Gross revenue	5,011,830	5,827,389
Immovable property	660,788	620,182
Fuel	695,134	383,658
Penalties and interest	50,766	65,860
Other	73,898	89,137
	<u>25,445,105</u>	<u>25,000,602</u>
Fees and charges	28,449	94,893
Interest and dividends	163,933	166,721
Other:		
Taiwan grant	3,600,000	3,600,000
Ship registry	6,000,000	4,750,000
Contribution from MI Marine Resources Authority	15,773,000	11,549,000
Contribution from RMI Ports Authority	218,385	291,180
Other	446,884	1,186,286
	<u>26,038,269</u>	<u>21,376,466</u>
Total revenues	<u>51,675,756</u>	<u>46,638,682</u>
Expenditures:		
President and Cabinet:		
Office of the President	464,184	531,463
President and Ministers	573,383	576,879
Building Renovation	-	400
Cabinet Operations	511,963	559,005
Customary Law Commission	-	186,720
	<u>1,549,530</u>	<u>1,854,467</u>
Office of the Chief Secretary:		
Administration	258,340	244,997
Deputy Chief Secretary - Ebeye	58,436	35,957
Economic Policy, Planning and Statistics Office	209,847	182,487
Office of Environmental Planning and Policy Coordination	86,613	92,396
Disaster Office	-	15,063
	<u>613,236</u>	<u>570,900</u>
Special appropriations:		
Micronesia Presidential Summit	48,312	-
Ann's Palace Renovation	400,000	400,000
National Election - Ebeye	11,885	-
Constitution Day - Ebeye	4,709	-
National Election	122,139	-
Air Marshall Islands, Inc.	67,480	-
Air Marshall Islands, Inc. Repairs	408,065	-
MOFA Renovation	5,815	-
KALGOV (MISSA)	627,894	540,000
Majuro Atoll Waste Company	130,678	-
Traditional Leaders Meeting	87,392	-
APICU	1,954	-
PSC Training	34,362	-
CMI Endowment Fund	150,000	-
MOE Snack/Hot Lunch Program	368,965	-
MISC Repairs and Maintenance	50,000	-
Marshall Islands Shipping Corporation	1,260,085	-
National Energy Support Account	475,168	-
Alele Corporation	139,802	-
Majuro Jail Project	18,089	-
Centralized Utility Billings	1,544,932	1,290,741
Land leases	936,479	975,673
Majuro Landowners Electricity	3,068,615	2,915,280
Leased housing	196,339	170,768
Contingency Fund	180,683	143,798
International Subscriptions/Membership Fees	285,372	(53,320)
Prior Year Liabilities	138,947	398,978
Copra Stabilization Subsidy	797,600	220,000
Constitution Day - Majuro	91,369	33,149
Micronesia Legal Service Corporation	74,400	163,680
MALGOV (MISSA)	30,165	80,182
AMI Repayment Plan	2,994,483	-
MI National Telecommunications Authority	1,863,000	-
Emergency Payments	74,408	-
Marshall Islands Visitors Authority	-	74,400
Micronesia Games - Pohnpei	-	205,000
Constitutional Convention	-	1,107
Long Island Hotel Purchase	-	2,000,000
Miscellaneous	-	874,397
	<u>16,689,586</u>	<u>10,433,833</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures by Function, and Changes in
Fund Balance - General Fund (Fund 100100), Continued
Year Ended September 30, 2015
(with comparative totals for the year ended September 30, 2014)

	2015	2014
Expenditures, continued:		
Council of Iroij:		
Administration	100,724	90,551
Members	321,294	348,756
	422,018	439,307
Nitijela:		
Operations	434,673	444,520
General membership	1,197,734	1,026,220
Speaker's contingency	55,777	37,824
Committee	13,475	25,720
Legislative counsel	106,127	107,707
	1,807,786	1,641,991
Office of the Auditor-General:		
Operations	487,338	478,038
Single audit - local match	348,592	345,294
	835,930	823,332
Public Service Commission:		
Members	125,934	91,757
Administration	494,281	344,093
	620,215	435,850
Office of the Attorney General	779,253	643,428
Ministries:		
Ministry of Education	5,750,334	5,619,118
Ministry of Health and Environment	2,787,851	3,325,531
Ministry of Transportation and Communication	506,548	484,984
Ministry of Resources and Development	1,055,408	868,678
Ministry of Internal Affairs	1,844,101	1,858,778
Ministry of Justice	3,142,844	3,336,524
Ministry of Finance	2,974,103	3,025,301
Ministry of Foreign Affairs and Trade	2,697,734	3,087,244
Ministry of Public Works	1,353,494	1,032,007
	22,112,417	22,638,165
Environmental Protection Authority	170,143	163,203
Debt service:		
ADB loan repayment:		
Principal repayment	2,715,634	2,487,717
Interest charges	733,114	749,571
	3,448,748	3,237,288
Total expenditures	49,048,862	42,881,764
Excess of revenues over expenditures	2,626,894	3,756,918
Other financing sources:		
Operating transfers in:		
Other Direct Assistance Fund	-	207,500
Republic of China Fund	-	350,000
Ministry of Justice Fund	452,328	355,732
Total other financing sources	452,328	913,232
Other financing uses:		
Operating transfers out:		
Judiciary Fund	585,665	583,213
Compact Trust Fund	650,000	-
Marshall Islands Scholarship, Grant and Loan Board Fund	773,077	713,390
Marshall Islands Judiciary Fund	357,725	394,235
Nuclear Claims Tribunal	49,600	74,400
Total other financing uses	2,416,067	1,765,238
Net change in fund balance	663,155	2,904,912
Fund balance at the beginning of the year	14,312,658	11,407,746
Fund balance at the end of the year	\$ 14,975,813	\$ 14,312,658

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Fund 100100)
Year Ended September 30, 2015

	Budgeted Amounts		Actual -	
	Original	Final	Budgetary Basis	Variance
Revenues:				
Taxes:				
Income	\$ 10,531,304	\$ 10,531,304	\$ 11,905,940	\$ 1,374,636
Import	5,756,649	5,756,649	6,016,713	260,064
Import - CMI	1,006,470	1,006,470	1,030,036	23,566
Gross revenue	6,392,967	6,392,967	5,011,830	(1,381,137)
Immovable property	666,894	666,894	660,788	(6,106)
Fuel	726,895	726,895	695,134	(31,761)
Penalties and interest	-	-	50,766	50,766
Other	55,298	55,298	73,898	18,600
	<u>25,136,477</u>	<u>25,136,477</u>	<u>25,445,105</u>	<u>308,628</u>
Fees and charges	927,500	927,500	28,449	(899,051)
Interest and dividends	-	-	163,933	163,933
Taiwan grant	3,600,000	3,600,000	3,600,000	-
Ship registry	4,750,000	5,750,000	6,000,000	250,000
MI Marine Resources Authority	11,000,000	15,773,000	15,773,000	-
RMI Ports Authority	-	-	218,385	218,385
Other	2,500	105,473	446,884	341,411
	<u>19,352,500</u>	<u>25,228,473</u>	<u>26,038,269</u>	<u>809,796</u>
Total revenues	<u>45,416,477</u>	<u>51,292,450</u>	<u>51,675,756</u>	<u>383,306</u>
Expenditures:				
President and Cabinet:				
Office of the President	467,836	608,951	547,105	61,846
President and Ministers	591,246	591,556	573,383	18,173
Cabinet Operations	481,699	522,368	520,303	2,065
Customary Law Commission	10,050	10,050	-	10,050
	<u>1,550,831</u>	<u>1,732,925</u>	<u>1,640,791</u>	<u>92,134</u>
Office of the Chief Secretary:				
Administration	260,435	285,619	261,704	23,915
Deputy Chief Secretary - Ebeye	79,321	67,700	59,712	7,988
EPPSO	192,774	223,851	210,062	13,789
OEPPC	90,920	91,009	86,613	4,396
	<u>623,450</u>	<u>668,179</u>	<u>618,091</u>	<u>50,088</u>
Special appropriations:				
Micronesia Presidential Summit	99,200	55,425	50,423	5,002
OEPPC	-	450	-	450
Ann's Palace Renovation	646,800	396,800	400,000	(3,200)
National Election - Ebeye	-	49,379	38,480	10,899
Constitution Day - Ebeye	4,960	4,960	4,709	251
National Election	361,088	311,709	308,129	3,580
Air Marshall Islands, Inc.	-	159,040	100,480	58,560
Air Marshall Islands, Inc. Repairs	-	421,044	421,044	-
Asia Pacific Parliamentary Union Meeting	49,600	19,600	-	19,600
MOFA Renovation	160,674	60,674	5,815	54,859
KALGOV (MISSA)	622,871	622,871	627,894	(5,023)
Majuro Atoll Waste Company	130,678	130,678	130,678	-
Traditional Leaders Meeting	99,200	101,680	97,288	4,392
APICU	-	2,417	1,954	463
PSC Training	29,760	32,686	35,012	(2,326)
CMI Endowment Fund	99,200	149,200	150,000	(800)
MOE Snack/Hot Lunch Program	396,800	121,800	368,965	(247,165)
MISC Repairs and Maintenance	477,152	56,108	50,000	6,108
Marshall Islands Shipping Corporation	1,260,085	1,260,085	1,260,085	-
National Energy Support Account	475,168	475,168	475,168	-
Alele Corporation	222,550	157,717	157,343	374
Majuro Jail Project	198,400	19,010	18,089	921
Centralized Utility Billings	1,295,292	1,295,292	1,548,591	(253,299)
Ebeye KALGOV	89,280	89,280	-	89,280
Land leases	886,432	886,432	939,962	(53,530)
Majuro Landowners Electricity	1,764,197	1,764,197	3,068,615	(1,304,418)
Leased housing	219,724	219,724	200,264	19,460
Contingency Fund	198,400	198,400	180,683	17,717
International Subscriptions/Membership Fees	285,547	285,547	285,372	175
Prior Year Liabilities	555,844	555,844	138,947	416,897
Copra Stabilization Subsidy	297,600	1,347,600	797,600	550,000
ADB loan repayment	3,741,100	3,741,100	3,448,748	292,352
Constitution Day - Majuro	17,671	94,867	91,369	3,498
Micronesia Legal Service Corporation	74,400	74,400	74,400	-
MOE Reform	595,200	-	-	-
MALGOV (MISSA)	38,688	-	30,165	(30,165)
Outer Island Runway Project	347,200	-	-	-
National Election	474	474	-	474
AMI Repayment Plan	-	2,000,000	2,994,483	(994,483)
MI National Telecommunications Authority	-	1,863,000	1,863,000	-
Emergency Payments	-	194,767	74,408	120,359
	<u>15,741,235</u>	<u>19,219,425</u>	<u>20,438,163</u>	<u>(1,218,738)</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Fund Balance, Continued
Budget and Actual - General Fund (Fund 100100)
Year Ended September 30, 2015

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, continued:				
Council of Iroij:				
Administration	100,376	104,840	102,262	2,578
Members	332,406	327,942	321,294	6,648
	<u>432,782</u>	<u>432,782</u>	<u>423,556</u>	<u>9,226</u>
Office of the Auditor-General:				
Operations	473,666	524,496	495,736	28,760
Single audit - local match	1,089,737	1,068,842	953,603	115,239
	<u>1,563,403</u>	<u>1,593,338</u>	<u>1,449,339</u>	<u>143,999</u>
Public Service Commission:				
Members	94,920	94,920	125,934	(31,014)
Administration	403,665	403,579	499,240	(95,661)
	<u>498,585</u>	<u>498,499</u>	<u>625,174</u>	<u>(126,675)</u>
Office of the Attorney General	<u>917,229</u>	<u>858,842</u>	<u>784,308</u>	<u>74,534</u>
Ministries:				
Ministry of Education	5,227,642	6,353,418	5,782,323	571,095
Ministry of Health and Environment	4,025,761	4,045,592	2,808,173	1,237,419
Ministry of Transportation and Communication	643,622	642,902	519,850	123,052
Ministry of Resources and Development	1,107,913	1,111,308	1,073,071	38,237
Ministry of Internal Affairs	2,288,915	2,278,609	1,946,405	332,204
Ministry of Justice	3,095,679	3,111,937	3,150,873	(38,936)
Ministry of Finance	2,532,623	2,793,574	2,998,119	(204,545)
Ministry of Foreign Affairs and Trade	3,466,760	3,571,607	2,782,695	788,912
Ministry of Public Works	1,054,586	1,400,233	1,358,348	41,885
	<u>23,443,501</u>	<u>25,309,180</u>	<u>22,419,857</u>	<u>2,889,323</u>
Environmental Protection Authority	<u>184,119</u>	<u>184,119</u>	<u>170,143</u>	<u>13,976</u>
Nitijela:				
Operations	509,100	507,843	468,483	39,360
General Membership	1,180,562	1,220,562	1,198,110	22,452
Speaker's Contingency	50,231	66,038	55,777	10,261
Committee	44,084	15,609	13,475	2,134
Legislative Counsel	129,741	133,666	106,127	27,539
	<u>1,913,718</u>	<u>1,943,718</u>	<u>1,841,972</u>	<u>101,746</u>
Total expenditures	<u>46,868,853</u>	<u>52,441,007</u>	<u>50,411,394</u>	<u>2,029,613</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,452,376)</u>	<u>(1,148,557)</u>	<u>1,264,362</u>	<u>2,412,919</u>
Other financing sources:				
Operating transfers in:				
Ministry of Justice Fund	314,000	314,000	452,328	138,328
Other financing uses:				
Operating transfers out:				
Judiciary Fund	861,498	861,498	585,665	275,833
Compact Trust Fund	644,800	644,800	650,000	(5,200)
Marshall Islands Scholarship Fund	404,927	704,927	773,077	(68,150)
Marshall Islands Judiciary Fund	363,747	363,747	357,725	6,022
Nuclear Claims Tribunal	49,600	49,600	49,600	-
Local Government Fund	-	3,819	-	3,819
	<u>2,324,572</u>	<u>2,628,391</u>	<u>2,416,067</u>	<u>212,324</u>
	(3,462,948)	(3,462,948)	(699,377)	2,763,571
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>3,462,948</u>	<u>3,462,948</u>	<u>1,362,532</u>	<u>(2,100,416)</u>
Net change in fund balance	\$ -	\$ -	\$ 663,155	\$ 663,155

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2015

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, 2015, follows:

Public Works Fund

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

Land Registration Authority Fund

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

Labor (General) Fund

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

Labor (Bond) Fund

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

Ministry of Justice Fund

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

Marshall Islands Revised Code Fund

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

Resident Workers Training Account Fund

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2015

Sea Patrol Fund

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

Transportation Services Fund

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

Registrar General Fund

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

Ministry of Internal Affairs Fund

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

Four-Atoll Medical Fund

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

Marshall Islands Scholarship Grant and Loan Board

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

Marshall Islands Judiciary Fund

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

Health Care Revenue Fund

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2015

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, 2015**

	200105	200224	200318	200319	200332	200333	200340	200520	200525
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Resident Workers Training Account	Sea Patrol	Transportation Services
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Time certificates of deposit	-	-	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	-	-	-	-	-	102,250	-	-
General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	810	-	-
Due from other funds	60,572	18,118	108,458	135,010	244,207	5,970	494,556	5,868	26,559
Advances	-	-	1,974	-	6,017	-	(904)	-	-
Total assets	<u>\$ 60,572</u>	<u>\$ 18,118</u>	<u>\$ 110,432</u>	<u>\$ 135,010</u>	<u>\$ 250,224</u>	<u>\$ 5,970</u>	<u>\$ 596,712</u>	<u>\$ 5,868</u>	<u>\$ 26,559</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 30	\$ -	\$ -	\$ (1,500)	\$ 249,865	\$ -	\$ 230,948	\$ -	\$ -
Other liabilities and accruals	-	-	-	136,510	-	-	1,210	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total liabilities	<u>30</u>	<u>-</u>	<u>-</u>	<u>135,010</u>	<u>249,865</u>	<u>-</u>	<u>232,158</u>	<u>-</u>	<u>-</u>
Fund balances:									
Restricted	-	-	-	-	-	-	-	-	-
Committed	60,542	18,118	110,432	-	359	5,970	364,554	5,868	26,559
Total fund balances	<u>60,542</u>	<u>18,118</u>	<u>110,432</u>	<u>-</u>	<u>359</u>	<u>5,970</u>	<u>364,554</u>	<u>5,868</u>	<u>26,559</u>
Total liabilities and fund balances	<u>\$ 60,572</u>	<u>\$ 18,118</u>	<u>\$ 110,432</u>	<u>\$ 135,010</u>	<u>\$ 250,224</u>	<u>\$ 5,970</u>	<u>\$ 596,712</u>	<u>\$ 5,868</u>	<u>\$ 26,559</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

**Combining Balance Sheet, Continued
September 30, 2015**

	200527	200528	300612							
	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 250,300	\$ 326,752	\$ 1,689,850	\$ 399,785	\$ -	\$ -	\$ 2,666,687
Time certificates of deposit	-	-	-	446,549	-	-	-	-	-	446,549
Receivables, net:										
Taxes	-	-	-	-	-	-	-	-	-	102,250
General	-	-	-	-	-	-	1,621,837	-	-	1,621,837
Other	-	-	105,924	-	-	82,169	59,900	-	-	248,803
Due from other funds	391	28,493	97,635	-	-	4,097,440	2,647,044	-	(4,097,440)	3,872,881
Advances	-	2,720	-	-	-	84,550	387,606	-	-	481,963
Total assets	\$ 391	\$ 31,213	\$ 203,559	\$ 696,849	\$ 326,752	\$ 5,954,009	\$ 5,116,172	\$ -	\$ (4,097,440)	\$ 9,440,970
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ 1,215	\$ 11,173	\$ 357,686	\$ 836,061	\$ -	\$ -	\$ 1,685,478
Other liabilities and accruals	-	-	-	-	-	67,258	6,162	-	-	211,140
Due to other funds	-	-	-	-	-	-	4,097,440	-	(4,097,440)	-
Total liabilities	-	-	-	1,215	11,173	424,944	4,939,663	-	(4,097,440)	1,896,618
Fund balances:										
Restricted	-	-	203,559	695,634	-	-	-	-	-	899,193
Committed	391	31,213	-	-	315,579	5,529,065	176,509	-	-	6,645,159
Total fund balances	391	31,213	203,559	695,634	315,579	5,529,065	176,509	-	-	7,544,352
Total liabilities and fund balances	\$ 391	\$ 31,213	\$ 203,559	\$ 696,849	\$ 326,752	\$ 5,954,009	\$ 5,116,172	\$ -	\$ (4,097,440)	\$ 9,440,970

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, 2015**

	200105	200224	200318	200319	200332	200333	200340	200520	200525
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Resident Workers Training Account	Sea Patrol	Transportation Services
Revenues:									
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	1,288	-	56,400	-	682,060	-	441,010	-	272
Interest	-	-	-	-	-	-	-	-	-
Sales	18,332	-	-	-	40,230	260	-	-	-
Total revenues	19,620	-	56,400	-	722,290	260	441,010	-	272
Expenditures by Function:									
Current:									
Judiciary	-	-	-	-	-	-	-	-	-
Ministry of Education	-	-	-	-	-	-	195,268	-	-
Ministry of Health and Environment	-	-	-	-	-	-	-	-	-
Ministry of Internal Affairs	-	-	-	-	-	-	-	-	-
Ministry of Justice	-	-	-	-	269,962	-	-	-	-
Ministry of Foreign Affairs and Trade	-	-	12,171	-	-	-	-	-	-
Ministry of Public Works	8,136	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-
Total expenditures	8,136	-	12,171	-	269,962	-	195,268	-	-
Excess (deficiency) of revenues over (under) expenditures	11,484	-	44,229	-	452,328	260	245,742	-	272
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(452,328)	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	(452,328)	-	-	-	-
Net change in fund balances	11,484	-	44,229	-	-	260	245,742	-	272
Fund balances at the beginning of the year	49,058	18,118	66,203	-	359	5,710	118,812	5,868	26,287
Fund balances at the end of the year	\$ 60,542	\$ 18,118	\$ 110,432	\$ -	\$ 359	\$ 5,970	\$ 364,554	\$ 5,868	\$ 26,559

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, 2015**

	200527	200528	300612							
	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
Revenues:										
Federal and other grants	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 386,951	\$ -	\$ -	\$ -	\$ 396,951
Fees and charges	-	14,406	-	-	90,105	410,325	8,039,231	-	-	9,735,097
Interest	-	-	-	13,813	1,022	-	-	-	-	14,835
Sales	-	7,190	-	-	-	-	-	-	-	66,012
Total revenues	-	21,596	-	23,813	91,127	797,276	8,039,231	-	-	10,212,895
Expenditures by Function:										
Current:										
Judiciary	-	-	-	-	962,049	-	-	-	-	962,049
Ministry of Education	-	-	-	1,705,482	-	-	-	-	-	1,900,750
Ministry of Health and Environment	-	-	-	-	-	3,866,176	5,265,352	-	-	9,131,528
Ministry of Internal Affairs	-	19,002	-	-	-	-	-	-	-	19,002
Ministry of Justice	-	-	-	-	-	-	-	-	-	269,962
Ministry of Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	12,171
Ministry of Public Works	-	-	-	-	-	-	-	-	-	8,136
Nuclear claims related	-	-	1,292,089	-	-	-	-	49,600	-	1,341,689
Total expenditures	-	19,002	1,292,089	1,705,482	962,049	3,866,176	5,265,352	49,600	-	13,645,287
Excess (deficiency) of revenues over (under) expenditures	-	2,594	(1,292,089)	(1,681,669)	(870,922)	(3,068,900)	2,773,879	(49,600)	-	(3,432,392)
Other financing sources (uses):										
Operating transfers in	-	-	1,253,714	1,627,992	943,390	3,497,210	-	49,600	(3,497,210)	3,874,696
Operating transfers out	-	-	-	-	-	-	(3,497,210)	-	3,497,210	(452,328)
Total other financing sources (uses), net	-	-	1,253,714	1,627,992	943,390	3,497,210	(3,497,210)	49,600	-	3,422,368
Net change in fund balances	-	2,594	(38,375)	(53,677)	72,468	428,310	(723,331)	-	-	(10,024)
Fund balances at the beginning of the year	391	28,619	241,934	749,311	243,111	5,100,755	899,840	-	-	7,554,376
Fund balances at the end of the year	\$ 391	\$ 31,213	\$ 203,559	\$ 695,634	\$ 315,579	\$ 5,529,065	\$ 176,509	\$ -	\$ -	\$ 7,544,352

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, 2015**

	200105	200224	200318	200319	200332	200333	200340	200520	200525
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Resident Workers Training Account	Sea Patrol	Transportation Services
Revenues:									
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	1,288	-	56,400	-	682,060	-	441,010	-	272
Interest	-	-	-	-	-	-	-	-	-
Sales	18,332	-	-	-	40,230	260	-	-	-
Total revenues	19,620	-	56,400	-	722,290	260	441,010	-	272
Expenditures by Account:									
Grants and subsidies	-	-	-	-	-	-	500	-	-
Salaries and wages	-	-	-	-	-	-	46,395	-	-
Medical supplies	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	90,416	-	-
Capital outlay	1,590	-	-	-	51,056	-	4,295	-	-
Travel	-	-	3,667	-	62,097	-	22,491	-	-
Food stuffs	38	-	-	-	5,771	-	3,516	-	-
Supplies and materials	6,508	-	1,660	-	38,786	-	4,864	-	-
POL	-	-	328	-	58,401	-	-	-	-
Rentals	-	-	-	-	-	-	12,911	-	-
Allowances	-	-	-	-	-	-	2,400	-	-
Communications	-	-	2,139	-	10,233	-	4,798	-	-
Insurance	-	-	3,447	-	419	-	1,084	-	-
Utilities	-	-	-	-	1,177	-	598	-	-
Leased housing	-	-	-	-	-	-	-	-	-
Freight	-	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	250	-	-	-	-
Printing and reproduction	-	-	930	-	502	-	1,000	-	-
Other	-	-	-	-	41,270	-	-	-	-
Total expenditures	8,136	-	12,171	-	269,962	-	195,268	-	-
Excess (deficiency) of revenues over (under) expenditures	11,484	-	44,229	-	452,328	260	245,742	-	272
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(452,328)	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	(452,328)	-	-	-	-
Net change in fund balances	11,484	-	44,229	-	-	260	245,742	-	272
Fund balances at the beginning of the year	49,058	18,118	66,203	-	359	5,710	118,812	5,868	26,287
Fund balances at the end of the year	\$ 60,542	\$ 18,118	\$ 110,432	\$ -	\$ 359	\$ 5,970	\$ 364,554	\$ 5,868	\$ 26,559

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, 2015

	200527	200528	300612	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical							
Revenues:										
Federal and other grants	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 386,951	\$ -	\$ -	\$ -	\$ 396,951
Fees and charges	-	14,406	-	-	90,105	410,325	8,039,231	-	-	9,735,097
Interest	-	-	-	13,813	1,022	-	-	-	-	14,835
Sales	-	7,190	-	-	-	-	-	-	-	66,012
Total revenues	-	21,596	-	23,813	91,127	797,276	8,039,231	-	-	10,212,895
Expenditures by Account:										
Grants and subsidies	-	-	-	1,539,853	-	44,051	-	-	-	1,584,404
Salaries and wages	-	-	-	83,034	574,324	203,270	243,549	-	-	1,150,572
Medical supplies	-	-	-	-	-	3,117,088	212,126	-	-	3,329,214
Contractual services	-	-	1,292,089	-	-	-	3,739,042	-	-	5,121,547
Capital outlay	-	-	-	-	80,050	267,645	9,234	-	-	413,870
Travel	-	19,002	-	21,554	32,658	63,975	759,067	-	-	984,511
Food stuffs	-	-	-	-	-	-	-	-	-	9,325
Supplies and materials	-	-	-	-	48,377	5,345	13,744	-	-	119,284
POL	-	-	-	-	9,909	-	22,587	-	-	91,225
Rentals	-	-	-	12,000	-	-	-	-	-	24,911
Allowances	-	-	-	-	-	-	-	-	-	2,400
Communications	-	-	-	17,204	44,290	2,966	12,827	-	-	94,457
Insurance	-	-	-	-	-	-	15,125	-	-	20,075
Utilities	-	-	-	-	54,344	-	51,121	-	-	107,240
Leased housing	-	-	-	-	67,500	-	-	-	-	67,500
Freight	-	-	-	-	-	6,150	-	-	-	6,150
Professional services	-	-	-	-	12,582	42,316	136,288	-	-	191,436
Printing and reproduction	-	-	-	-	-	-	-	-	-	2,432
Other	-	-	-	31,837	38,015	113,370	50,642	49,600	-	324,734
Total expenditures	-	19,002	1,292,089	1,705,482	962,049	3,866,176	5,265,352	49,600	-	13,645,287
Excess (deficiency) of revenues over (under) expenditures	-	2,594	(1,292,089)	(1,681,669)	(870,922)	(3,068,900)	2,773,879	(49,600)	-	(3,432,392)
Other financing sources (uses):										
Operating transfers in	-	-	1,253,714	1,627,992	943,390	3,497,210	-	49,600	(3,497,210)	3,874,696
Operating transfers out	-	-	-	-	-	-	(3,497,210)	-	3,497,210	(452,328)
Total other financing sources (uses), net	-	-	1,253,714	1,627,992	943,390	3,497,210	(3,497,210)	49,600	-	3,422,368
Net change in fund balances	-	2,594	(38,375)	(53,677)	72,468	428,310	(723,331)	-	-	(10,024)
Fund balances at the beginning of the year	391	28,619	241,934	749,311	243,111	5,100,755	899,840	-	-	7,554,376
Fund balances at the end of the year	\$ 391	\$ 31,213	\$ 203,559	\$ 695,634	\$ 315,579	\$ 5,529,065	\$ 176,509	\$ -	\$ -	\$ 7,544,352

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

FIDUCIARY FUNDS - PRIVATE PURPOSE TRUSTS

September 30, 2015

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, 2015, follows:

Marshall Islands Social Security Administration (MISSA)

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

Kwajalein Atoll Trust Fund

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

Section 212 Kwajalein Landowners Fund

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

Nuclear Claims Trust Fund

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

See Accompanying Independent Auditors’ Report.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Fiduciary Net Position
Fiduciary Funds - Private Purpose Trusts
September 30, 2015

DILOG Fund Number	350610	510610	300614		
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Nuclear Claims Trust	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	
				Total	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 772,855	\$ -	\$ -	\$ -	\$ 772,855
Receivables, net:					
Contributions	1,784,736	-	-	-	1,784,736
Other	678,480	-	-	-	678,480
Investments	66,389,012	-	-	2,289	66,391,301
Due from other funds	-	421,658	343,144	55,573	820,375
Capital assets, net of accumulated depreciation	72,652	-	-	-	72,652
Total assets	<u>69,697,735</u>	<u>421,658</u>	<u>343,144</u>	<u>57,862</u>	<u>70,520,399</u>
<u>LIABILITIES</u>					
Accounts payable	82,144	-	5,202	-	87,346
Other liabilities and accruals	136,151	-	-	-	136,151
Due to other funds	2,647,044	-	-	-	2,647,044
Total liabilities	<u>2,865,339</u>	<u>-</u>	<u>5,202</u>	<u>-</u>	<u>2,870,541</u>
<u>NET POSITION</u>					
Restricted for:					
Social security benefits	66,832,396	-	-	-	66,832,396
Nuclear claims	-	-	-	57,862	57,862
Land use distributions	-	421,658	337,942	-	759,600
Total net position	<u>\$ 66,832,396</u>	<u>\$ 421,658</u>	<u>\$ 337,942</u>	<u>\$ 57,862</u>	<u>\$ 67,649,858</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Changes in Fiduciary Net Position
Fiduciary Funds - Private Purpose Trusts
Year Ended September 30, 2015

DILOG Fund Number	350610	510610	300614	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Nuclear Claims Trust
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
				<u> Total </u>
Additions:				
Contributions:				
Private employees	\$ 9,340,446	\$ -	\$ -	\$ -
Government employees	4,307,410	-	-	-
Penalties and interest	410,578	-	-	-
	<u>14,058,434</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total contributions				<u>14,058,434</u>
Investment earnings:				
Net change in the fair value of investments	(1,191,062)	-	-	-
Interest and dividends	1,602,563	-	-	-
	<u>411,501</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investment earnings				411,501
Less investment expense	146,590	-	-	-
	<u>264,911</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment earnings				264,911
Other:				
Compact funding	-	-	20,929,785	-
Other	365,149	-	-	-
	<u>365,149</u>	<u>-</u>	<u>20,929,785</u>	<u>-</u>
Total additions	<u>14,688,494</u>	<u>-</u>	<u>20,929,785</u>	<u>-</u>
Deductions:				
Land use distributions	-	-	20,827,317	-
Benefits	19,261,636	-	-	-
Administrative expenses	961,119	-	-	-
	<u>20,222,755</u>	<u>-</u>	<u>20,827,317</u>	<u>-</u>
Total deductions				41,050,072
Change in net position held in trust for:				
Social security benefits	(5,534,261)	-	-	-
Land use distributions	-	-	102,468	-
Net position at the beginning of the year	<u>72,366,657</u>	<u>421,658</u>	<u>235,474</u>	<u>57,862</u>
Net position at the end of the year	<u>\$ 66,832,396</u>	<u>\$ 421,658</u>	<u>\$ 337,942</u>	<u>\$ 57,862</u>
				<u>\$ 67,649,858</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

FIDUCIARY FUNDS - AGENCY

September 30, 2015

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. A brief discussion of RepMar's Agency Funds as of September 30, 2015, follows:

Unclaimed Property Fund

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency
September 30, 2015

	Balance October 1, 2014	Additions	Deductions	Balance September 30, 2015
<u>ASSETS</u>				
Due from other funds	\$ 164,484	\$ -	\$ -	\$ 164,484
Total assets	<u>\$ 164,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,484</u>
<u>LIABILITIES</u>				
Other liabilities and accruals	\$ 164,484	\$ -	\$ -	\$ 164,484
Total liabilities	<u>\$ 164,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,484</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

September 30, 2015

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, 2015, follows:

Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR)

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

Majuro Atoll Waste Company, Inc. (MAWC)

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

Majuro Resort, Inc. (MRI)

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

Majuro Water and Sewer Company, Inc. (MWSC)

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

Marshall Islands Postal Services Authority (MIPSA)

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

September 30, 2015

Marshall Islands Shipping Corporation (MISC)

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

Marshall Islands Visitors Authority (MIVA)

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

RMI Environmental Protection Authority (EPA)

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

Tobolar Copra Processing Authority (TCPA)

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

**Combining Schedule of Net Position
September 30, 2015**

	Kwajalein Atoll Joint Utilities Resources, Inc.	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	Marshall Islands Shipping Corporation	Marshall Islands Visitors Authority	Office of Commerce and Investment	RMI Environmental Protection Authority	Tobolar Copra Processing Authority	Total
ASSETS											
Current assets:											
Cash and cash equivalents	\$ 345,772	\$ 18,985	\$ 162,523	\$ 255,113	\$ 319,094	\$ 214,423	\$ -	\$ 140,250	\$ 66,787	\$ 110,650	\$ 1,633,597
Receivables, net	514,267	15,798	248,036	361,544	80,470	181,753	18,950	-	626,071	330,445	2,377,334
Inventories	726,338	-	57,836	244,464	20,128	17,808	-	-	-	520,658	1,587,232
Other current assets	230,191	34,484	39,220	77,993	35,083	92,733	1,351	-	-	70,557	581,612
Total current assets	<u>1,816,568</u>	<u>69,267</u>	<u>507,615</u>	<u>939,114</u>	<u>454,775</u>	<u>506,717</u>	<u>20,301</u>	<u>140,250</u>	<u>692,858</u>	<u>1,032,310</u>	<u>6,179,775</u>
Noncurrent assets:											
Nondepreciable capital assets	56,774	178,843	-	-	-	-	-	-	-	26,140	261,757
Other capital assets, net of accumulated depreciation	1,944,006	616,750	1,355,740	1,209,568	49,763	238,474	17,860	58,638	46,021	1,293,391	6,830,211
Total noncurrent assets	<u>2,000,780</u>	<u>795,593</u>	<u>1,355,740</u>	<u>1,209,568</u>	<u>49,763</u>	<u>238,474</u>	<u>17,860</u>	<u>58,638</u>	<u>46,021</u>	<u>1,319,531</u>	<u>7,091,968</u>
Total assets	<u>\$ 3,817,348</u>	<u>\$ 864,860</u>	<u>\$ 1,863,355</u>	<u>\$ 2,148,682</u>	<u>\$ 504,538</u>	<u>\$ 745,191</u>	<u>\$ 38,161</u>	<u>\$ 198,888</u>	<u>\$ 738,879</u>	<u>\$ 2,351,841</u>	<u>\$ 13,271,743</u>
LIABILITIES											
Current liabilities:											
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,018	\$ 23,018
Short-term debt	-	-	-	-	-	-	-	-	-	1,794,327	1,794,327
Current portion of long-term debt	-	31,151	-	-	-	-	-	-	-	13,069	44,220
Accounts payable	24,318	25,126	738,657	1,924,413	8,842	75,905	54,865	-	549,000	507,182	3,908,308
Other liabilities and accruals	2,434,509	146,175	572,137	54,386	202,542	389,316	9,726	32,056	18,155	95,399	3,954,401
Unearned revenues	58,790	-	-	-	22,554	-	-	-	-	-	81,344
Total current liabilities	<u>2,517,617</u>	<u>202,452</u>	<u>1,310,794</u>	<u>1,978,799</u>	<u>233,938</u>	<u>465,221</u>	<u>64,591</u>	<u>32,056</u>	<u>567,155</u>	<u>2,432,995</u>	<u>9,805,618</u>
Noncurrent liabilities:											
Noncurrent portion of long-term debt	-	33,635	-	-	-	-	-	-	-	268,173	301,808
Total liabilities	<u>2,517,617</u>	<u>236,087</u>	<u>1,310,794</u>	<u>1,978,799</u>	<u>233,938</u>	<u>465,221</u>	<u>64,591</u>	<u>32,056</u>	<u>567,155</u>	<u>2,701,168</u>	<u>10,107,426</u>
NET POSITION											
Net investment in capital assets	2,000,780	795,593	1,355,740	1,209,568	49,763	238,474	17,860	58,638	46,021	1,038,289	6,810,726
Restricted	-	-	-	310,222	-	190,641	-	-	44,170	-	545,033
Unrestricted	(701,049)	(166,820)	(803,179)	(1,349,907)	220,837	(149,145)	(44,290)	108,194	81,533	(1,387,616)	(4,191,442)
Total net position	<u>1,299,731</u>	<u>628,773</u>	<u>552,561</u>	<u>169,883</u>	<u>270,600</u>	<u>279,970</u>	<u>(26,430)</u>	<u>166,832</u>	<u>171,724</u>	<u>(349,327)</u>	<u>3,164,317</u>
	<u>\$ 3,817,348</u>	<u>\$ 864,860</u>	<u>\$ 1,863,355</u>	<u>\$ 2,148,682</u>	<u>\$ 504,538</u>	<u>\$ 745,191</u>	<u>\$ 38,161</u>	<u>\$ 198,888</u>	<u>\$ 738,879</u>	<u>\$ 2,351,841</u>	<u>\$ 13,271,743</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

Combining Schedule of Revenues, Expenses, and Changes in Net Position Year Ended September 30, 2015

	Kwajalein Atoll Joint Utilities Resources, Inc.	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	Marshall Islands Shipping Corporation	Marshall Islands Visitors Authority	Office of Commerce and Investment	RMI Environmental Protection Authority	Tobolar Copra Processing Authority	Total
Operating revenues:											
Charges for services	\$ 4,086,044	\$ 157,621	\$ 1,678,350	\$ 1,042,116	\$ 70,915	\$ 927,115	\$ 8,451	\$ -	\$ 695,807	\$ -	\$ 8,666,419
Sales	-	-	1,449,980	-	418,020	180,860	-	-	-	2,978,691	5,027,551
Other	-	-	58,676	14,379	57,860	88,446	16,684	25,517	1,876	-	263,438
Total operating revenues	4,086,044	157,621	3,187,006	1,056,495	546,795	1,196,421	25,135	25,517	697,683	2,978,691	13,957,408
Operating expenses:											
Cost of services	5,763,983	612,277	1,614,695	1,439,404	-	2,812,201	-	-	-	4,381,352	16,623,912
Administration costs	-	-	1,277,332	-	507,355	-	346,495	397,779	1,039,403	784,190	4,352,554
Depreciation and amortization	455,423	250,172	386,141	178,667	24,672	78,722	13,602	-	39,702	318,167	1,745,268
Total operating expenses	6,219,406	862,449	3,278,168	1,618,071	532,027	2,890,923	360,097	397,779	1,079,105	5,483,709	22,721,734
Operating income (loss)	(2,133,362)	(704,828)	(91,162)	(561,576)	14,768	(1,694,502)	(334,962)	(372,262)	(381,422)	(2,505,018)	(8,764,326)
Nonoperating revenues (expenses):											
Contributions from the primary government	2,629,764	455,678	-	-	105,278	1,749,541	240,560	425,889	170,144	1,718,842	7,495,696
Interest expense	-	(6,445)	(4,071)	-	-	-	-	-	-	(131,117)	(141,633)
Grants and other contributions	-	53,920	-	-	-	-	31,000	-	198,942	1,430	285,292
Other	(20,212)	-	-	(1,487)	2,563	-	-	(4,494)	(18,011)	-	(41,641)
Total nonoperating revenues (expenses), net	2,609,552	503,153	(4,071)	(1,487)	107,841	1,749,541	271,560	421,395	351,075	1,589,155	7,597,714
Net income (loss) before capital contributions	476,190	(201,675)	(95,233)	(563,063)	122,609	55,039	(63,402)	49,133	(30,347)	(915,863)	(1,166,612)
Capital contributions	-	201,842	-	420,417	-	-	-	-	-	-	622,259
Change in net position	476,190	167	(95,233)	(142,646)	122,609	55,039	(63,402)	49,133	(30,347)	(915,863)	(544,353)
Net position at the beginning of the year	823,541	628,606	647,794	312,529	147,991	224,931	36,972	117,699	202,071	566,536	3,708,670
Net position at the end of the year	\$ 1,299,731	\$ 628,773	\$ 552,561	\$ 169,883	\$ 270,600	\$ 279,970	\$ (26,430)	\$ 166,832	\$ 171,724	\$ (349,327)	\$ 3,164,317

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GRANTS ASSISTANCE FUND

September 30, 2015

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, 2015, follows:

Section 215(a)(1) Communications Fund

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

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

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

Section 216(a)(3) Scholarship Fund

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

Section 213 Audit Fund

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

U.S. Federal Grants Fund

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

European Union Grants Fund

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

Other Direct Assistance Fund

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

Republic of China Projects Fund

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GRANTS ASSISTANCE FUND

September 30, 2015

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, 2015

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700360	700370		
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	Other Direct Assistance	Republic of China Projects	Compact Sector	Total
ASSETS										
Receivables:										
Federal agencies	\$ -	\$ -	\$ -	\$ 752,740	\$ 1,075,709	\$ -	\$ -	\$ -	\$ 5,723,814	\$ 7,552,263
General	-	-	-	-	-	-	(133,994)	3,700,000	-	3,566,006
Due from other funds	40,380	690	1,593	-	-	118,383	172,358	451,274	6,512,126	7,296,804
Advances	-	-	-	-	80,081	-	4,405	(4,568)	15,521	95,439
Total assets	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 752,740</u>	<u>\$ 1,155,790</u>	<u>\$ 118,383</u>	<u>\$ 42,769</u>	<u>\$ 4,146,706</u>	<u>\$ 12,251,461</u>	<u>\$ 18,510,512</u>
LIABILITIES AND FUND BALANCES										
(DEFICITS)										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ 189,218	\$ 832,002	\$ -	\$ 29,036	\$ 183,806	\$ 1,059,595	\$ 2,293,657
Other liabilities and accruals	-	-	-	-	97,204	-	5,803	5,250	516,366	624,623
Retention payable	-	-	-	-	-	-	-	-	266,067	266,067
Due to other funds	-	-	-	563,522	263,862	-	-	-	3,487,492	4,314,876
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>752,740</u>	<u>1,193,068</u>	<u>-</u>	<u>34,839</u>	<u>189,056</u>	<u>5,329,520</u>	<u>7,499,223</u>
Fund balances (deficits):										
Restricted	40,380	690	1,593	-	-	-	-	-	7,275,528	7,318,191
Committed	-	-	-	-	-	118,383	7,930	3,957,650	-	4,083,963
Unassigned	-	-	-	-	(37,278)	-	-	-	(353,587)	(390,865)
Total fund balances (deficits)	<u>40,380</u>	<u>690</u>	<u>1,593</u>	<u>-</u>	<u>(37,278)</u>	<u>118,383</u>	<u>7,930</u>	<u>3,957,650</u>	<u>6,921,941</u>	<u>11,011,289</u>
Total liabilities and fund balances	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 752,740</u>	<u>\$ 1,155,790</u>	<u>\$ 118,383</u>	<u>\$ 42,769</u>	<u>\$ 4,146,706</u>	<u>\$ 12,251,461</u>	<u>\$ 18,510,512</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, 2015

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700360	700370			
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	Other Direct Assistance	Republic of China Projects	Compact Sector	Elimination	Total
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ 322,620	\$ 9,162,979	\$ 249	\$ 1,447,622	\$ 7,600,000	\$ 35,770,089	\$ -	\$ 54,303,559
Expenditures by Function:											
Current:											
Office of the Chief Secretary	-	-	-	-	38,307	-	682,768	-	-	-	721,075
Special appropriations	-	-	-	-	-	-	138,717	199,087	501,842	-	839,646
Nitijela	-	-	-	-	-	-	-	121,508	-	-	121,508
Office of the Auditor-General	-	-	-	322,620	127,853	-	3,000	-	-	-	453,473
Ministry of Education	-	-	-	-	1,820,465	-	-	1,815,396	19,712,709	-	23,348,570
Ministry of Health and Environment	-	-	-	-	5,345,600	-	82,245	-	9,201,327	-	14,629,172
Ministry of Transportation and Communications	-	-	-	-	-	-	29,688	439,456	-	-	469,144
Ministry of Resources and Development	-	-	-	-	32,382	-	59,462	1,161,802	-	-	1,253,646
Ministry of Internal Affairs	-	-	-	-	126,673	-	174,970	705,696	-	-	1,007,339
Ministry of Finance	-	-	-	-	416,342	13,260	124,084	109,060	2,734,993	-	3,397,739
Ministry of Foreign Affairs	-	-	-	-	-	-	34,555	-	39,999	-	74,554
Ministry of Public Works	-	-	-	-	1,643	-	-	80,671	-	-	82,314
Environmental Protection Authority	-	-	-	-	-	-	20,000	-	486,673	-	506,673
Capital outlay	-	-	-	-	-	-	-	619,872	2,447,688	-	3,067,560
Total expenditures	-	-	-	322,620	7,909,265	13,260	1,349,489	5,252,548	35,125,231	-	49,972,413
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,253,714	(13,011)	98,133	2,347,452	644,858	-	4,331,146
Other financing sources (uses):											
Operating transfers in	-	-	-	-	-	-	-	-	696,497	(696,497)	-
Operating transfers out	-	-	-	-	(1,253,714)	-	-	(1,046,497)	(854,915)	696,497	(2,458,629)
Total other financing sources (uses), net	-	-	-	-	(1,253,714)	-	-	(1,046,497)	(158,418)	-	(2,458,629)
Net change in fund balances (deficits)	-	-	-	-	-	(13,011)	98,133	1,300,955	486,440	-	1,872,517
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(37,278)	131,394	(90,203)	2,656,695	6,435,501	-	9,138,772
Fund balances (deficits) at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (37,278)	\$ 118,383	\$ 7,930	\$ 3,957,650	\$ 6,921,941	\$ -	\$ 11,011,289

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, 2015

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700360	700370			
	Section 215(a)(1) Communi- cations	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	Other Direct Assistance	Republic of China Projects	Compact Sector	Elimination	Total
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ 322,620	\$ 9,162,979	\$ 249	\$ 1,447,622	\$ 7,600,000	\$ 35,770,089	\$ -	\$ 54,303,559
Expenditures by Account:											
Salaries and wages	-	-	-	-	3,114,555	-	274,925	35,006	16,742,132	-	20,166,618
Capital outlay	-	-	-	-	347,467	4,368	359,020	1,860,178	3,501,695	-	6,072,728
Grants and subsidies	-	-	-	-	30,000	-	226,897	2,545,587	6,290,711	-	9,093,195
Utilities	-	-	-	-	58,055	-	20	1,972	1,921,508	-	1,981,555
Leased housing	-	-	-	-	-	-	21,732	-	529,981	-	551,713
Supplies and materials	-	-	-	-	223,048	504	54,616	56,824	1,636,716	-	1,971,708
Contractual services	-	-	-	-	1,968,598	-	17,035	-	1,603,627	-	3,589,260
Travel	-	-	-	-	905,122	8,388	148,980	7,983	384,624	-	1,455,097
Food stuffs	-	-	-	-	388,305	-	88,745	84,025	439,533	-	1,000,608
Allowances	-	-	-	-	-	-	-	-	10,950	-	10,950
Professional services	-	-	-	322,620	-	-	2,500	-	-	-	325,120
Medical supplies	-	-	-	-	66,726	-	-	-	28,787	-	95,513
Communications	-	-	-	-	133,898	-	6,505	6,800	124,287	-	271,490
POL	-	-	-	-	101,609	-	79,817	54,551	243,943	-	479,920
Rentals	-	-	-	-	71,006	-	27,018	32,800	56,164	-	186,988
Freight	-	-	-	-	1,438	-	-	13,670	34,415	-	49,523
Printing and reproduction	-	-	-	-	21,342	-	2,342	-	27,956	-	51,640
Insurance	-	-	-	-	239	-	1,150	37,985	28,893	-	68,267
Other	-	-	-	-	477,857	-	38,187	515,167	1,519,309	-	2,550,520
Total expenditures	-	-	-	322,620	7,909,265	13,260	1,349,489	5,252,548	35,125,231	-	49,972,413
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,253,714	(13,011)	98,133	2,347,452	644,858	-	4,331,146
Other financing sources (uses):											
Operating transfers in	-	-	-	-	-	-	-	-	696,497	(696,497)	-
Operating transfers out	-	-	-	-	(1,253,714)	-	-	(1,046,497)	(854,915)	696,497	(2,458,629)
Total other financing sources (uses), net	-	-	-	-	(1,253,714)	-	-	(1,046,497)	(158,418)	-	(2,458,629)
Net change in fund balances (deficits)	-	-	-	-	-	(13,011)	98,133	1,300,955	486,440	-	1,872,517
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(37,278)	131,394	(90,203)	2,656,695	6,435,501	-	9,138,772
Fund balances (deficits) at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (37,278)	\$ 118,383	\$ 7,930	\$ 3,957,650	\$ 6,921,941	\$ -	\$ 11,011,289

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND

September 30, 2015

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

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

Supplemental Education Fund

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

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

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

Section 211(a)(4) Capacity Building Fund

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

Section 211(a)(5) Environment Sector Fund

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

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

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

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

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND

September 30, 2015

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, 2015

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	
ASSETS												
Receivables:												
Federal agencies	\$ 813,200	\$ 517,251	\$ 17,929	\$ -	\$ -	\$ 153,635	\$ -	\$ -	\$ 3,525,302	\$ 463,944	\$ 232,553	\$ 5,723,814
Due from other funds	48,226	-	388,973	163,374	10,486	397,648	42,511	35,221	-	2,537,232	2,888,455	6,512,126
Advances	533	597	(7,946)	-	-	17,930	863	1,149	5,367	(2,972)	-	15,521
Total assets	<u>\$ 861,959</u>	<u>\$ 517,848</u>	<u>\$ 398,956</u>	<u>\$ 163,374</u>	<u>\$ 10,486</u>	<u>\$ 569,213</u>	<u>\$ 43,374</u>	<u>\$ 36,370</u>	<u>\$ 3,530,669</u>	<u>\$ 2,998,204</u>	<u>\$ 3,121,008</u>	<u>\$ 12,251,461</u>
LIABILITIES AND FUND BALANCES												
(DEFICITS)												
Liabilities:												
Accounts payable	\$ 113,411	\$ 176,406	\$ 211,391	\$ -	\$ -	\$ 47,026	\$ 925	\$ 5,080	\$ 421,011	\$ 84,345	\$ -	\$ 1,059,595
Other liabilities and accruals	223,600	72,304	174,490	-	-	30,439	1,190	6,788	6,437	1,118	-	516,366
Retention payable	-	-	-	-	-	-	-	-	238,454	27,613	-	266,067
Due to other funds	-	555,910	-	-	-	-	-	-	2,931,582	-	-	3,487,492
Total liabilities	<u>337,011</u>	<u>804,620</u>	<u>385,881</u>	<u>-</u>	<u>-</u>	<u>77,465</u>	<u>2,115</u>	<u>11,868</u>	<u>3,597,484</u>	<u>113,076</u>	<u>-</u>	<u>5,329,520</u>
Fund balances (deficits):												
Restricted	524,948	-	13,075	163,374	10,486	491,748	41,259	24,502	-	2,885,128	3,121,008	7,275,528
Unassigned	-	(286,772)	-	-	-	-	-	-	(66,815)	-	-	(353,587)
Total fund balances (deficits)	<u>524,948</u>	<u>(286,772)</u>	<u>13,075</u>	<u>163,374</u>	<u>10,486</u>	<u>491,748</u>	<u>41,259</u>	<u>24,502</u>	<u>(66,815)</u>	<u>2,885,128</u>	<u>3,121,008</u>	<u>6,921,941</u>
Total liabilities and fund balances	<u>\$ 861,959</u>	<u>\$ 517,848</u>	<u>\$ 398,956</u>	<u>\$ 163,374</u>	<u>\$ 10,486</u>	<u>\$ 569,213</u>	<u>\$ 43,374</u>	<u>\$ 36,370</u>	<u>\$ 3,530,669</u>	<u>\$ 2,998,204</u>	<u>\$ 3,121,008</u>	<u>\$ 12,251,461</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, 2015

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	\$ 12,148,334	\$ 4,877,153	\$ 7,332,000	\$ -	\$ 324,999	\$ 4,267,635	\$ 2,738,516	\$ 232,553	\$ 2,645,865	\$ 970,481	\$ 232,553	\$ 35,770,089
Expenditures by Function:												
Current:												
Special appropriations	-	-	-	-	-	-	-	-	501,842	-	-	501,842
Ministry of Education	11,464,662	5,413,920	-	-	-	2,069,464	-	-	764,663	-	-	19,712,709
Ministry of Health and Environment	-	-	7,467,881	-	-	1,528,143	-	-	205,303	-	-	9,201,327
Ministry of Finance	-	-	-	-	-	-	2,734,993	-	-	-	-	2,734,993
Ministry of Foreign Affairs	-	-	-	39,999	-	-	-	-	-	-	-	39,999
Environmental Protection Authority	-	-	-	-	325,000	-	-	161,673	-	-	-	486,673
Capital outlay	-	-	-	-	-	-	-	-	1,174,057	1,273,631	-	2,447,688
Total expenditures	11,464,662	5,413,920	7,467,881	39,999	325,000	3,597,607	2,734,993	161,673	2,645,865	1,273,631	-	35,125,231
Excess (deficiency) of revenues over (under) expenditures	683,672	(536,767)	(135,881)	(39,999)	(1)	670,028	3,523	70,880	-	(303,150)	232,553	644,858
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	463,944	232,553	696,497
Operating transfers out	(600,000)	(54,915)	-	-	-	(200,000)	-	-	-	-	-	(854,915)
Total other financing sources (uses), net	(600,000)	(54,915)	-	-	-	(200,000)	-	-	-	463,944	232,553	(158,418)
Net change in fund balances (deficits)	83,672	(591,682)	(135,881)	(39,999)	(1)	470,028	3,523	70,880	-	160,794	465,106	486,440
Fund balances (deficits) at the beginning of the year	441,276	304,910	148,956	203,373	10,487	21,720	37,736	(46,378)	(66,815)	2,724,334	2,655,902	6,435,501
Fund balances (deficits) at the end of the year	\$ 524,948	\$ (286,772)	\$ 13,075	\$ 163,374	\$ 10,486	\$ 491,748	\$ 41,259	\$ 24,502	\$ (66,815)	\$ 2,885,128	\$ 3,121,008	\$ 6,921,941

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, 2015

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	\$ 12,148,334	\$ 4,877,153	\$ 7,332,000	\$ -	\$ 324,999	\$ 4,267,635	\$ 2,738,516	\$ 232,553	\$ 2,645,865	\$ 970,481	\$ 232,553	\$ 35,770,089
Expenditures by Account:												
Salaries and wages	7,433,239	2,221,419	5,617,387	-	-	997,941	16,486	146,350	180,346	128,964	-	16,742,132
Capital outlay	467,756	219,441	248,479	-	-	279,522	-	2,706	1,832,204	451,587	-	3,501,695
Grants and subsidies	1,383,421	303,500	50,000	-	325,000	525,000	2,711,388	-	501,842	490,560	-	6,290,711
Utilities	299,518	94,582	863,412	-	-	660,996	-	3,000	-	-	-	1,921,508
Leased housing	468,231	35,250	-	-	-	-	2,250	-	24,250	-	-	529,981
Supplies and materials	484,910	751,149	83,220	-	-	263,038	-	(2,567)	52,448	4,518	-	1,636,716
Contractual services	70,305	914,209	253,509	39,999	-	301,220	-	-	5,910	18,475	-	1,603,627
Travel	142,268	42,756	59,257	-	-	102,416	4,869	6,252	26,806	-	-	384,624
Food stuffs	228,160	19,859	110,403	-	-	80,614	-	-	497	-	-	439,533
Allowances	3,000	7,950	-	-	-	-	-	-	-	-	-	10,950
Medical supplies	-	-	-	-	-	28,787	-	-	-	-	-	28,787
Communications	23,007	19,038	11,583	-	-	56,746	-	1,249	12,664	-	-	124,287
POL	103,876	22,468	24,640	-	-	75,420	-	4,683	7,986	4,870	-	243,943
Rentals	40,727	13,113	-	-	-	2,324	-	-	-	-	-	56,164
Freight	19,822	905	6,056	-	-	7,632	-	-	-	-	-	34,415
Printing and reproduction	10,509	4,707	5,000	-	-	7,740	-	-	-	-	-	27,956
Insurance	19,000	-	-	-	-	893	-	-	-	9,000	-	28,893
Other	266,913	743,574	134,935	-	-	207,318	-	-	912	165,657	-	1,519,309
Total expenditures	11,464,662	5,413,920	7,467,881	39,999	325,000	3,597,607	2,734,993	161,673	2,645,865	1,273,631	-	35,125,231
Excess (deficiency) of revenues over (under) expenditures	683,672	(536,767)	(135,881)	(39,999)	(1)	670,028	3,523	70,880	-	(303,150)	232,553	644,858
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	463,944	232,553	696,497
Operating transfers out	(600,000)	(54,915)	-	-	-	(200,000)	-	-	-	-	-	(854,915)
Total other financing sources (uses), net	(600,000)	(54,915)	-	-	-	(200,000)	-	-	-	463,944	232,553	(158,418)
Net change in fund balances (deficits)	83,672	(591,682)	(135,881)	(39,999)	(1)	470,028	3,523	70,880	-	160,794	465,106	486,440
Fund balances (deficits) at the beginning of the year	441,276	304,910	148,956	203,373	10,487	21,720	37,736	(46,378)	(66,815)	2,724,334	2,655,902	6,435,501
Fund balances (deficits) at the end of the year	\$ 524,948	\$ (286,772)	\$ 13,075	\$ 163,374	\$ 10,486	\$ 491,748	\$ 41,259	\$ 24,502	\$ (66,815)	\$ 2,885,128	\$ 3,121,008	\$ 6,921,941

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

September 30, 2015

Reimbursable Fund

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

Changed Circumstances Fund

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

Judiciary Fund

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

Alternative Energy Fund

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

Postal Service Fund

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

Marshall Islands Development Authority (MIDA) Fund

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

Local Government Fund

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

September 30, 2015

Asian Development Bank (ADB) Development Projects

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

Combining Balance Sheet
September 30, 2015

	100100	200090	200317	200330	200335	200337	200515	300400	300600	800405	950000	960000		
	General	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Postal Service	MIDA	Local Government	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total
ASSETS														
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,268	\$ 7,497,604	\$ -	\$ -	\$ 7,519,872
Investments	998,250	-	-	-	-	-	-	-	-	-	-	-	-	998,250
Receivables, net:														
Taxes	2,346,978	-	-	-	-	-	-	-	-	-	-	-	-	2,346,978
Federal agencies	14,691	323,824	-	-	-	-	-	-	-	-	-	-	-	338,515
General	192,403	-	-	-	-	-	-	-	-	144,951	(1,566)	-	-	335,788
Due from other funds	6,053,848	-	54,458	434,420	443	-	-	-	14,251	453,588	4,730,912	1,506,414	(8,933,458)	4,314,876
Due from component units	8,811,389	-	-	-	-	-	-	-	-	-	-	-	-	8,811,389
Advances	153,631	4,967	-	-	-	-	-	-	-	-	(56,943)	-	-	101,655
Restricted assets:														
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	6,017,987	-	-	6,017,987
Total assets	<u>\$ 18,571,190</u>	<u>\$ 328,791</u>	<u>\$ 54,458</u>	<u>\$ 434,420</u>	<u>\$ 443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,251</u>	<u>\$ 620,807</u>	<u>\$ 18,187,994</u>	<u>\$ 1,506,414</u>	<u>\$ (8,933,458)</u>	<u>\$ 30,785,310</u>
LIABILITIES AND FUND BALANCE														
(DEFICIT)														
Liabilities:														
Accounts payable	\$ 1,823,794	\$ 13,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,546	\$ 163,072	\$ -	\$ -	\$ 2,006,144
Other liabilities and accruals	1,219,842	13,565	-	-	27	-	-	-	-	-	-	1,506,414	-	2,739,848
Due to component units	551,741	-	-	-	-	-	-	-	-	-	-	-	-	551,741
Due to other funds	-	364,339	-	-	-	51,039	658	-	-	-	18,024,922	-	(8,933,458)	9,507,500
Total liabilities	<u>3,595,377</u>	<u>391,636</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>51,039</u>	<u>658</u>	<u>-</u>	<u>-</u>	<u>5,546</u>	<u>18,187,994</u>	<u>1,506,414</u>	<u>(8,933,458)</u>	<u>14,805,233</u>
Fund balance (deficit):														
Nonspendable	9,809,639	-	-	-	-	-	-	-	-	-	-	-	-	9,809,639
Restricted	-	-	-	-	-	-	-	-	-	615,261	2,092,920	-	-	2,708,181
Committed	-	-	-	-	-	-	-	-	14,251	-	-	-	-	14,251
Unassigned	5,166,174	(62,845)	54,458	434,420	416	(51,039)	(658)	-	-	-	(2,092,920)	-	-	3,448,006
Total fund balance (deficit)	<u>14,975,813</u>	<u>(62,845)</u>	<u>54,458</u>	<u>434,420</u>	<u>416</u>	<u>(51,039)</u>	<u>(658)</u>	<u>-</u>	<u>14,251</u>	<u>615,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,980,077</u>
Total liabilities and fund balance	<u>\$ 18,571,190</u>	<u>\$ 328,791</u>	<u>\$ 54,458</u>	<u>\$ 434,420</u>	<u>\$ 443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,251</u>	<u>\$ 620,807</u>	<u>\$ 18,187,994</u>	<u>\$ 1,506,414</u>	<u>\$ (8,933,458)</u>	<u>\$ 30,785,310</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

Combining Schedule of Revenues, Expenditures By Function,
and Changes in Fund Balances (Deficits)
Year Ended September 30, 2015

	100100	200090	200317	200330	200335	200337	200515	300400	300600	800405	950000	960000		
	General	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Postal Service	MIDA	Local Government	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total
Revenues:														
Taxes	\$ 25,445,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,445,105
Federal and other grants	3,600,000	472,241	-	-	-	-	-	-	-	144,951	-	-	-	4,217,192
Ship registry	6,000,000	-	-	-	-	-	-	-	-	-	-	-	-	6,000,000
Interest and dividends	163,933	-	-	-	-	-	-	-	-	-	-	-	-	163,933
Fees and charges	28,449	185,908	-	1,275	-	-	-	-	-	-	-	-	-	215,632
Contributions from component units	15,991,385	-	-	-	-	-	-	-	-	-	-	-	-	15,991,385
Other	446,884	-	-	400,000	-	-	-	-	-	-	-	-	-	846,884
Total revenues	51,675,756	658,149	-	401,275	-	-	-	-	-	144,951	-	-	-	52,880,131
Expenditures by Function:														
Current:														
President and Cabinet	1,549,530	-	-	-	-	-	-	-	-	-	-	-	-	1,549,530
Office of the Chief Secretary	613,236	-	-	-	-	-	-	-	-	3,353	-	-	-	616,589
Special appropriations	16,689,586	-	-	-	-	-	-	-	-	300,000	-	-	-	16,989,586
Council of Iroij	422,018	-	-	-	-	-	-	-	-	-	-	-	-	422,018
Nitijela	1,807,786	-	-	-	-	-	-	-	-	-	-	-	-	1,807,786
Office of the Auditor-General	835,930	-	-	-	-	-	-	-	-	-	-	-	-	835,930
Public Service Commission	620,215	-	-	-	-	-	-	-	-	-	-	-	-	620,215
Office of the Attorney General	779,253	91,200	-	-	-	-	-	-	-	-	-	-	-	870,453
Ministry of Education	5,750,334	-	-	-	-	-	-	-	-	-	-	-	-	5,750,334
Ministry of Health and Environment	2,787,851	-	-	-	-	-	-	-	-	-	-	-	-	2,787,851
Ministry of Transportation and Communication	506,548	-	-	-	-	-	-	-	-	319,661	-	-	-	826,209
Ministry of Resources and Development	1,055,408	17,972	-	-	-	-	-	-	-	144,952	-	-	-	1,218,332
Ministry of Internal Affairs	1,844,101	-	-	-	-	-	-	-	-	68,925	-	-	-	1,913,026
Ministry of Justice	3,142,844	-	-	-	-	-	-	-	-	-	-	-	-	3,142,844
Ministry of Finance	2,974,103	578,003	-	-	-	-	-	-	-	143	-	-	-	3,552,249
Ministry of Foreign Affairs and Trade	2,697,734	-	-	-	-	-	-	-	-	-	-	-	-	2,697,734
Ministry of Public Works	1,353,494	-	-	-	-	-	-	-	-	-	-	-	-	1,353,494
Environmental Protection Authority	170,143	-	-	-	-	51,039	-	-	-	-	-	-	-	221,182
Debt service:														
Principal repayment	2,715,634	-	-	-	-	-	-	-	-	-	-	-	-	2,715,634
Interest	733,114	-	-	-	-	-	-	-	-	-	-	-	-	733,114
Total expenditures	49,048,862	687,175	-	-	-	51,039	-	-	-	837,034	-	-	-	50,624,110
Excess (deficiency) of revenues over (under) expenditures	2,626,894	(29,026)	-	401,275	-	(51,039)	-	-	-	(692,083)	-	-	-	2,256,021
Other financing sources (uses):														
Operating transfers in	452,328	-	-	585,665	-	-	-	-	-	-	-	-	(585,665)	452,328
Operating transfers out	(2,416,067)	-	-	(585,665)	-	-	-	-	-	-	-	-	585,665	(2,416,067)
Total other financing sources (uses), net	(1,963,739)	-	-	-	-	-	-	-	-	-	-	-	-	(1,963,739)
Net change in fund balances (deficits)	663,155	(29,026)	-	401,275	-	(51,039)	-	-	-	(692,083)	-	-	-	292,282
Fund balances (deficits) at the beginning of the year	14,312,658	(33,819)	54,458	33,145	416	-	(658)	-	14,251	1,307,344	-	-	-	15,687,795
Fund balances (deficits) at the end of the year	\$ 14,975,813	\$ (62,845)	\$ 54,458	\$ 434,420	\$ 416	\$ (51,039)	\$ (658)	\$ -	\$ 14,251	\$ 615,261	\$ -	\$ -	\$ -	\$ 15,980,077

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

**Combining Schedule of Expenditures By Account
Year Ended September 30, 2015**

	100100	200090	200317	200330	200335	200337	200515	300400	300600	800405	
	General	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Postal Service	MIDA	Local Government	ADB Development Projects	Total
Expenditures by Account:											
Salaries and wages	\$ 16,987,023	\$ 564,334	\$ -	\$ -	\$ -	\$ 51,039	\$ -	\$ -	\$ -	\$ 143	\$ 17,602,539
Capital outlay	672,268	4,641	-	-	-	-	-	-	-	78,181	755,090
Grants and subsidies	12,409,904	-	-	-	-	-	-	-	-	688,586	13,098,490
Contractual services	1,103,296	30	-	-	-	-	-	-	-	-	1,103,326
Travel	895,083	27,649	-	-	-	-	-	-	-	12,302	935,034
Utilities	5,223,076	38,600	-	-	-	-	-	-	-	-	5,261,676
Supplies and materials	361,784	3,837	-	-	-	-	-	-	-	1,634	367,255
Leased housing	1,446,588	9,000	-	-	-	-	-	-	-	-	1,455,588
POL	371,269	4,755	-	-	-	-	-	-	-	3,577	379,601
Rentals	1,707,503	7,394	-	-	-	-	-	-	-	16,120	1,731,017
Food stuffs	402,088	-	-	-	-	-	-	-	-	3,353	405,441
Professional services	156,661	10,000	-	-	-	-	-	-	-	15,000	181,661
Principal repayment	2,715,634	-	-	-	-	-	-	-	-	-	2,715,634
Interest	733,114	-	-	-	-	-	-	-	-	-	733,114
Allowances	813,854	-	-	-	-	-	-	-	-	-	813,854
Communications	563,106	13,762	-	-	-	-	-	-	-	-	576,868
Freight	29,355	137	-	-	-	-	-	-	-	-	29,492
Printing and reproduction	35,572	-	-	-	-	-	-	-	-	476	36,048
Insurance	65,497	547	-	-	-	-	-	-	-	-	66,044
Other	2,356,187	2,489	-	-	-	-	-	-	-	17,662	2,376,338
Total expenditures	\$ 49,048,862	\$ 687,175	\$ -	\$ -	\$ -	\$ 51,039	\$ -	\$ -	\$ -	\$ 837,034	\$ 50,624,110

See Accompanying Independent Auditors' Report.