

**REPUBLIC OF THE MARSHALL ISLANDS**

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

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**YEAR ENDED SEPTEMBER 30, 2010**

# REPUBLIC OF THE MARSHALL ISLANDS

## FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2010

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FINANCIAL STATEMENTS  
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## **INDEPENDENT AUDITORS' REPORT**

His Excellency Jurelang Zedkaia  
President  
Republic of the Marshall Islands:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar), as of and for the year ended September 30, 2010, which collectively comprise RepMar's basic financial statements as set forth in Section II of the foregoing table of contents. These financial statements are the responsibility of the management of RepMar. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the financial statements of the Marshall Islands National Telecommunications Authority, which represents 23%, 10% and 12%, respectively, of the assets, net assets and operating revenues of RepMar's discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Marshall Islands National Telecommunications Authority, is based solely on the report of the other auditors.

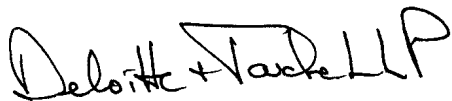
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RepMar's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, on our consideration of the Republic of the Marshall Islands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

June 28, 2011

## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with RepMar's basic financial statements, which follow this section. Fiscal year 2009 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 \$88 million (net assets), increasing by \$14 million (or 18.9%) from \$74 million in the prior year. This increase is primarily attributable to: (1) the investment in capital assets within the Health and Education sectors funded primarily by Compact grants; (2) investment earnings of the Compact Trust Fund held for future budgetary support; (3) the accumulation of other funds restricted for other purposes within the Health and Education sectors; and (4) the receipt of grant revenues from the Republic of China that were utilized to retire a portion of outstanding Asian Development Bank long-term debt.
- During the current fiscal year, RepMar's expenses for governmental activities were \$98.8 million, including special appropriations made to the autonomous agencies, and were funded in part by \$69.4 million in program revenues and \$43.5 million in taxes and other general revenues. Program revenues increased by \$3.5 million (or 5.3%) from \$65.9 million in the prior year to \$69.4 million, which was attributable primarily to the increase in investment earnings generated by the Compact Trust Fund. Expenses decreased \$3.3 million (or 3.2%) from \$102.1 million in the prior year to \$98.8 million, which was attributable primarily to the decrease in Education sector expenses.
- For the current fiscal year, the General Fund reported revenues (and transfers in) of \$37 million, \$0.4 million in excess of appropriations (and transfers out) of \$36.6 million. General fund revenues (and transfers in) were up \$2.2 million (or 6.3%) from prior year primarily due to an increase in gross revenue tax collections. Concurrently, General Fund appropriations were up \$1.1 million (or 3.2%) from prior year primarily due to an increase in appropriations associated with debt service payments on Asian Development Bank (ADB) loans. Debt service of \$1.3 million was appropriated from the General Fund in prior year whereas \$2.2 million was appropriated from the General Fund during the current fiscal year with an additional portion of \$1.1 million appropriated from the Republic of China Projects Fund. Revenues collected, including transfers in, of \$37 million were higher than budgeted amounts of \$34.7 million. Additionally, charges to appropriations, including transfers out, of \$37 million were higher than budgeted amounts of \$35.3 million resulting in no overall change in the net budgetary deficit for the current 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.

# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2010

### **Government-wide Financial Statements**

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

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

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

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

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

The government-wide financial statements can be found on pages 15 and 16 of this report.

### **Fund Financial Statements**

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

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

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

# REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis  
Year Ended September 30, 2010

## **Fund Financial Statements, Continued**

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

The basic governmental fund financial statements can be found on pages 17 and 18 of this report.

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

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

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

The discretely presented component unit financial statements can be found on pages 22 and 23 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 62 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons. Required supplementary information can be found on pages 63 through 65 of this report.

The other supplementary information referred to earlier is presented immediately following the required supplementary information on budgetary comparisons, and can be found on pages 66 through 99 of this report.



# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2010

### A FINANCIAL ANALYSIS OF REPMAR AS A WHOLE

#### Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of RepMar, assets exceeded liabilities by \$88 million at the close of the most recent fiscal year. However, all these net assets are either restricted as to the purpose they can be used for or are invested in capital assets. RepMar uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although RepMar's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities. The majority of RepMar's net assets are comprised of its capital assets and long-term liabilities. Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year, respectively. RepMar's current assets amounted to \$53 million while its current liabilities were \$41.3 million. Restricted net assets represent resources that are subject to external constraints. The table below summarizes RepMar's net assets at the close of the current year compared with prior year.

	RepMar's Net Assets As of September 30	
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 95,984,359	\$ 85,993,498
Capital assets	<u>89,721,559</u>	<u>86,436,108</u>
<b>Total Assets</b>	<u>185,705,918</u>	<u>172,429,606</u>
Long-term liabilities	56,282,578	58,425,229
Other liabilities	<u>41,348,469</u>	<u>39,956,504</u>
<b>Total Liabilities</b>	<u>97,631,047</u>	<u>98,381,733</u>
Net assets:		
Invested in capital assets, net of related debt	69,235,298	65,332,188
Restricted net assets:		
Future operations	40,961,484	37,396,848
Compact related	4,049,315	2,618,463
Other purposes	7,606,052	4,015,624
Unrestricted net assets	<u>(33,777,278)</u>	<u>(35,315,250)</u>
<b>Total Net Assets</b>	<u>\$ 88,074,871</u>	<u>\$ 74,047,873</u>

At the end of the current fiscal year, RepMar's unrestricted net asset deficiency was \$33.8 million, a slight improvement on the prior year amount by \$1.5 million (or 4.4%). 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.

# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2010

### Changes in Net Assets

As discussed earlier, net assets of the primary government increased by \$14 million, which represents an increase of 18.9% from the prior year's amount of \$74 million. This result indicates that RepMar's financial condition, as a whole, improved from the prior year. The table below summarizes RepMar's change in net assets for the current fiscal year as compared with prior year.

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

	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 8,765,338	\$ 8,222,886
Operating grants and contributions	46,719,025	43,822,007
Capital grants and contributions	<u>13,867,437</u>	<u>13,820,642</u>
	<u>69,351,800</u>	<u>65,865,535</u>
General revenues:		
Taxes	25,243,331	24,328,751
Grants and contributions not restricted	11,935,416	10,114,584
Fishing rights	2,000,011	1,500,000
Ship registry	3,000,000	3,250,000
Unrestricted investment earnings	133,841	92,428
Other	<u>1,182,633</u>	<u>450,088</u>
	<u>43,495,232</u>	<u>39,735,851</u>
Total revenues	<u>112,847,032</u>	<u>105,601,386</u>
<b>Expenses:</b>		
President and Cabinet	1,820,567	1,825,539
Office of the Chief Secretary	1,148,778	1,135,561
Special appropriations	8,996,233	8,709,632
Council of Iroij	443,785	460,785
Nitijela	1,680,688	1,664,083
Office of the Auditor-General	861,991	1,130,815
Public Service Commission	477,931	469,173
Judiciary	672,026	868,701
Office of the Attorney General	632,476	623,547
Education	33,023,726	35,188,154
Health and Environment	20,612,117	20,460,965
Transportation and Communication	913,024	2,184,388
Resources and Development	1,985,166	1,779,630
Internal Affairs	3,474,730	2,783,043
Justice	3,637,702	3,448,841
Finance	7,488,356	8,286,417
Foreign Affairs and Trade	3,423,868	3,159,398
Public Works	4,673,378	4,630,763
Environmental Protection Authority	736,405	402,148
Nuclear claims related	1,049,440	1,208,928
Interest on long-term debt	898,740	901,340
Capital projects	<u>168,837</u>	<u>789,492</u>
Total expenses	<u>98,820,034</u>	<u>102,111,343</u>
<b>Change in net assets</b>	14,026,998	3,490,043
<b>Net assets – beginning of year</b>	<u>74,047,873</u>	<u>70,557,830</u>
<b>Net assets – end of year</b>	<u>\$ 88,074,871</u>	<u>\$ 74,047,873</u>

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis  
Year Ended September 30, 2010

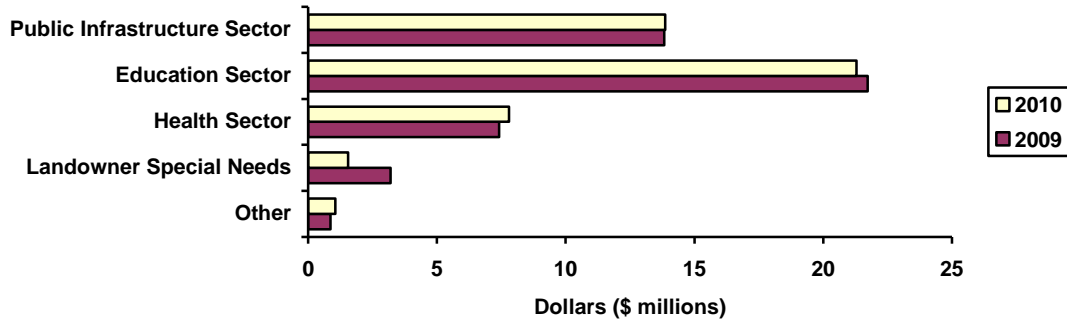
Changes in Net Assets, Continued

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

- Overall revenues increased in the current year by \$7.2 million (or 6.9%) due to an increase in program revenues and general revenues of \$3.5 million (or 5.3%) and \$3.7 million (or 9.5%), respectively, as compared with prior year.

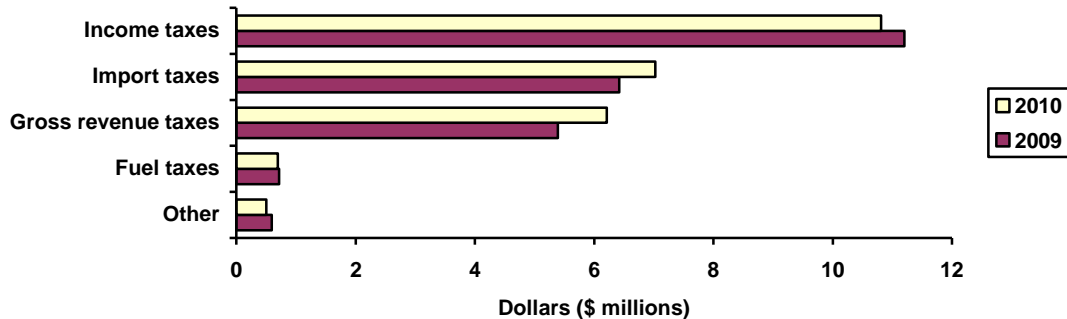
The increase in program revenues is primarily attributable to an increase in operating grants and contributions of \$2.9 million (or 6.6%), as compared with prior year, which was attributable primarily to the increase in investment earnings generated by the Compact Trust Fund. The increase in general revenues is primarily attributable to an increase in the infusion of resources from the Government of the Republic of China of \$1.8 million (or 18%), as compared with prior year, for various designated projects. A significant portion of RepMar's program revenues involve contributions from the Government of the United States under the Compact of Free Association. A graphic summary of overall Compact grant revenues received by RepMar for the current year compared with prior year follows:

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



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

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



# REPUBLIC OF THE MARSHALL ISLANDS

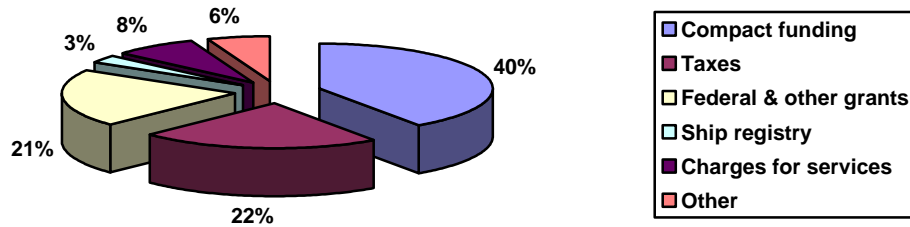
## Management's Discussion and Analysis Year Ended September 30, 2010

### Changes in Net Assets, Continued

- Cost of governmental activities decreased slightly in the current year by \$3.3 million (or 3.2%) compared with prior year. Education and health related expenses comprised of \$53.6 million (or 54.3%) of total expenses in the current year as compared with \$55.6 million (or 54.5%) in the prior year, which reflects RepMar's highest priorities in terms of expenditure appropriations.

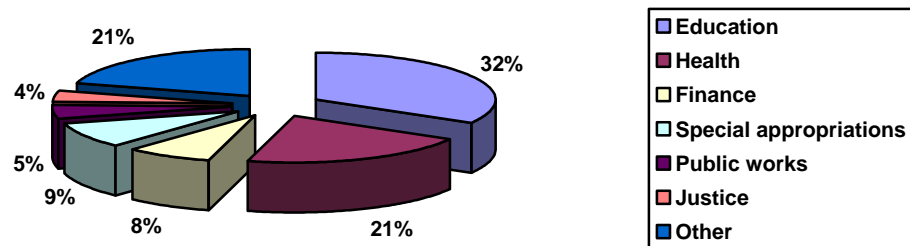
Graphs 3 and 4 below indicate the major components of revenues and cost of governmental activities.

Graph 3  
RepMar's Revenue Sources  
For the Year Ended September 30, 2010



As in prior years, Compact funding and federal and other grants are the major sources of revenue for RepMar, which comprise 61% of the total revenues for the current year. The remaining 39% is predominantly comprised of local sourced tax revenues, including income taxes and gross revenue taxes.

Graph 4  
RepMar's Cost of Governmental Activities  
For the Year Ended September 30, 2010



Other expenses that make up a portion of the costs of governmental activities include ministerial expenses within the Ministry of Foreign Affairs and Trade (\$3.4 million), the Ministry of Internal Affairs (\$3.5 million), the Ministry of Transportation and Communication (\$0.9 million), and the Ministry of Resources and Development (\$2.0 million); legislative expenses within the Nitijela (\$1.7 million); and executive expenses within the President's Office and Cabinet (\$1.8 million).

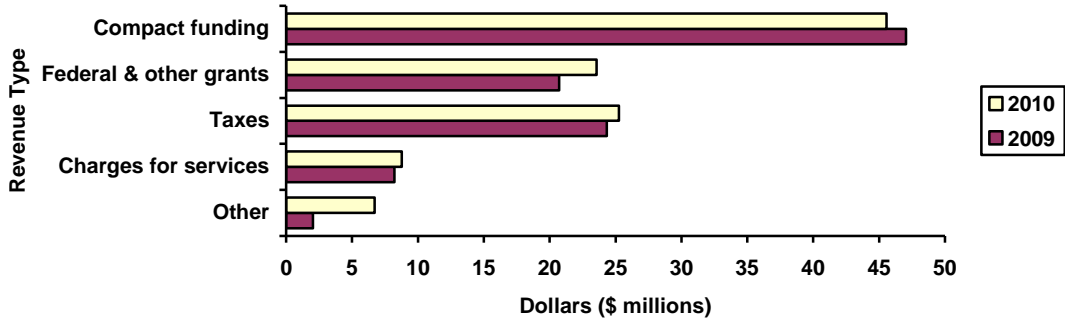
**REPUBLIC OF THE MARSHALL ISLANDS**

Management's Discussion and Analysis  
Year Ended September 30, 2010

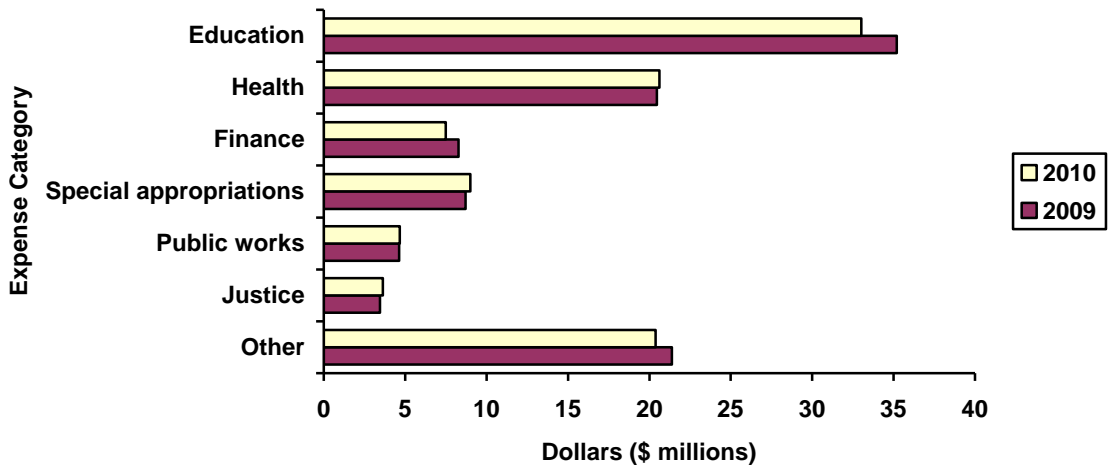
**Changes in Net Assets, Continued**

Graphs 5 and 6 below show a comparison of the major components of revenues and cost of governmental activities for fiscal years 2009 and 2010.

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



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



Finance expenses in the current year include subsidies to component units of \$1.5 million, down from \$3.2 million in the prior year. Special appropriation expenses in the current year include subsidies to component units of \$3.8 million, up from \$2.7 million in the prior year. Other expenses in the current year includes ministerial expenses within the Ministry of Transportation and Communication of \$0.9 million, down from \$2.2 million in the prior year; the Ministry of Foreign Affairs and Trade of \$3.4 million, up from \$3.2 million in the prior year; the Ministry of Internal Affairs of \$3.5 million, up from \$2.8 million in the prior year; legislative expenses within the Nitijela of \$1.7 million, unchanged from the prior year; and executive expenses within the President's Office and Cabinet of \$1.8 million, also unchanged from the prior year.

## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2010

#### FINANCIAL ANALYSIS OF REPMAR'S FUNDS

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

##### Governmental Funds

The focus of RepMar's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing RepMar's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, RepMar's governmental funds reported combined ending fund balances of \$58.1 million, which represents an increase of \$8.6 million (or 17.4%) in comparison with the prior year. This increase is primarily attributable to an increase in fund balance of the General Fund, the Grants Assistance Fund, the Compact Trust Fund and the Other Governmental Funds. Of this total combined fund balance, \$64.2 million is reserved to indicate that it is not available for new spending because it has already been committed: 1) to generate income for future operations (\$41 million); 2) to continuing appropriations through grant awards or enabling legislation (\$7.1 million); 3) to liquidate contracts and purchase orders of the prior period (\$13.5 million); or 4) for a variety of other restricted purposes (\$2.6 million). The combined unreserved deficit of RepMar's governmental funds is \$6.1 million, a decrease of \$13.2 million (or 68.5%) from the prior year. This deficit will be funded through future budgetary surpluses.

The General Fund is the chief operating fund of RepMar. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$1.6 million as compared with the prior year ending unreserved fund deficit of \$3.0 million, an improvement of \$4.6 million (or 153%), while total fund balance was \$4.3 million compared with a total fund balance of \$3.9 million at the end of the prior fiscal year, an improvement of \$0.4 million. The increase in the overall fund balance of the General Fund was primarily the result of good fiscal management in maintaining overall expenditures within revenue collections.

The Grants Assistance Fund has a total fund balance of \$5.9 million, which primarily represents Compact Sector grant revenues received not yet expended at year end. The net increase in fund balance during the current year in the Grants Assistance Fund was \$2 million (or 51%), which primarily was the result of unexpended Compact revenue and Republic of China Projects revenue receipts of \$1.1 million and \$0.9 million, respectively.

The Compact Trust Fund has a total fund balance of \$41 million, all of which is reserved for the funding of future operations of the primary government commencing in fiscal year 2023. The net increase in fund balance during the current year in the Compact Trust Fund was \$3.6 million (or 9.5%), which reflects improvement in the global financial markets.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the fiscal year, no revisions were made by management and elected officials of RepMar to the General Fund budget. As previously discussed, revenues collected (including transfers in) of \$37 million were higher than budgeted amounts of \$34.7 million due primarily to increased tax collections and transfers in from the Republic of China Projects Fund, which exceeded budgeted amounts. In addition, charges to appropriations (including transfers out) of \$37 million were higher than budgeted amounts of \$35.3 million due primarily to an unbudgeted one-off grant to the Marshall Islands National Telecommunications Authority of \$1 million and the unanticipated increase in utility billings.

# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2010

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

RepMar's investment in capital assets for its governmental activities as of September 30, 2010 amounted to \$179.7 million, net of accumulated depreciation of \$90 million, leaving a net book value of \$89.7 million. This represents a net increase of \$3.3 million (or 3.8%) from the prior year. RepMar's capital assets include electrical and water infrastructure, roads and bridges, heavy equipment, ships, buildings, and various projects under construction.

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

	<u>2010</u>	<u>2009</u>
Electrical distribution	\$ 3,806,740	\$ 4,824,755
Buildings	61,464,261	56,403,426
Water infrastructure system	4,191,477	4,576,153
Docks, roads and bridges	6,859,697	7,427,733
Ships	6,838,702	7,164,432
Software	1,249,944	1,233,814
Heavy equipment	943,818	506,830
Construction in progress	<u>4,366,920</u>	<u>4,298,965</u>
	<u>\$ 89,721,559</u>	<u>\$ 86,436,108</u>

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

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

<u>Infrastructure Project</u>	<u>Current Year Additions (\$ millions)</u>	<u>Completed Cost (\$ millions)</u>
Laura High School - Phase III	\$ 0.7	\$ 1.9
Delap Elementary School	\$ 0.4	\$ 1.1
Mili Elementary School	\$ 0.2	\$ 0.7
Enewetak Elementary School	\$ 1.2	\$ 1.4
Longar/Lukoj Elementary Schools	\$ 0.4	\$ 0.6
Ollet Elementary School	\$ 0.2	\$ 0.3
Ajeltake Elementary School	\$ 0.2	\$ 0.2
Jang Elementary School	\$ 0.4	\$ 0.4
Utrik Elementary School	\$ 0.5	\$ 0.5
Jaluit High School Science Lab	\$ 0.2	\$ 0.2

- Acquisition of hospital equipment for the Majuro and Ebeye Hospitals in the amount of \$0.8 million.
- Acquisition of boat for the carrying out of medical treatment in the outer islands in the amount of \$0.2 million
- Further additions to the Health Administration Information and Email system in the amount of \$0.2 million.

## REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis  
Year Ended September 30, 2010

### Capital Assets, Continued

- Ongoing construction in progress of the following infrastructure projects:

<u>Infrastructure Project</u>	<u>Current Year Additions (\$ millions)</u>	<u>Estimated Completed Cost (\$ millions)</u>
Woja Elementary School	\$ 1.2	\$ 1.3
Jabwor Elementary School	\$ 1.0	\$ 1.4
M.I. High School Gym	\$ 0.5	\$ 0.5
Delap Elementary School - Phase II	\$ 0.7	\$ 1.1
Majuro Hospital Redevelopment	\$ 0.3	\$ 4.0

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

### Long-term Debt

The Government Borrowing Act of 1985 authorizes RepMar to borrow for such purposes as approved by the Nitijela. Since 1991 RepMar has entered into twelve separate loans with the ADB (See table below). Long-term debt obligations decreased by \$2.2 million (or 3.7%) in the current fiscal year.

RepMar's Outstanding Debt  
Asian Development Bank  
September 30,

	<u>2010</u>	<u>2009</u>
Fisheries Development Project	\$ 2,888,483	\$ 2,958,842
Typhoon Rehabilitation	432,509	442,555
Basic Education Project	6,786,786	6,942,884
Majuro Water Supply Project No. 1	620,735	635,224
Health and Population Project	4,596,061	4,700,562
Majuro Water Supply Project No. 2	7,472,580	7,638,881
Public Sector Reform Program	10,499,964	10,725,741
Ebeye Health and Infrastructure Project	7,834,427	8,207,493
Skills Training and Vocational Education Project	4,615,636	4,820,775
Fiscal and Financial Management Program No. 1	2,569,300	2,869,400
Fiscal and Financial Management Program No. 2	7,864,656	8,388,966
Outer Island Transport Infrastructure Project	<u>507,517</u>	<u>507,517</u>
	<u>\$ 56,688,654</u>	<u>\$ 58,838,840</u>

During the year ended September 30, 2010, RepMar entered into a new loan agreement with the ADB in the amount of \$9.5 million for the purpose of onlending to the Marshalls Energy Company, Inc. (MEC) through a subsidiary loan agreement to assist in the restructuring of certain commercial bank debt of MEC.

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



## **REPUBLIC OF THE MARSHALL ISLANDS**

Management's Discussion and Analysis  
Year Ended September 30, 2010

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

The severe global economic crisis that occurred in 2008 due to the housing credit crunch in the U.S., accompanied by sharp increases in global commodity prices resulting from a sudden surge in the price of crude oil, has not dissipated and the economic problems that beset real GDP to contract at a negative 2%, are still lingering and continuing to pose great risks to the Marshall Islands' economy. The President declared a State of Economic Emergency in 2008 for the Marshall Islands when the price of a barrel of oil was hovering around \$95 to \$100. Unfortunately, the current price is equal to or above the 2008 crisis level, and this continues to pose a serious concern for our small, open, and vulnerable economy simply because of its high dependence on imported fuel to support economic activities.

With recent emerging and ongoing political turmoil that is beginning to engulf the entire Middle East, the whole world shall rather brace for another long and sustained energy crisis that could possibly be more devastating than the crisis of 2008. For the Marshall Islands' economy, real GDP growth is expected to remain modest with the possibility of undergoing another contraction in the vicinity of zero to negative growth while, at the same time, inflation will continue to remain high at double-digit of 10% to 20% on average and, in some cases, at or over 100% for selected imported highly important commodities and food staples. These include rice (\$7.50 a bag in 2007; now averages \$14 a bag) and flour (\$8.95 a bag in 2007; now averages at over \$20 a bag) as well as other grains like cereal, and including dairy products and meats. At the same time, household income will continue to either remain stagnant and/or falling due to persistent high inflation and growing population.

At the same time, the recent signing in 2011 of the Kwajalein Land Use Agreement increases consumer purchasing power as roughly \$32 million dollars held in escrow was released into the economy. As the landowners become wealthier, the type of food they want will change as well as the cars they drive. This shift in consumer demand will ultimately contribute to a positive economic growth of the local economy.

It is thus highly imperative that RepMar immediately institute a fiscal policy that calls for prudent macroeconomic management including, but not limited to, reducing government spending in a manner that is consistent with the ongoing economic realities, and increasing savings, in particular, increasing RepMar's contribution to the Compact Trust Fund to provide the chance for the Trust Fund to become viable when the financial assistance under the current Compact ends in FY2023. The most important management tool therefore is the government's annual global budget adopted and passed by the Nitijela.

For fiscal year 2011, the budget approved by the Nitijela of \$130.6 million continues RepMar's focus on the education and health sectors, including their infrastructure needs. Such is a decrease over the fiscal year 2010 approved budget of \$137.4 million. The General Fund appropriation amounts to \$35.4 million, which is an increase of \$0.7 million (or 1.9%) compared with the fiscal year 2010 budget. This increase is primarily attributable to an increase in receipts from the Trust Company of the Marshall Islands to \$4 million per year offset by a decrease in budgeted tax collections corresponding with the reduction in employment at the U.S. military base in Kwajalein. The fiscal year 2011 budget includes a supplemental contribution by RepMar of \$1.2 million to the Compact Trust Fund.

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

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

# REPUBLIC OF THE MARSHALL ISLANDS

## Statement of Net Assets September 30, 2010

	Primary Government	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 7,514,539	\$ 4,854,426
Time certificates of deposit	227,787	4,156,257
Receivables, net of allowance for uncollectibles	10,943,523	27,650,620
Advances	221,074	-
Inventories	-	6,412,933
Due from component units	764,961	-
Other current assets	-	830,555
Restricted assets:		
Cash and cash equivalents	33,309,445	-
Total current assets	52,981,329	43,904,791
Noncurrent assets:		
Restricted assets:		
Time certificates of deposit	-	871,393
Investments	40,961,484	-
Investments	318,630	4,860,897
Due from component units	1,722,916	-
Capital assets, net of accumulated depreciation	89,721,559	122,609,364
Other noncurrent assets	-	1,064,866
Total noncurrent assets	132,724,589	129,406,520
Total assets	\$ 185,705,918	\$ 173,311,311
<u>LIABILITIES</u>		
Current liabilities:		
Current portion of long-term obligations	\$ 2,204,445	\$ 2,718,355
Short-term debt	-	1,712,181
Accounts payable	4,188,788	12,463,101
Customer deposits	-	1,047,512
Other liabilities and accruals	3,143,512	7,493,945
Payable to federal agencies	381,217	-
Retention payable	851,921	326,150
Contracts payable	313,366	1,470,837
Accrued interest payable	277,548	-
Compensated absences payable	1,114,656	-
Due to primary government	-	3,881,851
Due to component units	521,741	-
Due to external parties	28,036,577	-
Deferred revenues	314,698	2,767,033
Total current liabilities	41,348,469	33,880,965
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	54,484,209	45,356,725
Compensated absences payable, net of current portion	1,798,369	-
Due to primary government	-	1,722,916
Total noncurrent liabilities	56,282,578	47,079,641
Total liabilities	97,631,047	80,960,606
Commitments and contingencies		
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	69,235,298	85,980,403
Restricted for:		
Nonexpendable:		
Future operations	40,961,484	-
Expendable:		
Compact related	4,049,315	-
Other purposes	7,606,052	1,164,419
Unrestricted (deficits)	(33,777,278)	5,205,883
Total net assets	88,074,871	92,350,705
Total liabilities and net assets	\$ 185,705,918	\$ 173,311,311

See accompanying notes to basic financial statements.

**REPUBLIC OF THE MARSHALL ISLANDS**

**Statement of Activities  
Year Ended September 30, 2010**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
<b>Primary government:</b>						
<b>Governmental activities:</b>						
President and Cabinet	\$ 1,820,567	\$ -	\$ -	\$ -	\$ (1,820,567)	\$ -
Office of the Chief Secretary	1,148,778	-	723,474	-	(425,304)	-
Special appropriations	8,996,233	-	-	-	(8,996,233)	-
Council of Iroij	443,785	-	-	-	(443,785)	-
Nitijela	1,680,688	900	39,119	-	(1,640,669)	-
Office of the Auditor-General	861,991	-	306,537	-	(555,454)	-
Public Service Commission	477,931	-	-	-	(477,931)	-
Judiciary	672,026	1,331	-	-	(670,695)	-
Office of the Attorney General	632,476	30,157	-	-	(602,319)	-
Education	33,023,726	5,429	23,236,667	6,059,086	(3,722,544)	-
Health and Environment	20,612,117	7,469,725	12,986,784	335,000	179,392	-
Transportation and Communication	913,094	135	-	-	(912,959)	-
Resources and Development	1,985,166	21,747	80,384	-	(1,883,035)	-
Internal Affairs	3,474,730	101,582	126,557	-	(3,246,591)	-
Justice	3,637,702	568,640	53,555	-	(3,015,507)	-
Finance	7,488,356	441,442	3,975,371	-	(3,071,543)	-
Foreign Affairs and Trade	3,423,868	49,877	347,122	-	(3,026,869)	-
Public Works	4,673,378	70,378	-	-	(4,603,000)	-
Environmental Protection Authority	736,405	-	214,109	-	(522,296)	-
Nuclear claims related	1,049,440	3,995	1,064,710	-	19,265	-
Future operations	-	-	3,564,636	-	3,564,636	-
Capital projects	168,837	-	-	7,473,351	7,304,514	-
Unallocated interest - long-term debt	898,740	-	-	-	(898,740)	-
<b>Total primary government</b>	<b>\$ 98,820,034</b>	<b>\$ 8,765,338</b>	<b>\$ 46,719,025</b>	<b>\$ 13,867,437</b>	<b>(29,468,234)</b>	<b>-</b>
<b>Component units:</b>						
College of the Marshall Islands	\$ 12,396,634	\$ 1,360,748	\$ 4,352,482	\$ 3,294,760	-	(3,388,644)
Marshalls Energy Company, Inc.	38,477,617	36,787,394	-	-	-	(1,690,223)
Marshall Islands Development Bank	2,732,651	2,910,136	-	-	-	177,485
Marshall Islands Marine Resources Authority	1,833,929	2,196,671	321,057	-	-	683,799
Marshall Islands National Telecom. Authority	9,052,689	8,037,500	-	4,055	-	(1,011,134)
RMI Ports Authority	4,545,677	2,645,227	-	5,361,487	-	3,461,037
Other nonmajor component units	21,008,086	13,445,995	332,833	221,600	-	(7,007,658)
<b>Total component units</b>	<b>\$ 90,047,283</b>	<b>\$ 67,383,671</b>	<b>\$ 5,006,372</b>	<b>\$ 8,881,902</b>	<b>-</b>	<b>(8,775,338)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Income taxes					10,811,629	-
Import taxes					7,027,847	-
Gross revenue taxes					6,209,142	-
Fuel taxes					693,782	-
Penalties and interest					89,896	-
Other					411,035	-
Grants and contributions not restricted to specific programs					11,935,416	-
Fishing rights					2,000,011	-
Ship registry					3,000,000	-
Unrestricted investment earnings					133,841	1,241,105
Contributions from primary government					-	12,623,151
Other					1,182,633	-
<b>Total general revenues</b>					<b>43,495,232</b>	<b>13,864,256</b>
<b>Change in net assets</b>					<b>14,026,998</b>	<b>5,088,918</b>
<b>Net assets at the beginning of the year</b>					<b>74,047,873</b>	<b>87,261,787</b>
<b>Net assets at the end of the year</b>					<b>\$ 88,074,871</b>	<b>\$ 92,350,705</b>

See accompanying notes to basic financial statements.

**REPUBLIC OF THE MARSHALL ISLANDS**

Balance Sheet  
Governmental Funds  
September 30, 2010

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,040,607	\$ -	\$ -	\$ 3,473,932	\$ 7,514,539
Time certificates of deposit	-	-	-	227,787	227,787
Investments	-	-	-	318,630	318,630
Receivables, net:					
Taxes	2,372,074	-	-	79,241	2,451,315
Federal agencies	31,850	3,841,230	-	318,499	4,191,579
General	1,076,713	1,750,000	-	1,226,992	4,053,705
Other	-	-	-	246,924	246,924
Due from other funds	3,125,247	6,515,109	-	3,694,400	13,334,756
Due from component units	2,487,877	-	-	-	2,487,877
Advances	115,817	21,845	-	83,412	221,074
Restricted assets:					
Cash and cash equivalents	33,309,445	-	-	-	33,309,445
Investments	-	-	40,961,484	-	40,961,484
Total assets	<u>\$ 46,559,630</u>	<u>\$ 12,128,184</u>	<u>\$ 40,961,484</u>	<u>\$ 9,669,817</u>	<u>\$ 109,319,115</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,933,465	\$ 1,520,376	\$ -	\$ 734,947	\$ 4,188,788
Other liabilities and accruals	2,020,583	269,288	-	853,641	3,143,512
Payable to federal agencies	-	381,217	-	-	381,217
Retention payable	-	851,921	-	-	851,921
Contracts payable	-	313,366	-	-	313,366
Deferred revenue	468,701	-	-	-	468,701
Due to component units	521,741	-	-	-	521,741
Due to other funds	<u>37,328,003</u>	<u>2,838,417</u>	<u>-</u>	<u>1,204,913</u>	<u>41,371,333</u>
Total liabilities	<u>42,272,493</u>	<u>6,174,585</u>	<u>-</u>	<u>2,793,501</u>	<u>51,240,579</u>
Fund balances:					
Reserved for:					
Related assets	2,253,272	-	40,961,484	340,898	43,555,654
Encumbrances	444,670	12,744,905	-	358,186	13,547,761
Continuing appropriations	-	7,060,994	-	-	7,060,994
Unreserved:					
General fund	1,589,195	-	-	-	1,589,195
Special revenue funds	-	(13,852,300)	-	6,177,232	(7,675,068)
Total fund balances	<u>4,287,137</u>	<u>5,953,599</u>	<u>40,961,484</u>	<u>6,876,316</u>	<u>58,078,536</u>
Total liabilities and fund balances	<u>\$ 46,559,630</u>	<u>\$ 12,128,184</u>	<u>\$ 40,961,484</u>	<u>\$ 9,669,817</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					89,721,559
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds					154,003
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds. The liabilities include:					
Accrued interest payable				(277,548)	
Loans payable				(56,688,654)	
Compensated absences payable				(2,913,025)	
					<u>(59,879,227)</u>
Net assets of governmental activities					<u>\$ 88,074,871</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, 2010

	General	Special Revenue	Permanent	Other Governmental Funds	Total
		Grants Assistance	Compact Trust		
<b>Revenues:</b>					
Taxes	\$ 25,243,331	\$ -	\$ -	\$ -	\$ 25,243,331
Federal and other grants	4,000,000	63,753,600	232,236	1,144,725	69,130,561
Sales	-	-	-	111,749	111,749
Ship registry	3,000,000	-	-	-	3,000,000
Fishing rights	2,000,011	-	-	-	2,000,011
Net increase in the fair value of investments	-	-	3,332,400	-	3,332,400
Interest and dividends	133,841	-	-	-	133,841
Fees and charges	40,130	-	-	8,613,459	8,653,589
Other	1,182,633	-	-	-	1,182,633
<b>Total revenues</b>	<b>35,599,946</b>	<b>63,753,600</b>	<b>3,564,636</b>	<b>9,869,933</b>	<b>112,788,115</b>
<b>Expenditures:</b>					
<b>Current:</b>					
President and Cabinet	1,817,381	-	-	-	1,817,381
Office of the Chief Secretary	578,838	569,940	-	-	1,148,778
Special appropriations	8,672,886	323,347	-	-	8,996,233
Council of Iroij	411,007	32,778	-	-	443,785
Nitijela	1,630,621	48,764	-	-	1,679,385
Office of the Auditor-General	534,894	327,097	-	-	861,991
Public Service Commission	462,931	-	-	-	462,931
Judiciary	-	-	-	672,026	672,026
Office of the Attorney General	608,980	-	-	23,496	632,476
<b>Ministries:</b>					
Education	3,584,535	27,349,855	-	1,204,888	32,139,278
Health and Environment	2,584,021	12,344,533	-	6,320,388	21,248,942
Transportation and Communication	510,705	74,550	-	-	585,255
Resources and Development	604,897	1,284,805	-	15,239	1,904,941
Internal Affairs	1,928,165	1,124,593	-	369,059	3,421,817
Justice	2,929,900	309,436	-	194,668	3,434,004
Finance	2,330,693	4,244,055	-	465,888	7,040,636
Foreign Affairs and Trade	2,840,319	358,937	-	59,956	3,259,212
Public Works	1,097,632	516,282	-	93,733	1,707,647
Environmental Protection Authority	164,177	572,228	-	-	736,405
Nuclear claims related	-	-	-	1,049,440	1,049,440
<b>Debt service:</b>					
Principal repayment	1,325,133	1,122,477	-	-	2,447,610
Interest	892,842	-	-	-	892,842
Capital outlay	-	7,666,758	-	-	7,666,758
<b>Total expenditures</b>	<b>35,510,557</b>	<b>58,270,435</b>	<b>-</b>	<b>10,468,781</b>	<b>104,249,773</b>
Excess (deficiency) of revenues over (under) expenditures	89,389	5,483,165	3,564,636	(598,848)	8,538,342
<b>Other financing sources (uses):</b>					
Operating transfers in	1,375,008	782,110	-	7,392,925	9,550,043
Operating transfers out	(1,077,293)	(4,250,731)	-	(4,142,542)	(9,470,566)
<b>Total other financing sources (uses), net</b>	<b>297,715</b>	<b>(3,468,621)</b>	<b>-</b>	<b>3,250,383</b>	<b>79,477</b>
<b>Net change in fund balances</b>	<b>387,104</b>	<b>2,014,544</b>	<b>3,564,636</b>	<b>2,651,535</b>	<b>8,617,819</b>
Fund balances at the beginning of the year	3,900,033	3,939,055	37,396,848	4,224,781	49,460,717
Fund balances at the end of the year	\$ 4,287,137	\$ 5,953,599	\$ 40,961,484	\$ 6,876,316	\$ 58,078,536

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, 2010

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

Net change in fund balances - total governmental funds	\$ 8,617,819
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Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts consist of:

Capital outlays, net of disposals	\$ 8,644,441	
Depreciation expense, net	<u>(5,358,990)</u>	
		3,285,451

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

Repayment of ADB Loans	2,447,610
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Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds: For the current year, these activities consist of:

Deferred revenues	(20,560)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. For the current year, these activities consist of:

Change in accrued interest payable	(5,898)	
Foreign exchange adjustment in SDR amount for ADB Loans	<u>(297,424)</u>	
		<u>(303,322)</u>

Change in net assets of governmental activities	\$ <u>14,026,998</u>
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See accompanying notes to basic financial statements.

**REPUBLIC OF THE MARSHALL ISLANDS**

Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2010

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 763,320	\$ -
Time certificates of deposit	4,065,200	-
Receivables, net:		
Contributions	2,695,054	-
Other	1,079,888	-
Investments	61,787,053	-
Due from other funds	29,491,334	164,484
Capital assets, net of accumulated depreciation	54,858	-
Total assets	<u>99,936,707</u>	<u>\$ 164,484</u>
<b><u>LIABILITIES</u></b>		
Accounts payable	41,456	\$ -
Other liabilities and accruals	176,154	164,484
Due to other funds	1,619,241	-
Total liabilities	<u>1,836,851</u>	<u>\$ 164,484</u>
<b><u>NET ASSETS</u></b>		
Held in trust for:		
Social security benefits	68,543,988	
Nuclear claims	74,995	
Land use distributions	29,480,873	
Total net assets	<u>\$ 98,099,856</u>	

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended September 30, 2010

	<u>Private Purpose Trust</u>
Additions:	
Contributions:	
Private employees	\$ 8,816,591
Government employees	3,874,061
Penalties and interest	428,184
Total contributions	<u>13,118,836</u>
Investment income:	
Net increase in the fair value of investments	4,230,581
Interest and dividends	1,475,097
Total investment income	5,705,678
Less investment expense	129,428
Net investment income	<u>5,576,250</u>
Other:	
Compact funding	16,697,652
Other	488,192
Total additions	<u>17,185,844</u>
Total additions	<u>35,880,930</u>
Deductions:	
Land use distributions	12,373,133
Benefits	14,551,142
Administrative expenses	885,303
Transfers out	79,477
Total deductions	<u>27,889,055</u>
Change in net assets	7,991,875
Net assets at the beginning of the year	<u>90,107,981</u>
Net assets at the end of the year	<u>\$ 98,099,856</u>

See accompanying notes to basic financial statements.



**REPUBLIC OF THE MARSHALL ISLANDS**

Combining Statement of Net Assets  
Component Units  
September 30, 2010

	College of the Marshall Islands	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Nonmajor Component Units	Total
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 502,425	\$ 815,194	\$ 151,970	\$ 806,193	\$ 1,190,104	\$ 238,992	\$ 1,149,548	\$ 4,854,426
Time certificates of deposit	-	-	-	1,820,142	626,548	1,709,567	-	4,156,257
Receivables, net	1,434,459	5,785,930	15,811,738	493,198	928,129	1,623,059	1,574,107	27,650,620
Inventories	404,211	3,635,359	-	-	325,098	-	2,048,265	6,412,933
Other current assets	204,006	-	-	-	-	33,806	592,743	830,555
Total current assets	<u>2,545,101</u>	<u>10,236,483</u>	<u>15,963,708</u>	<u>3,119,533</u>	<u>3,069,879</u>	<u>3,605,424</u>	<u>5,364,663</u>	<u>43,904,791</u>
Noncurrent assets:								
Time certificates of deposit - restricted	-	-	576,393	-	-	295,000	-	871,393
Investments	800,251	-	423,748	3,636,898	-	-	-	4,860,897
Capital assets, net of accumulated depreciation	16,767,465	7,673,239	1,454,291	110,652	36,111,935	49,142,013	11,349,769	122,609,364
Other noncurrent assets	-	-	95,791	-	916,331	52,744	-	1,064,866
Total noncurrent assets	<u>17,567,716</u>	<u>7,673,239</u>	<u>2,550,223</u>	<u>3,747,550</u>	<u>37,028,266</u>	<u>49,489,757</u>	<u>11,349,769</u>	<u>129,406,520</u>
Total assets	<u>\$20,112,817</u>	<u>\$17,909,722</u>	<u>\$18,513,931</u>	<u>\$ 6,867,083</u>	<u>\$40,098,145</u>	<u>\$53,095,181</u>	<u>\$16,714,432</u>	<u>\$ 173,311,311</u>
<b>LIABILITIES</b>								
Current liabilities:								
Current portion of long-term debt	\$ -	\$ 963,722	\$ 511,325	\$ -	\$ 942,911	\$ 94,415	\$ 205,982	\$ 2,718,355
Short-term debt	-	948,118	764,063	-	-	-	-	1,712,181
Accounts payable	106,551	6,601,367	302,214	481,239	384,103	331,128	4,256,499	12,463,101
Customer deposits	-	-	749,079	-	298,433	-	-	1,047,512
Other liabilities and accruals	956,510	3,088,707	13,479	787,706	98,266	117,873	2,431,404	7,493,945
Retention payable	326,150	-	-	-	-	-	-	326,150
Contracts payable	507,351	-	-	-	-	963,486	-	1,470,837
Due to primary government	-	764,961	-	-	-	-	3,116,890	3,881,851
Deferred revenues	1,205,563	1,026,499	285,345	-	-	-	249,626	2,767,033
Total current liabilities	<u>3,102,125</u>	<u>13,393,374</u>	<u>2,625,505</u>	<u>1,268,945</u>	<u>1,723,713</u>	<u>1,506,902</u>	<u>10,260,401</u>	<u>33,880,965</u>
Noncurrent liabilities:								
Noncurrent portion of long-term debt	-	13,858,805	1,268,442	-	29,108,041	155,964	965,473	45,356,725
Due to primary government	-	-	1,722,916	-	-	-	-	1,722,916
Total noncurrent liabilities	<u>-</u>	<u>13,858,805</u>	<u>2,991,358</u>	<u>-</u>	<u>29,108,041</u>	<u>155,964</u>	<u>965,473</u>	<u>47,079,641</u>
Total liabilities	<u>3,102,125</u>	<u>27,252,179</u>	<u>5,616,863</u>	<u>1,268,945</u>	<u>30,831,754</u>	<u>1,662,866</u>	<u>11,225,874</u>	<u>80,960,606</u>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	16,767,465	1,345,609	1,454,291	110,652	6,060,983	48,891,634	11,349,769	85,980,403
Restricted	844,159	-	275,839	-	-	-	44,421	1,164,419
Unrestricted	(600,932)	(10,688,066)	11,166,938	5,487,486	3,205,408	2,540,681	(5,905,632)	5,205,883
Total net assets	<u>17,010,692</u>	<u>(9,342,457)</u>	<u>12,897,068</u>	<u>5,598,138</u>	<u>9,266,391</u>	<u>51,432,315</u>	<u>5,488,558</u>	<u>92,350,705</u>
	<u>\$20,112,817</u>	<u>\$17,909,722</u>	<u>\$18,513,931</u>	<u>\$ 6,867,083</u>	<u>\$40,098,145</u>	<u>\$53,095,181</u>	<u>\$16,714,432</u>	<u>\$ 173,311,311</u>

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Statement of Revenues, Expenses, and Changes in Net Assets Component Units Year Ended September 30, 2010

	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	\$ 377,644	\$ 16,670,889	\$ 2,070,978	\$ 2,166,222	\$ 8,037,500	\$ 2,645,227	\$ 9,426,482	\$ 41,394,942
Sales	645,295	20,116,505	-	-	-	-	2,967,984	23,729,784
Other	337,809	-	839,158	30,449	-	-	1,051,529	2,258,945
Total operating revenues	<u>1,360,748</u>	<u>36,787,394</u>	<u>2,910,136</u>	<u>2,196,671</u>	<u>8,037,500</u>	<u>2,645,227</u>	<u>13,445,995</u>	<u>67,383,671</u>
Operating expenses:								
Cost of services	8,569,693	34,714,508	234,771	1,776,283	4,750,386	2,304,318	15,573,621	67,923,580
Administration costs	3,897,785	1,244,178	1,691,272	-	1,066,986	-	3,754,385	11,654,606
Depreciation and amortization	-	1,047,429	222,434	54,073	2,312,739	2,230,259	2,131,973	7,998,907
Total operating expenses	<u>12,467,478</u>	<u>37,006,115</u>	<u>2,148,477</u>	<u>1,830,356</u>	<u>8,130,111</u>	<u>4,534,577</u>	<u>21,459,979</u>	<u>87,577,093</u>
Operating income (loss)	<u>(11,106,730)</u>	<u>(218,721)</u>	<u>761,659</u>	<u>366,315</u>	<u>(92,611)</u>	<u>(1,889,350)</u>	<u>(8,013,984)</u>	<u>(20,193,422)</u>
Nonoperating revenues (expenses):								
Contributions from the primary government	3,589,887	1,825,170	248,500	-	1,000,000	-	5,959,594	12,623,151
Equity in net earnings of joint venture	-	-	-	794,427	-	-	-	794,427
Net change in the fair value of investments	6,107	-	153,342	-	67,330	-	-	226,779
Interest income	-	-	29,016	72,317	-	118,566	-	219,899
Interest expense	-	(1,118,185)	-	-	(962,828)	(11,851)	(524,633)	(2,617,497)
Grants and other contributions	4,352,482	-	-	321,057	-	-	332,833	5,006,372
Other	70,844	(353,317)	(584,174)	(3,573)	40,250	751	976,526	147,307
Total nonoperating revenues (expenses), net	<u>8,019,320</u>	<u>353,668</u>	<u>(153,316)</u>	<u>1,184,228</u>	<u>144,752</u>	<u>107,466</u>	<u>6,744,320</u>	<u>16,400,438</u>
Capital contributions	<u>3,294,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,055</u>	<u>5,361,487</u>	<u>221,600</u>	<u>8,881,902</u>
Net income (loss)	207,350	134,947	608,343	1,550,543	56,196	3,579,603	(1,048,064)	5,088,918
Net assets at the beginning of the year	<u>16,803,342</u>	<u>(9,477,404)</u>	<u>12,288,725</u>	<u>4,047,595</u>	<u>9,210,195</u>	<u>47,852,712</u>	<u>6,536,622</u>	<u>87,261,787</u>
Net assets at the end of the year	<u>\$ 17,010,692</u>	<u>\$ (9,342,457)</u>	<u>\$ 12,897,068</u>	<u>\$ 5,598,138</u>	<u>\$ 9,266,391</u>	<u>\$ 51,432,315</u>	<u>\$ 5,488,558</u>	<u>\$ 92,350,705</u>

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

### (1) Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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

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

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

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

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

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2010

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

### A. Reporting Entity, Continued

#### i. Blended Component Units

The following Component Units are blended within the Primary Government:

Marshall Islands Scholarship Grant and Loan Board, a Governmental Fund Type - Special Revenue Fund. This fund was established under Public Law No. 1979-19 to account for all disbursements of scholarship funds and is governed by a seven-member Board appointed by the Cabinet of RepMar.

Health Care Revenue Fund, a Governmental Fund Type - Special Revenue Fund. This fund was established under Public Law No. 1989-59 within the Ministry of Health and Environment to control the expenditure of funds for health care related services.

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

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

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

#### ii. Discretely Presented Component Units

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

College of the Marshall Islands (CMI): CMI was established as an independent institution pursuant to the College of the Marshall Islands Act of 1992 (Public Law No. 1992-13) to provide post-secondary education services to meet the needs of the Marshall Islands. CMI is governed by a nine-member Board of Regents appointed by the President upon approval of the Cabinet of RepMar.

Marshall's Energy Company, Inc. (MEC): MEC was granted a corporate charter by the Cabinet of RepMar on February 2, 1984 to engage in the business of generating and transmitting electricity, and the import and marketing of petroleum products. MEC is governed by a seven-member Board of Directors appointed by the Cabinet of RepMar.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2010

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

### A. Reporting Entity, Continued

#### ii. Discretely Presented Component Units, Continued

Marshall Islands Development Bank (MIDB): MIDB was established under Public Law No. 1988-1 to promote the development and expansion of the economy of the Marshall Islands and is governed by a seven-member Board of Directors appointed by the Cabinet. MIDB has received funds under Sections 111 and 211 of the Compact of Free Association and funds from the U.S. Department of Agriculture under the Rural Housing and Community Development Service Housing Preservation Grant.

Marshall Islands Marine Resources Authority (MIMRA): MIMRA was established as a body corporate pursuant to the Marshall Islands Marine Resources Authority Act of 1997 (Public Law No. 1997-60) to facilitate the sustainable and responsible use of the marine resources in the Marshall Islands. MIMRA is governed by a seven-member Board of Directors, including the Minister of Resources and Development, the Minister of Foreign Affairs, the Minister of Internal Affairs, and four members appointed by the President.

Marshall Islands National Telecommunications Authority (MINTA): MINTA was incorporated under Public Law No. 1990-105 to engage in the business of providing local and international telecommunication services. MINTA is governed by a seven-member Board of Directors elected by a majority vote of its shareholders.

RMI Ports Authority (RMIPA): RMIPA was incorporated under Public Law No. 2003-81 to engage in the operation and maintenance of commercial port facilities in the Marshall Islands. RMIPA is governed by a seven-member Board of Directors appointed by the President upon the approval of the Cabinet of RepMar.

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

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

P.O. Box 245  
Majuro, Marshall Islands 96960

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2010

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

### A. Reporting Entity, Continued

#### ii. Discretely Presented Component Units, Continued

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

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

P.O. Box 1258  
Majuro, Marshall Islands 96960

#### iii. Related Organizations

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

#### iv. Omitted Governmental Funds

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

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

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

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2010

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

### A. Reporting Entity, Continued

#### iv. Omitted Governmental Funds, Continued

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

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

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

### B. Government-Wide Financial Statements

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

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

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

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

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

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

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

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

The government-wide Statement of Net Assets reports \$52,616,851 of restricted net assets, of which \$7,606,052 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.



# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2010

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

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

#### Governmental Fund Financial Statements:

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.

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.

#### Component Unit Financial Statements:

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

RepMar reports the following fund types:

#### 1. Governmental Fund Types

##### i. General Fund

This fund is the primary operating fund of RepMar. It is used to account for all governmental transactions, except those required to be accounted for in another fund.

##### ii. Special Revenue Funds

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

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2010

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

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

#### iii. Capital Projects Funds

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

#### iv. Permanent Funds

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

### 2. Fiduciary Fund Types

#### i. Private Purpose Funds

These funds are used to account for resources held in trust under which principal and income benefit certain individuals.

These include funds held in trust by the Marshall Islands Social Security Administration (MISSA) for the beneficiaries of the MISSA Retirement Fund; funds received under the Interim Use Agreement for the benefit of Kwajalein landowners; and funds received under Section 177 of the Compact of Free Association for the benefit of victims related to the United States Nuclear Testing Program.

#### ii. Agency Funds

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

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

Grants Assistance Fund, a Governmental Fund Type - Special Revenue Fund, which accounts for all financial transactions that are subgranted to RepMar, including United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(a) and approved by Nitijela resolution 123 to promote economic advancement and budgetary self-reliance as well as other direct grants that RepMar received from the United States government and other donor countries.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

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

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

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

#### E. Reporting Standards

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

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

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

#### G. Investments

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

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

#### H. Receivables

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

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

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

#### H. Receivables, Continued

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 uncollectable accounts primarily represents estimated allowances for uncollectable amounts that are determined based upon past collection experience and aging of the accounts.

#### I. Inventories and Prepaid Items

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

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

#### J. Interfund Receivables/Payables

During the course of its operations, RepMar records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as "due from other funds" or "due to other funds" on the governmental fund balance sheet.

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

#### K. Restricted Assets

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

#### L. Capital Assets

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

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

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(1) Summary of Significant Accounting Policies, Continued

M. Interfund/Intrafund Transactions

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

N. Deferred Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue in the governmental fund types has primarily resulted as federal funds are received in advance of eligible expenditures.

O. Compensated Absences

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

P. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The unreserved fund balances for the governmental funds represent the amount available for budgeting future operations. The reserve for related assets as of September 30, 2010, is represented by the following assets:

	<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 22,268	\$ 22,268
Investments	-	-	-	318,630	318,630
Due from component units	1,722,916	-	-	-	1,722,916
Restricted assets:					
Cash and cash equivalents	530,356	-	-	-	530,356
Investments	-	-	40,961,484	-	40,961,484
	<u>\$ 2,253,272</u>	<u>\$ -</u>	<u>\$ 40,961,484</u>	<u>\$ 340,898</u>	<u>\$ 43,555,654</u>

The reserve for continuing appropriations within the Grants Assistance Fund of \$7,060,994 represents grant awards approved by the U.S. Department of the Interior under the Public Infrastructure Sector grant for projects that have not yet commenced.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

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

#### Q. Dedicated Revenues and Pledges

RepMar has pledged, as security in the event of default for debt issued by the Marshalls Energy Company, Inc. (MEC), a portion of the General Fund's tax revenues. The debt, issued by MEC in May 2007 in the amount of \$12,000,000 to: (i) refinance debts to a fuel supplier; (ii) refinance a commercial bank loan; and (iii) to finance working capital requirements, is payable through April 2017. Total principal and interest remaining on the debt is \$11,615,638, with annual requirements of \$1,191,600 through to maturity.

#### R. Risk Financing

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

#### S. New Accounting Standards

During fiscal year 2010, RepMar implemented the following pronouncements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.
- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

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

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

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

#### S. New Accounting Standards, Continued

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

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of RepMar.

#### T. Estimates

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

#### U. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with RepMar's financial statements for the year ended September 30, 2009 from which summarized information was derived.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

### (2) Deposits and Investments

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

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

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

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

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

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



# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

### (2) Deposits and Investments, Continued

#### A. Deposits

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

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

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, RepMar's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. RepMar does not have a deposit policy for custodial credit risk.

As of September 30, 2010, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit was \$41,051,771 and the corresponding bank balances were \$42,103,225. Of the bank balances, \$41,030,854 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2010, bank deposits in the amount of \$1,490,379 were FDIC insured. RepMar does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2010, the carrying amount of the fiduciary fund's total cash and cash equivalents and time certificates of deposit was \$4,828,520 and the corresponding bank balances were \$5,207,189. Of the bank balances, \$109,069 is maintained in financial institutions subject to FDIC insurance. RepMar does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2010, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$9,882,076 and the corresponding bank balances were \$10,151,537. Of the bank balances, \$3,665,069 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2010, bank deposits in the amount of \$1,907,580 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

### (2) Deposits and Investments, Continued

#### B. Investments

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

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

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

Investments of the primary government as of September 30, 2010, are as follows:

Compact Trust Fund:	
Money market funds	\$ 1,024,075
Equity mutual funds	30,179,872
Fixed income mutual funds	8,169,231
Other	<u>1,588,306</u>
	<u>\$ 40,961,484</u>

Additionally, as of September 30, 2010, the primary government holds approximately 4% of the outstanding shares of Pacific Forum Lines with a carrying amount of \$318,630. As the fair market value of this investment is not readily available, such has been recorded at cost.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, RepMar will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. RepMar's investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all of these investments were held in RepMar's name by RepMar's custodial financial institutions at September 30, 2010.

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.

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(2) Deposits and Investments, Continued

B. Investments, Continued

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for RepMar. As of September 30, 2010, there were no investments in any one issuer that exceeded 5% of total investments.

Investments in marketable securities of the fiduciary funds as of September 30, 2010, are as follows:

Marshall Islands Social Security Administration (MISSA):	
Money market funds	\$ 60,098
Common equity securities	8,896,740
Mutual funds	<u>43,791,256</u>
	\$ <u>52,748,094</u>
 Nuclear Claims Trust Fund (NCTF):	
Money market funds	\$ <u>64,534</u>

Additionally, as of September 30, 2010, MISSA holds approximately 10% of the outstanding shares of Marshall Islands Service Corporation, totaling \$30,000, which is accounted for at cost, and approximately 31% of the outstanding shares of Bank of Marshall Islands (BOMI), totaling \$8,944,425, which is accounted for under the equity method.

A summary of unaudited financial information as of and for the nine months ended September 30, 2010, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>65,948,905</u>
Liabilities	\$ <u>37,987,773</u>
Net earnings	\$ <u>1,978,773</u>

As of September 30, 2010, net increase in fair value of investments included equity in net earnings of BOMI amounting to \$828,234.

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.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2010

## (2) Deposits and Investments, Continued

### B. Investments, Continued

- (ii) Corporate obligations and mortgage-backed securities - Obligations of any public or private entity or corporation created or existing under the laws of RepMar or of the United States or any state, territory or commonwealth thereof, or obligations of any other government or economic community which are payable in United States dollars, or pass through and other mortgage-backed securities provided that the obligation is an agency of the United States Government or is rated in one of the four highest categories by two nationally recognized rating agencies in the United States. No investment under this heading shall exceed five percent of the market value of the Fund or ten percent of the outstanding value of the issue at the time of purchase.
- (iii) Preferred and common stocks - Shares of preferred or common stocks of any corporation created or existing under the laws of RepMar or under the laws of the United States or any state, territory or commonwealth thereof provided that the purchase of such shares shall be considered reasonable and prudent by MISSA's investment advisor at the time of purchase, that not more than fifteen percent (15%) percent of the market value of the Fund shall be invested in the stock of any one corporation, and that not more than twenty-five percent (25%) percent of the market value of the Fund shall be invested in any one industry group.
- (iv) Insurance company obligations - Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in the Republic or in any state, territory or commonwealth of the United States provided that the total market value of these investments at no time shall exceed ten percent (10%) of all investments of the Fund.

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

MISSA and NCTF investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all of these investments were held respectively in the name of MISSA and NCTF by their custodial financial institutions at September 30, 2010.

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, 2010, 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, 2010

(2) Deposits and Investments, Continued

B. Investments, Continued

Investments of the discretely presented component units as of September 30, 2010, are as follows:

College of the Marshall Islands (CMI):

Money market funds	\$ 933
Common equity securities	77,378
Mutual funds	<u>7,957</u>
	\$ <u>86,268</u>

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

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

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

Restricted for endowments:

Money market funds	\$ 4,816
Common equity securities	108,930
Mutual funds	<u>600,237</u>
	\$ <u>713,983</u>

Marshall Islands Development Bank:

Common equity securities	\$ <u>423,748</u>
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The deposit and investment policies of MIDB are governed by MIDB's Board of Directors. Generally, MIDB can provide financial assistance to enterprises operating in the Republic, including making equity investments in such enterprises.

Marshall Islands Marine Resources Authority (MIMRA):

Investment in joint venture	\$ <u>3,636,898</u>
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**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(2) Deposits and Investments, Continued

B. Investments, Continued

On May 1, 2005, MIMRA entered into a joint venture agreement with a third party to form the Marshall Islands Fishing Corporation (MIFCO), an ongoing association for the purpose of engaging in the purse seine fishing business. The association was formally organized during fiscal year 2006 with the purchase of the vessel, RMI201. MIMRA's contributed capital was \$2,940,000, which represented a 49% interest of the vessel's value of \$6,000,000. The parties agreed that MIMRA's contribution to working capital will be provided by the third party and shall be classified as a loan provided to MIMRA at an annual rate of 3%. 100% of MIMRA's share of the profits will be used to pay off this loan for the first two years of operations; thereafter, it will be 50%. The parties agreed that the joint venture will be operated by the third party and MIMRA will not be liable to the joint venture. The loan was repaid in full during the year ended September 30, 2010.

A summary of unaudited financial information as of and for the year ended December 31, 2010, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>11,816,625</u>
Liabilities	\$ <u>4,577,195</u>
Net earnings	\$ <u>1,239,430</u>

For the year ended September 30, 2010, MIMRA recognized equity in net earnings of MIFCO of \$794,427.

(3) Receivables

Receivables as of September 30, 2010, 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:

	General	Grants Assistance	Compact Trust	Nonmajor Governmental Funds	Fiduciary Funds	Totals
Receivables:						
Taxes	\$ 2,372,074	\$ -	\$ -	\$ 79,241	\$ -	\$ 2,451,315
Federal agencies	31,850	3,841,230	-	318,499	-	4,191,579
General	1,194,209	1,902,776	-	1,668,711	4,834,151	9,599,847
Loans	-	-	-	19,634,821	-	19,634,821
Other	<u>343,927</u>	<u>-</u>	<u>-</u>	<u>114,082</u>	<u>5,837,931</u>	<u>6,295,940</u>
	3,942,060	5,744,006	-	21,815,354	10,672,082	42,173,502
Less: allowance for uncollectible Accounts	<u>(461,423)</u>	<u>(152,776)</u>	<u>-</u>	<u>(19,943,698)</u>	<u>(6,897,140)</u>	<u>(27,455,037)</u>
Net receivables	<u>\$ 3,480,637</u>	<u>\$ 5,591,230</u>	<u>\$ -</u>	<u>\$ 1,871,656</u>	<u>\$ 3,774,942</u>	<u>\$ 14,718,465</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(3) Receivables, Continued

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

Marshall Islands Scholarship, Grant and Loan Board

Loans to qualified Marshallese students under a student financial assistance program, interest free, uncollateralized with no set repayment terms, and may be converted to grants at a later date if the recipients meet certain criteria. These loans have been fully provided for in the allowance for uncollectible accounts. During the year ended September 30, 2010, loans in the amount of \$36,979 were converted to grants as the recipients met the criteria for conversion. \$ 15,266,034

Marshall Islands Development Authority

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

ADB Development Projects Fund

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

\$ 19,634,821

Discretely Presented Component Units

Receivables as of September 30, 2010, for the discretely presented component units, including applicable allowance for uncollectible accounts, are as follows:

	College of the Marshall Islands	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Non-major Component Units	Totals
Receivables:								
Federal agencies	\$ 782,113	\$ -	\$ -	\$ -	\$ -	\$ 904,673	\$ 2,770	\$ 1,689,556
General	1,306,546	8,011,213	-	686,271	1,042,693	1,048,554	4,925,447	17,020,724
Loans	-	-	30,814,265	-	-	-	-	30,814,265
Other	199,196	536,729	294,063	960,452	297,712	505,166	516,599	3,309,917
	<u>2,287,855</u>	<u>8,547,942</u>	<u>31,108,328</u>	<u>1,646,723</u>	<u>1,340,405</u>	<u>2,458,393</u>	<u>5,444,816</u>	<u>52,834,462</u>
Less: allowance for uncollectible accounts	<u>(853,396)</u>	<u>(2,762,012)</u>	<u>(15,296,590)</u>	<u>(1,153,525)</u>	<u>(412,276)</u>	<u>(835,334)</u>	<u>(3,870,709)</u>	<u>(25,183,842)</u>
Net receivables	<u>\$ 1,434,459</u>	<u>\$ 5,785,930</u>	<u>\$ 15,811,738</u>	<u>\$ 493,198</u>	<u>\$ 928,129</u>	<u>\$ 1,623,059</u>	<u>\$ 1,574,107</u>	<u>\$ 27,650,620</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(3) Receivables, Continued

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

Marshall Islands Development Bank (MIDB)

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

Investment Development Fund	\$ 4,094,747
Compact Section 211	981,762
Republic of the Marshall Islands	25,724,688
Housing Preservation Grant	<u>13,068</u>
	<u>\$ 30,814,265</u>

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

(4) Interfund Receivables and Payables

Receivables and payables between funds reflected as due to/from other funds in the combined balance sheet at September 30, 2010, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Grants Assistance	\$ 2,838,417
General	Nonmajor governmental funds	286,830
Grants Assistance	General	6,515,109
Nonmajor governmental funds	General	1,157,076
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	1,619,241
Nonmajor governmental funds	Nonmajor governmental funds	918,083
Fiduciary Funds - Private Purpose Trust	General	29,491,334
Fiduciary Funds - Agency	General	<u>164,484</u>
		<u>\$ 42,990,574</u>



**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(4) Interfund Receivables and Payables, Continued

Receivables and payables between funds reflected as due to/from component units in the statement of net assets at September 30, 2010, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
<u>Primary Government</u>		
General Fund:		
Marshalls Energy Company, Inc.	\$ 764,961	\$ -
Marshall Islands Development Bank	1,722,916	-
Marshall Islands Marine Resources Authority	-	300,000
RMI Ports Authority	-	152,678
Nonmajor component units	-	69,063
	<u>\$ 2,487,877</u>	<u>\$ 521,741</u>

The amount recorded as due from component units of the primary government of \$2,487,877 does not equal the corresponding due to primary government of the discretely presented component units of \$5,604,767 due to an allowance for doubtful accounts recorded by the General Fund and the Grants Assistance Fund of \$1,516,890 and \$1,600,000, respectively.

Receivables and payables between funds reflected as due to/from primary government in the statement of net assets at September 30, 2010, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
<u>Discretely Presented Component Units</u>		
Marshalls Energy Company, Inc.:		
General Fund	\$ -	\$ 764,961
Marshall Islands Development Bank:		
General Fund	-	1,722,916
Nonmajor component units:		
General Fund	-	1,516,890
Grants Assistance Fund	-	1,600,000
	<u>\$ -</u>	<u>\$ 5,604,767</u>

The amount recorded by the General Fund due from the Marshall Islands Development Bank (MIDB) of \$1,722,916 accrues interest at the rate of 4% per annum and matures on May 8, 2018. In the event that RepMar redeems this receivable at an earlier date, receipt of funds may be dependent upon the underlying collectability of loans issued by MIDB, as MIDB does not appear to have readily available cash reserves to meet early redemption. Furthermore, in the event that RepMar is unable to liquidate this amount at an earlier date, such may be deemed to constitute a cash transfer out to MIDB. Due to the long term nature of this receivable, such has been included within the reserve for related assets at the governmental fund level and as a long-term receivable at the government-wide level.

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(5) Capital Assets

Capital asset activities of the primary government's governmental activities for the year ended September 30, 2010, are as follows:

	Estimated Useful Lives	Balance October 1, 2009	Additions	Retirements	Balance September 30, 2010
Depreciable capital assets:					
Electrical distribution	30 yrs	\$ 30,540,465	\$ -	\$ -	\$ 30,540,465
Buildings	30 - 40 yrs	91,522,164	7,429,966	-	98,952,130
Water infrastructure system	25 yrs	9,616,908	-	-	9,616,908
Docks, roads and bridges	25 - 30 yrs	14,486,813	-	-	14,486,813
Ships	25 yrs	13,567,254	226,000	-	13,793,254
Software	10 yrs	2,269,610	270,100	-	2,539,710
Heavy equipment	3 - 10 yrs	1,917,479	768,420	(118,000)	2,567,899
Dry-dock	15 yrs	<u>2,907,282</u>	<u>-</u>	<u>-</u>	<u>2,907,282</u>
		<u>166,827,975</u>	<u>8,694,486</u>	<u>(118,000)</u>	<u>175,404,461</u>
Less accumulated depreciation:					
Electrical distribution		(25,715,710)	(1,018,015)	-	(26,733,725)
Buildings		(35,118,738)	(2,369,130)	-	(37,487,868)
Water infrastructure system		(5,040,755)	(384,676)	-	(5,425,431)
Docks, roads and bridges		(7,059,080)	(568,036)	-	(7,627,116)
Ships		(6,402,822)	(551,730)	-	(6,954,552)
Software		(1,035,796)	(253,971)	-	(1,289,767)
Heavy equipment		(1,410,649)	(258,272)	44,840	(1,624,081)
Dry-dock		<u>(2,907,282)</u>	<u>-</u>	<u>-</u>	<u>(2,907,282)</u>
		<u>(84,690,832)</u>	<u>(5,403,830)</u>	<u>44,840</u>	<u>(90,049,822)</u>
Total depreciable capital assets, net		82,137,143	3,290,656	(73,160)	85,354,639
Construction in progress		<u>4,298,965</u>	<u>7,953,777</u>	<u>(7,885,822)</u>	<u>4,366,920</u>
		<u>\$ 86,436,108</u>	<u>\$ 11,244,433</u>	<u>\$ (7,958,982)</u>	<u>\$ 89,721,559</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	883,873
Health and Environment	501,555
Transportation and Communication	327,839
Resources and Development	80,225
Internal Affairs	52,913
Justice	257,253
Finance	150,296
Foreign Affairs and Trade	164,656
Public Works	2,965,731
Nitijela	<u>1,303</u>
	<u>\$ 5,403,830</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(6) Short-term Debt

Primary Government

Loan with a bank, dated December 22, 2008, interest at 8.5% per annum, with principal and interest payable in bi-weekly installments of \$50,000 through November 22, 2009. Loan proceeds of \$1,000,000 were used to fund advances to the Marshalls Energy Company, Inc. for the purpose of purchasing fuel. The loan has been collateralized by certain investments of the Marshall Islands Development Bank. This loan was paid in full during the year ended September 30, 2010.

Short-term debt activity for the year ended September 30, 2010, was as follows:

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

Discretely Presented Component Units

Marshalls Energy Company, Inc. (MEC):

Ninety-day term loans with a bank, interest at 7.5% per annum, to finance fuel purchases. \$ 948,118

Marshall Islands Development Bank (MIDB):

Loan with an affiliate bank, dated July 6, 2010, interest at 7.5% per annum, with principal and interest payable in bi-weekly installments of \$50,000 through May 6, 2011. Loan proceeds of \$1,000,000 were used to fund partial withdrawals by RepMar from its certificate of deposit with MIDB. 764,063

\$ 1,712,181

Short-term debt activity for the year ended September 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
MEC:				
Bank credit line	\$ -	\$ 6,500,000	\$ (5,551,882)	\$ 948,118
MIDB:				
Bank credit line	-	1,000,000	(235,937)	764,063
Tobolar Copra Processing Plant, Inc.				
Bank credit line	<u>-</u>	<u>1,500,000</u>	<u>(1,500,000)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 9,000,000</u>	<u>\$ (7,287,819)</u>	<u>\$ 1,712,181</u>

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

### (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, 2010, the primary government had the following long-term debt outstanding:

#### Asian Development Bank (ADB) Loans

Loan Number 1102 MAR (SF) - Fisheries Development Project Loan (SDR 2,432,599), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced January 1, 2002 in an amount of SDR 24,300, increasing to SDR 48,600 on January 1, 2012. \$ 2,888,483

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. 432,509

Loan Number 1249 MAR (SF) - Basic Education Project Loan (SDR 5,717,446), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced April 15, 2004 in an amount of SDR 57,200, increasing to SDR 114,300 on April 15, 2014. 6,786,786

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. 620,735

Loan Number 1316 RMI (SF) - Health and Population Project Loan (SDR 3,858,516), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced January 1, 2005 in an amount of SDR 38,600, increasing to SDR 77,200 on January 1, 2015. 4,596,061

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. 7,472,580

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. 10,499,964

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(7) Long-term Obligations, Continued

Primary Government, Continued

Asian Development Bank (ADB) Loans, Continued

Loan Number 1694 RMI (SF) - Ebeye Health and Infrastructure Project Loan (SDR 6,918,118), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced February 1, 2008 in an amount of SDR 144,127. 7,834,427

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. 4,615,636

Loan Number 1828 RMI - Fiscal and Financial Management Program Loan No. 1 (\$4,000,000), interest at the ADB's pool-based variable lending rate system for U.S. dollar loans (5.03% at September 30, 2010), 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. 2,569,300

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. 7,864,656

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. 507,517

\$ 56,688,654

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

On September 8, 2010, RepMar entered into a loan agreement (Loan Number 2659 RMI (SF)) with the ADB for SDR 6,413,000 (approximates \$9,500,000) for the Public Sector Program, 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, 2011 in an amount of SDR 200,406, at which time the service charge increases to 1.5% per annum. At September 30, 2010, RepMar had drawn down no amounts against this loan. Concurrently, RepMar entered into a subsidiary loan agreement with the Marshalls Energy Company, Inc. whereby RepMar will onlend a portion of the loan proceeds for the purpose of restructuring certain commercial bank debt.

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(7) Long-term Obligations, Continued

Primary Government, Continued

Asian Development Bank (ADB) Loans, 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>
2011	\$ 2,204,445	\$ 775,925	\$ 2,980,370
2012	2,308,777	731,968	3,040,745
2013	2,351,099	680,726	3,031,825
2014	2,489,869	628,231	3,118,100
2015	2,720,209	571,172	3,291,381
2016 – 2020	13,317,349	2,143,903	15,461,252
2021 – 2025	13,116,851	1,368,005	14,484,856
2026 – 2030	10,495,435	704,209	11,199,644
2031 – 2035	7,007,130	199,261	7,206,391
2036 – 2037	677,490	6,792	684,282
	<u>\$ 56,688,654</u>	<u>\$ 7,810,192</u>	<u>\$ 64,498,846</u>

Discretely Presented Component Units

As of September 30, 2010, the discretely presented component units had the following long-term debt outstanding:

Marshalls Energy Company, Inc. (MEC)

Loan with the Federal Financing Bank (FFB), dated November 17, 1997, interest based on the FFB rates at the date of the loan advances and range from 5.49% to 7.25% per annum, with principal and interest payable in quarterly installments of \$273,770 through January 2, 2018, with loan repayments guaranteed by the Rural Utilities Service (RUS). The mortgage notes have been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS in the event of default by MEC, and have been collateralized by a leasehold mortgage and security agreement over the assets of MEC. These notes are subject to certain coverage ratio requirements. MEC is not in compliance with these ratio requirements as of September 30, 2010. \$ 6,327,630

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

On May 25, 2007, MEC obtained a bank loan of \$12 million to refinance debts to a fuel supplier and a commercial bank and to finance working capital requirements. This loan was refinanced on June 1, 2010 and is amortized over a period of 10 years and matures in 3 years. Interest is calculated at 1.75% over the bank's reference rate with a minimum rate of 6.5%. As of September 30, 2010 and 2009, interest rate was 6.5%. Principal and interest are payable in monthly payments of \$99,300 to May 1, 2013. The remaining principal and interest are due on June 1, 2013. The loan is guaranteed, unconditionally and absolutely, by RepMar. This loan was paid in full on October 8, 2010 through acquisition of a subsidiary loan executed with RepMar on September 8, 2010 (see note 13).

8,494,897

\$ 14,822,527

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>
2011	\$ 963,722	\$ 513,709	\$ 1,477,431
2012	898,018	340,401	1,238,419
2013	1,341,367	444,601	1,785,968
2014	1,201,783	310,406	1,512,189
2015	1,260,849	251,343	1,512,192
2016 – 2020	4,009,570	539,875	4,549,445
2021 – 2025	1,763,647	321,833	2,085,480
2026 – 2030	1,900,918	184,562	2,085,480
2031 – 2034	<u>1,482,653</u>	<u>41,946</u>	<u>1,524,599</u>
	<u>\$ 14,822,527</u>	<u>\$ 2,948,676</u>	<u>\$ 17,771,203</u>

Marshall Islands Development Bank (MIDB)

Loan payable to the International Commercial Bank of China, due August 6, 2014, payable in semi-annual installments of \$200,000 plus interest at 5% per annum, uncollateralized. \$ 1,600,000

Loan with a bank, dated April 15, 2009, interest at 7.5% per annum, with principal and interest payable in monthly installments of \$10,000 through March 28, 2012. Loan proceeds of \$325,000 were used to fund partial withdrawals by RepMar from its certificate of deposit. 179,767

\$ 1,779,767

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(7) Long-term Obligations, Continued

Discretely Presented Component Units, 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>
2011	\$ 511,325	\$ 78,740	\$ 590,065
2012	468,442	57,658	526,100
2013	400,000	35,041	435,041
2014	400,000	15,250	415,250
	<u>\$ 1,779,767</u>	<u>\$ 186,689</u>	<u>\$ 1,966,456</u>

Marshall Islands National Telecommunications Authority (MINTA)

Loans with the RUS (formerly the Rural Electrification Administration) from the Rural Electrification and Telephone Revolving Fund, dated August 17, 1989 of \$18,800,000, 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. \$ 30,050,952

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>
2011	\$ 942,911	\$ 1,559,866	\$ 2,502,777
2012	1,171,137	1,375,852	2,546,989
2013	1,229,056	1,317,934	2,546,990
2014	1,289,862	1,257,127	2,546,989
2015	1,353,703	1,193,286	2,546,989
2016 – 2020	7,843,401	4,891,546	12,734,947
2021 – 2025	9,398,139	2,749,965	12,148,104
2026 – 2030	6,394,710	879,839	7,274,549
2031	428,033	3,903	431,936
	<u>\$ 30,050,952</u>	<u>\$ 15,229,318</u>	<u>\$ 45,280,270</u>

RMI Ports Authority (RMIPA)

Loan with a bank, dated April 6, 2010, interest at 8.5% per annum, with principal and interest payable in monthly installments of \$9,330 through March 28, 2013. The loan has been collateralized by a TCD of RMIPA of \$295,000. \$ 250,379



**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(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>
2011	\$ 94,415	\$ 17,545	\$ 111,960
2012	102,625	9,335	111,960
2013	<u>53,339</u>	<u>1,309</u>	<u>54,648</u>
	<u>\$ 250,379</u>	<u>\$ 28,189</u>	<u>\$ 278,568</u>

Air Marshall Islands, Inc. (AMI)

Loan with a bank, dated November 27, 2009, interest at 13.5% per annum, with principal and interest payable in monthly installments of \$31,500 through November 28, 2014. The loan has been collateralized by certain aircraft operated by AMI. \$ 1,171,455

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>
2011	\$ 205,982	\$ 147,537	\$ 353,519
2012	263,575	114,425	378,000
2013	301,444	76,556	378,000
2014	344,753	33,247	378,000
2015	<u>55,701</u>	<u>906</u>	<u>56,607</u>
	<u>\$ 1,171,455</u>	<u>\$ 372,671</u>	<u>\$ 1,544,126</u>

(8) Change in Long-term Obligations

Primary Government

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2010, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net assets:

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2010</u>	<u>Due Within One Year</u>
Loans payable:					
ADB loans	\$ 58,838,840	\$ 297,424	\$ (2,447,610)	\$ 56,688,654	\$ 2,204,445
Other:					
Compensated absences	<u>2,913,025</u>	<u>2,144,419</u>	<u>(2,144,419)</u>	<u>2,913,025</u>	<u>1,114,656</u>
	<u>\$ 61,751,865</u>	<u>\$ 2,441,843</u>	<u>\$ (4,592,029)</u>	<u>\$ 59,601,679</u>	<u>\$ 3,319,101</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(8) Change in Long-term Obligations, Continued

Primary Government, Continued

Included in the additions is a foreign exchange adjustment due to a change in the SDR calculation of \$297,424 for outstanding ADB loans payable.

Discretely Presented Component Units

Changes in long-term liabilities of discretely presented component units for the year ended September 30, 2010, are as follows:

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Due Within One Year
Loans payable:					
MEC	\$ 16,467,903	\$ -	\$ (1,645,376)	\$ 14,822,527	\$ 963,722
MIDB	2,274,976	-	(495,209)	1,779,767	511,325
MINTA	28,568,949	2,284,986	(802,983)	30,050,952	942,911
RMIPA	43,451	295,000	(88,072)	250,379	94,415
AMI	<u>558,279</u>	<u>1,365,712</u>	<u>(752,536)</u>	<u>1,171,455</u>	<u>205,982</u>
	47,913,558	3,945,698	(3,784,176)	48,075,080	2,718,355
Due to primary government	9,373,238	-	(3,768,471)	5,604,767	3,881,851
Other liabilities	<u>1,818,443</u>	-	<u>(1,818,443)</u>	-	-
	<u>\$ 59,105,239</u>	<u>\$ 3,945,698</u>	<u>\$ (9,371,090)</u>	<u>\$ 53,679,847</u>	<u>\$ 6,600,206</u>

(9) Restricted Assets

Primary Government

Restricted assets of the primary government are as follows:

Investments held in a trust fund for the purpose of accumulating resources to fund RepMar government operations after fiscal year 2023.	\$ 40,961,484
Escrow account established in accordance with Section 103(l) of the Compact of Free Association, as amended, for the benefit of landowners of Kwajalein Atoll to be distributed upon conclusion of an agreement amending or superseding the Kwajalein Atoll land use agreement.	28,873,516
Savings account established in accordance with Section 211(d)(2) of the Compact of Free Association, as amended, for the purpose of funding RepMar's infrastructure maintenance plan.	2,735,105
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.	891,886
Deposit account established for the purpose of receiving payments pursuant to the Compact of Free Association, as amended.	207,835
Savings account pledged as collateral for a \$12,000,000 loan payable by the Marshalls Energy Company, Inc.	480,000

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(9) Restricted Assets, Continued

Primary Government, Continued

Savings account collateralizing a credit card facility.	50,183
Deposit account established in accordance with ADB Loan 2569-RMI (SF).	173
Savings account established for the purpose of accounting for funds held by RepMar in a custodial capacity relating to unclaimed property.	<u>70,747</u>
	<u>\$ 74,270,929</u>

Discretely Presented Component Units

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

Marshall Islands Development Bank (MIDB):

Time certificates of deposit collateralizing loans funded by Rural Housing Service (RHS).	\$ 571,394
Time certificate of deposit collateralizing outstanding loans issued by an affiliate bank.	<u>4,999</u>
	<u>\$ 576,393</u>

RMI Ports Authority:

Time certificate of deposit collateralizing loan payable to a bank.	\$ <u>295,000</u>
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(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, 2010, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Grants Assistance Fund	\$ -	\$ 947,841
Nonmajor governmental funds	<u>1,077,293</u>	<u>427,167</u>
	<u>1,077,293</u>	<u>1,375,008</u>
Grants Assistance Fund:		
General Fund	947,841	-
Grants Assistance Fund	782,110	782,110
Nonmajor governmental funds	<u>2,520,780</u>	<u>-</u>
	<u>4,250,731</u>	<u>782,110</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2010

(10) Operating Transfers In/Out, Continued

Nonmajor governmental funds:		
General Fund	427,167	1,077,293
Grants Assistance Fund	-	2,520,780
Fiduciary funds	-	79,477
Nonmajor governmental funds	<u>3,715,375</u>	<u>3,715,375</u>
	<u>4,142,542</u>	<u>7,392,925</u>
Fiduciary funds:		
Nonmajor governmental funds	<u>79,477</u>	<u>-</u>
	<u>\$ 9,550,043</u>	<u>\$ 9,550,043</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.

(11) Compact Trust Fund

Section 216(a) of the Compact, as amended, provides for annual contributions from the United States into a trust fund established in accordance with the Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended, Regarding a Trust Fund (Trust Fund Agreement). The contributions by the United States were conditioned upon RepMar contributing to the trust fund at least \$25,000,000 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, 2010, RepMar has contributed the required amounts to the "A Account" as required under Article 16 of the Trust Fund Agreement; however, Article 21 of the Trust Fund Agreement states that the United States may withdraw the Present Market Value of its contributions to the "A Account" if certain events occur.

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

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

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

### (11) Compact Trust Fund, Continued

At September 30, 2010, the fair market value of contributions to the Compact Trust Fund "A Account" by the United States and the Republic of China, including associated undistributed income, is as follows:

United States - "A Account"	\$ 64,521,177
Republic of China - "A Account"	<u>8,742,916</u>
	\$ <u>73,264,093</u>

### (12) Contingencies and Commitments

#### Sick Leave

It is the policy of RepMar to record expenditures for sick leave when leave is actually taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury. The estimated accumulated amount of unused sick leave as of September 30, 2010 is \$9,469,351.

#### 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 2010 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2010. In addition, RepMar is considered to have responsibility for any questioned costs that may result from Single Audits of subgrantees who have not satisfied the audit requirements of OMB Circular A-133. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

#### Nuclear Claims Trust Fund (NCTF)

Section 177(c) of the Compact of Free Association (the Compact) provides, on a one-time grant basis, the amount of \$150,000,000 to RepMar to be used to establish a trust fund from which annual distributions are to be made in accordance with Article II of the Agreement between the Government of the United States and RepMar for Implementation of Section 177 of the Compact (the Agreement). Pursuant to the Agreement, RepMar established the NCTF from which these distributions are made. Over a period of fifteen years, the Nuclear Claims Tribunal (NCT) received \$45,750,000 from the NCTF that was made available for whole or partial payment of monetary awards. During the year ended September 30, 2010, NCT received \$79,477 from the NCTF, which included funds to fund partial payment of monetary awards. As of September 30, 2010, 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 \$74,995 as of September 30, 2010. 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.

# REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2010

## (12) Contingencies and Commitments, Continued

### 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.

### Marshalls Energy Company, Inc. (MEC)

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

### Leases

RepMar enters into numerous leases with various landowners. The lease terms generally range from one to fifteen years. However, appropriations to fund these leases are made only on an annual basis. For fiscal year 2010, RepMar appropriated \$673,932 to fund such leases.

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

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

<u>Year ending</u> <u>September 30</u>	<u>Total</u>
2011	\$ 850,836
2012	506,781
2013	506,781
2014	499,704
2015	493,128
2016 - 2020	40,019
2021 - 2025	34,930
2026 - 2030	<u>14,574</u>
	<u>\$ 2,946,753</u>

### Coin Issue

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2010

#### (12) Contingencies and Commitments, Continued

##### Trust Company of the Marshall Islands

Under the Joint Venture Agreement, as amended, between RepMar and the Trust Company of the Marshall Islands, Inc. (TCMI) dated September 14, 1990, and as amended August 18, 1995, after meeting certain contractual working capital requirements, annual gross revenues of the programs managed by TCMI are shared using a graduated schedule. On August 1, 2002, RepMar agreed to set aside the financial provisions of this Joint Venture Agreement in favor of an annual payment of \$1,000,000, payable in quarterly installments of \$250,000 through December 31, 2006. On December 6, 2006, RepMar agreed to again set aside the financial provisions of this Joint Venture Agreement in favor of an annual payment of \$2,000,000, payable in quarterly installments of \$500,000 through December 31, 2009. On June 8, 2009, RepMar agreed to further amend the financial provisions of this Joint Venture Agreement whereby an annual payment of \$3,000,000 is payable by TCMI through December 31, 2010 in monthly installments of \$250,000, with an effective date of July 1, 2008. For the period January 1, 2011 through December 31, 2013, the annual payment amount increases to \$4,000,000, payable in monthly installments of \$333,333 and further increases to an annual payment amount of \$5,000,000 for the period January 1, 2014 through December 31, 2018, payable in monthly installments of \$416,667. During the year ended September, 30, 2010, RepMar received \$3,000,000 under this Joint Venture Agreement.

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

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

In June 2009, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2008. The valuation reported actuarial accrued liabilities for the Retirement Fund of \$225,806,000. As of September 30, 2010, MISSA recorded total fund equity of \$64,879,269 in the Retirement Fund, as funds available to fund future benefit obligations. These conditions indicate that MISSA may be unable to meet its future benefit obligations.

##### Majuro Resort, Inc.

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

##### Kwajalein Land Use Agreement

The current land use agreement approving the use of Kwajalein Atoll by the United States under the Compact of Free Association, which was signed in 1986, between RepMar and the Kwajalein landowners expires in 2016. Under the existing agreement, the landowners are to receive approximately \$12 million per year. In accordance with the Compact of Free Association, as amended, these payments increased to \$15 million per year; however, a new land use agreement was required to be entered into before the landowners received the incremental \$3 million per year increase. Currently, this annual incremental increase has been set aside in an escrow account pending the execution of a new agreement. At September 30, 2010, the escrow account maintained a balance of \$28,873,516.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

### (12) Contingencies and Commitments, Continued

#### Other Commitments

Significant commitments of the primary government as of September 30, 2010, are as follows:

- a) Guaranteed a bank debt of Tobolar Copra Processing Plant, Inc. (TCPPI) with a letter of guarantee. At September 30, 2010, TCPPI had no recorded bank debt.
- b) Guaranteed a debt of Marshall Islands National Telecommunications Authority (MINTA) in respect of a loan from the United States Rural Utilities Service (RUS, formerly Rural Electrification Administration) with a letter of guarantee. At September 30, 2010, MINTA had guaranteed debt totaling \$30,050,952.
- c) Guaranteed a debt of Marshalls Energy Company, Inc. (MEC) in respect to a loan from the United States Rural Utilities Service (RUS) with a letter of guarantee. At September 30, 2010, MEC had guaranteed debt totaling \$6,327,630.
- d) RepMar has entered into lease agreements with certain landowners for the use of land situated at the Majuro international airport. The terms of the lease agreements are for a 25-year period commencing September 1, 1996. Annual lease rental commitments are \$305,613 per year.
- e) RepMar has issued a letter of guarantee in the amount of \$178,000 plus interest for the benefit of the Delap Assembly of God Church for a loan issued by Marshall Islands Development Bank.
- f) In accordance with Cabinet Minute C.M. 121 (2003), the Cabinet of RepMar has issued a government guarantee in the amount of \$5,000,000 for a loan obtained by the Marshall Islands Development Bank. At September 30, 2010, MIDB had guaranteed debt totaling \$1,600,000.
- g) On February 19, 2004, the Cabinet of RepMar approved a joint venture Memorandum of Agreement with a local private corporation whereby RepMar granted and conveyed controlling ownership interest to the corporation of the hotel facility owned by Majuro Resort, Inc. On September 9, 2004, the Cabinet of RepMar approved the appointment of a Committee to re-visit the privatization of the hotel facility including obtaining an independent valuation of the property. As of September 30, 2010, no transfer in ownership has occurred.
- h) In accordance with Cabinet Minute C.M. 126 (2008), the Cabinet of RepMar has guaranteed a credit card facility with a time certificate of deposit totaling \$55,000.
- i) In accordance with Cabinet Minute C.M. 055 (2007), the Cabinet of RepMar has issued a government guarantee for and on behalf of MEC to a fuel supplier for amounts owing by MEC relating to the purchase of fuel products. At September 30, 2010, MEC had guaranteed debt to a fuel supplier totaling \$5,772,944.
- j) In accordance with Cabinet Minute C.M. 048 (2007), the Cabinet of RepMar has authorized the collateralization of General Fund tax revenues for a \$12,000,000 loan obtained by the Marshalls Energy Company, Inc. At September 30, 2010, MEC had guaranteed debt totaling \$8,494,897.



# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2010

### (13) Subsequent Events

On September 8, 2010, the Marshalls Energy Company, Inc. (MEC) entered into a subsidiary loan agreement with RepMar in the amount of \$8,542,445. Loan proceeds from the Asian Development Bank Loan Number 2659 RMI(SF) were passed through to MEC and used to pay off MEC's \$12,000,000 bank loan on October 8, 2010.

On May 10, 2011, RepMar entered into a new land use agreement with Kwajalein landowners extending the use by the United States of Kwajalein Atoll to 2066.

**REPUBLIC OF THE MARSHALL ISLANDS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2010**

**REPUBLIC OF THE MARSHALL ISLANDS**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		Actual -	Variance with
	<u>Original</u>	<u>Final</u>	Budgetary Basis (see Note 1)	Final Budget - Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 24,516,389	\$ 24,516,389	\$ 25,243,331	\$ 726,942
Fishing rights	2,000,000	2,000,000	2,000,011	11
Fees and charges	370,079	370,079	40,130	(329,949)
Interest and dividends	200,302	200,302	133,841	(66,461)
Other	7,376,526	7,359,354	8,182,633	823,279
Total revenues	<u>34,463,296</u>	<u>34,446,124</u>	<u>35,599,946</u>	<u>1,153,822</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
President and Cabinet	1,981,104	1,974,371	1,826,369	148,002
Office of the Chief Secretary	679,302	679,302	584,614	94,688
Special appropriations	7,931,394	7,931,394	10,952,432	(3,021,038)
Council of Iroij	404,893	404,893	412,396	(7,503)
Office of the Auditor-General	887,474	882,974	758,579	124,395
Public Service Commission	486,227	486,227	465,573	20,654
Office of the Attorney General	709,012	715,396	611,555	103,841
Ministries	18,893,428	18,831,105	18,540,190	290,915
Environmental Protection Authority	201,265	201,265	164,366	36,899
Nitijela	1,687,227	1,687,227	1,634,318	52,909
Total expenditures	<u>33,861,326</u>	<u>33,794,154</u>	<u>35,950,392</u>	<u>(2,156,238)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>601,970</u>	<u>651,970</u>	<u>(350,446)</u>	<u>(1,002,416)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	292,266	292,266	1,375,008	1,082,742
Operating transfers out	(1,486,490)	(1,536,490)	(1,082,128)	454,362
Other financing sources (uses), net	<u>(1,194,224)</u>	<u>(1,244,224)</u>	<u>292,880</u>	<u>1,537,104</u>
Net change in unreserved fund deficit	<u>(592,254)</u>	<u>(592,254)</u>	<u>(57,566)</u>	<u>534,688</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	-	-	444,670	444,670
Net change in fund balance	<u>(592,254)</u>	<u>(592,254)</u>	<u>387,104</u>	<u>979,358</u>
Fund balance at the beginning of the year	<u>3,900,033</u>	<u>3,900,033</u>	<u>3,900,033</u>	<u>-</u>
Fund balance at the end of the year	<u>\$ 3,307,779</u>	<u>\$ 3,307,779</u>	<u>\$ 4,287,137</u>	<u>\$ 979,358</u>

See accompanying notes to required supplementary information - budgetary reporting.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Required Supplementary Information - Budgetary Reporting September 30, 2010

#### (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 2010, Public Law No. 2009-30, was passed by the Nitijela on September 18, 2009. 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.

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**OTHER SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2010**

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Schedule of Expenditures by Account Governmental Funds Year Ended September 30, 2010

	General	Special Revenue	Permanent	Other	Total
		Grants Assistance	Compact Trust	Governmental Funds	
Expenditures:					
Salaries and wages	\$ 15,782,277	\$ 18,137,092	\$ -	\$ 1,600,059	\$ 35,519,428
Capital outlay	424,335	11,770,226	-	301,190	12,495,751
Grants and subsidies	6,861,726	10,359,978	-	1,049,029	18,270,733
Medical supplies	4,315	277,565	-	4,205,876	4,487,756
Contractual services	821,782	3,553,215	-	1,225,656	5,600,653
Travel	1,135,017	1,426,351	-	721,314	3,282,682
Utilities	2,541,355	2,645,370	-	56,617	5,243,342
Supplies and materials	381,319	1,817,423	-	105,005	2,303,747
Leased housing	619,813	1,193,606	-	59,250	1,872,669
POL	418,077	339,543	-	62,598	820,218
Rentals	1,250,181	168,860	-	43,055	1,462,096
Food stuffs	205,875	1,345,262	-	14,152	1,565,289
Professional services	475,782	343,171	-	268,152	1,087,105
Principal repayment	1,325,133	1,122,477	-	-	2,447,610
Interest	892,842	-	-	-	892,842
Allowances	767,899	30,618	-	14,864	813,381
Communications	515,075	330,110	-	139,131	984,316
Freight	27,632	63,345	-	78,040	169,017
Printing and reproduction	71,230	106,877	-	25,282	203,389
Insurance	69,727	25,365	-	19,721	114,813
Other	919,165	3,213,981	-	479,790	4,612,936
	<u>\$ 35,510,557</u>	<u>\$ 58,270,435</u>	<u>\$ -</u>	<u>\$ 10,468,781</u>	<u>\$ 104,249,773</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**GENERAL FUND**

September 30, 2010

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

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund Year Ended September 30, 2010 (with comparative totals for the year ended September 30, 2009)

	2010	2009
Revenues:		
Taxes:		
Income	\$ 10,811,629	\$ 11,203,742
Import	7,027,847	6,422,748
Gross revenue	6,209,142	5,394,373
Fuel	693,782	715,327
Penalties and interest	89,896	77,133
Other	411,035	515,428
	25,243,331	24,328,751
Fishing rights	2,000,011	1,500,000
Fees and charges	40,130	31,330
Interest and dividends	133,841	92,428
Other:		
Taiwan grant	4,000,000	4,000,000
Ship registry	3,000,000	3,250,000
Other grants	-	40,153
Other	1,182,633	450,088
	8,182,633	7,740,241
Total revenues	35,599,946	33,692,750
Expenditures:		
President and Cabinet:		
Office of the President	410,513	368,032
President and Ministers	580,729	575,459
Cabinet Operations	392,282	418,764
Customary Law Commission	161,501	152,512
RMI/USP Joint Secondary Education Project	272,356	222,880
	1,817,381	1,737,647
Office of the Chief Secretary:		
Administration	248,303	280,845
Deputy Chief Secretary - Ebeye	71,426	93,286
Economic Policy, Planning and Statistics Office	150,684	173,251
Office of Environmental Planning and Policy Coordination	72,414	74,991
Disaster Office	36,011	30,448
	578,838	652,821
Special appropriations:		
Presidential summit	-	14,999
Outer Islands Development Projects	-	291,379
Marshall Islands Shipping Corporation	894,600	994,000
Alele Corporation	64,429	66,928
RMI National Census	4,356	-
Kumit Wellness Center	99,400	-
Centralized Utility Billings	1,266,717	-
Land leases	865,778	865,184
Majuro Landowners electricity bills	1,150,219	-
Leased housing	212,017	198,428
Marshall Islands Visitors Authority	39,760	149,100
MWSC water subsidy	37,150	93,310
Contingencies	212,145	450,000
International subscriptions/membership fees	352,107	308,116
Prior Year Liabilities	478,181	-
Ebeye Public Works	397,600	248,500
Copra price stabilization subsidy	1,318,002	589,185
ADB loan repayment	2,217,975	1,290,297
General Election and Constitutional Convention	29,820	43,868
National Energy Support Account	-	2,988,843
Marshall Islands National Telecommunications Authority	1,015,064	-
Air Marshall Islands	235,541	325,000
	10,890,861	8,917,137

See Accompanying Independent Auditors' Report.



## REPUBLIC OF THE MARSHALL ISLANDS

### Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund, Continued Year Ended September 30, 2010 (with comparative totals for the year ended September 30, 2009)

	2010	2009
Expenditures, continued:		
Council of Iroij:		
Administration	86,902	118,658
Members	324,105	331,562
	411,007	450,220
Nitijela:		
Operations	475,505	513,011
General membership	1,012,430	987,978
Speaker's contingency	77,193	28,736
Committee	4,077	49,269
Legislative counsel	61,416	47,287
	1,630,621	1,626,281
Office of the Auditor-General:		
Auditor-General salary	-	4,638
Operations	218,237	184,288
Single audit - local match	316,657	424,624
	534,894	613,550
Public Service Commission:		
Members	92,564	92,547
Administration	370,367	355,279
	462,931	447,826
Office of the Attorney General	608,980	591,330
Ministries:		
Ministry of Education	3,584,535	3,667,951
Ministry of Health and Environment	2,584,021	2,568,717
Ministry of Transportation and Communication	510,705	581,833
Ministry of Resources and Development	604,897	586,356
Ministry of Internal Affairs	1,928,165	1,909,202
Ministry of Justice	2,929,900	2,881,084
Ministry of Finance	2,330,693	2,729,547
Ministry of Foreign Affairs and Trade	2,840,319	2,636,204
Ministry of Public Works	1,097,632	1,135,624
	18,410,867	18,696,518
Environmental Protection Authority	164,177	170,430
Total expenditures	35,510,557	33,903,760
Excess (deficiency) of revenues over (under) expenditures	89,389	(211,010)
Other financing sources:		
Operating transfers in:		
Republic of China Fund	947,841	752,965
Ministry of Justice Fund	427,167	346,287
Total other financing sources	1,375,008	1,099,252
Other financing uses:		
Operating transfers out:		
Judiciary Fund	672,025	866,354
Postal Services Fund	-	121,813
Marshall Islands Health Fund	-	140,000
Marshall Islands Scholarship, Grant and Loan Board Fund	120,631	98,961
Nuclear Claims Tribunal	-	50,000
Local Government Fund	284,637	280,447
Total other financing uses	1,077,293	1,557,575
Net change in fund balance	387,104	(669,333)
Fund balance at the beginning of the year, as previously reported	3,900,033	5,069,366
Prior-period adjustment	-	(500,000)
Fund balance at the beginning of the year, as restated	3,900,033	4,569,366
Fund balance at the end of the year	\$ 4,287,137	\$ 3,900,033

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - General Fund  
Year Ended September 30, 2010

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Income	\$ 10,402,885	\$ 10,402,885	\$ 10,811,629	\$ 408,744
Import	7,892,217	7,892,217	7,027,847	(864,370)
Gross revenue	5,159,232	5,159,232	6,209,142	1,049,910
Fuel	491,156	491,156	693,782	202,626
Penalties and interest	95,000	95,000	89,896	(5,104)
Other	475,899	475,899	411,035	(64,864)
	<u>24,516,389</u>	<u>24,516,389</u>	<u>25,243,331</u>	<u>726,942</u>
Fishing rights	2,000,000	2,000,000	2,000,011	11
Fees and charges	370,079	370,079	40,130	(329,949)
Interest and dividends	200,302	200,302	133,841	(66,461)
Taiwan grant	4,000,000	4,000,000	4,000,000	-
Ship registry	3,000,000	3,000,000	3,000,000	-
Other	376,526	359,354	1,182,633	823,279
	<u>7,376,526</u>	<u>7,359,354</u>	<u>8,182,633</u>	<u>823,279</u>
<b>Total revenues</b>	<u>34,463,296</u>	<u>34,446,124</u>	<u>35,599,946</u>	<u>1,153,822</u>
<b>Expenditures:</b>				
<b>President and Cabinet:</b>				
Office of the President	458,506	469,578	416,474	53,104
President and Ministers	586,445	593,546	580,729	12,817
Cabinet Operations	487,794	462,892	395,009	67,883
Customary Law Commission	176,003	175,999	161,801	14,198
RMI/USP Joint Secondary Education Project	272,356	272,356	272,356	-
	<u>1,981,104</u>	<u>1,974,371</u>	<u>1,826,369</u>	<u>148,002</u>
<b>Office of the Chief Secretary:</b>				
Administration	272,891	251,789	250,758	1,031
Deputy Chief Secretary - Ebeve	70,003	70,003	71,534	(1,531)
EPPSO	199,583	222,063	150,684	71,379
OEPPC	93,437	93,437	75,627	17,810
Disaster Office	43,388	42,010	36,011	5,999
	<u>679,302</u>	<u>679,302</u>	<u>584,614</u>	<u>94,688</u>
<b>Special appropriations:</b>				
Marshall Islands Shipping Corporation	894,600	894,600	894,600	-
Alele Corporation	64,428	64,428	64,429	(1)
RMI National Census	24,850	24,850	4,356	20,494
Kumit Wellness Center	99,400	99,400	99,400	-
Centralized Utility Billings	442,827	442,827	1,312,462	(869,635)
Ebeve KALGOV	129,220	129,220	-	129,220
Land leases	673,932	673,932	865,778	(191,846)
Majuro Landowners Electricity	462,979	462,979	1,150,219	(687,240)
Leased housing	222,014	222,014	216,365	5,649
Marshall Islands Visitors Authority	39,760	39,760	39,760	-
MWSC water subsidy	89,460	89,460	37,150	52,310
RMI Contingency Fund	198,800	198,800	212,145	(13,345)
International subscriptions/membership fees	349,354	349,354	352,107	(2,753)
Prior Year Liabilities	489,659	489,659	489,659	-
Ebeve Public Works	397,600	397,600	397,600	-
Copra price stabilization subsidy	1,192,800	1,192,800	1,318,002	(125,202)
ADB loan repayment	2,080,191	2,080,191	2,217,975	(137,784)
Constitution Day	29,820	29,820	29,820	-
RMI - USP Arrears Payment	49,700	49,700	-	49,700
Marshall Islands National Telecommunications Authority	-	-	1,015,064	(1,015,064)
Air Marshall Islands, Inc.	-	-	235,541	(235,541)
	<u>7,931,394</u>	<u>7,931,394</u>	<u>10,952,432</u>	<u>(3,021,038)</u>
<b>Council of Irojj:</b>				
Administration	81,302	82,092	88,291	(6,199)
Members	323,591	322,801	324,105	(1,304)
	<u>404,893</u>	<u>404,893</u>	<u>412,396</u>	<u>(7,503)</u>
<b>Office of the Auditor-General:</b>				
Auditor-General salary	41,977	41,977	-	41,977
Operations	269,547	269,547	218,237	51,310
Single audit - local match	575,950	571,450	540,342	31,108
	<u>887,474</u>	<u>882,974</u>	<u>758,579</u>	<u>124,395</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 Year Ended September 30, 2010

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, continued:				
Public Service Commission:				
Members	92,825	92,825	92,564	261
Administration	393,402	393,402	373,009	20,393
	<u>486,227</u>	<u>486,227</u>	<u>465,573</u>	<u>20,654</u>
Office of the Attorney General	709,012	715,396	611,555	103,841
Ministries:				
Ministry of Education	3,757,586	3,757,586	3,588,573	169,013
Ministry of Health and Environment	3,046,116	3,045,941	2,610,806	435,135
Ministry of Transportation and Communication	658,429	658,506	520,207	138,299
Ministry of Resources and Development	661,149	660,310	608,336	51,974
Ministry of Internal Affairs	2,019,372	1,968,890	1,950,905	17,985
Ministry of Justice	2,946,558	2,939,855	2,934,031	5,824
Ministry of Finance	2,097,628	2,095,497	2,367,074	(271,577)
Ministry of Foreign Affairs and Trade	2,581,472	2,579,324	2,855,697	(276,373)
Ministry of Public Works	1,125,118	1,125,196	1,104,561	20,635
	<u>18,893,428</u>	<u>18,831,105</u>	<u>18,540,190</u>	<u>290,915</u>
Environmental Protection Authority	201,265	201,265	164,366	36,899
Nitijela:				
Operations	512,637	539,141	478,402	60,739
General Membership	976,615	1,001,580	1,013,230	(11,650)
Speaker's Contingency	83,928	83,986	77,193	6,793
Committee	47,004	3,771	4,077	(306)
Legislative Counsel	67,043	58,749	61,416	(2,667)
	<u>1,687,227</u>	<u>1,687,227</u>	<u>1,634,318</u>	<u>52,909</u>
Total expenditures	<u>33,861,326</u>	<u>33,794,154</u>	<u>35,950,392</u>	<u>(2,156,238)</u>
Excess (deficiency) of revenues over (under) expenditures	601,970	651,970	(350,446)	(1,002,416)
Other financing sources:				
Operating transfers in:				
Republic of China Fund	42,266	42,266	947,841	905,575
Ministry of Justice Fund	250,000	250,000	427,167	177,167
	<u>292,266</u>	<u>292,266</u>	<u>1,375,008</u>	<u>1,082,742</u>
Other financing uses:				
Operating transfers out:				
Judiciary Fund	920,051	920,051	676,860	243,191
Marshall Islands Scholarship, Grant and Loan Board Fund	172,184	172,184	120,631	51,553
Local Government Fund	394,255	444,255	284,637	159,618
	<u>1,486,490</u>	<u>1,536,490</u>	<u>1,082,128</u>	<u>454,362</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	-	-	444,670	444,670
Net change in unreserved fund deficit	(592,254)	(592,254)	387,104	979,358
Fund balance at the beginning of the year	3,900,033	3,900,033	3,900,033	-
Fund balance at the end of the year	<u>\$ 3,307,779</u>	<u>\$ 3,307,779</u>	<u>\$ 4,287,137</u>	<u>\$ 979,358</u>

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2010

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, 2010, follows:

#### Reimbursable Fund

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

#### Public Works Fund

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

#### Land Registration Authority Fund

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

#### Changed Circumstances Fund

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

#### Labor (General) Fund

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

#### Labor (Bond) Fund

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

#### Judiciary Fund

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

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2010

#### Ministry of Justice Fund

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

#### Marshall Islands Revised Code Fund

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

#### Alternative Energy Fund

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

#### National Environmental Protection Authority Fund

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

#### Resident Workers Training Account Fund

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

#### Postal Service Fund

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

#### Sea Patrol Fund

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

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2010

#### Transportation Services Fund

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

#### Registrar General Fund

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

#### Ministry of Internal Affairs Fund

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

#### Marshall Islands Development Authority (MIDA) Fund

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

#### Local Government Fund

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

#### Asian Development Bank (ADB) Development Projects

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

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2010

#### Four-Atoll Medical Fund

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

#### Marshall Islands Scholarship Grant and Loan Board

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

#### Health Care Revenue Fund

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

#### Marshall Islands Health Fund

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

#### Nuclear Claims Tribunal

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

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**Combining Balance Sheet  
September 30, 2010**

	200090	200105	200224	200317	200318	200319	200330	200332	200333	200335	200340	200515
	Reimbursable	Public Works	Land Registration Authority	Changed Circumstances	Labor (General)	Labor (Bond)	Judiciary	Ministry of Justice	Marshall Islands Revised Code	Alternative Energy	Resident Workers Training Account	Postal Service
<b>ASSETS</b>												
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Time certificates of deposit	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, net:												
Taxes	-	-	-	-	-	-	-	-	-	-	79,241	-
Federal	318,499	-	-	-	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	810	-
Due from other funds	-	15,476	18,118	54,458	94,756	83,760	25,935	-	4,600	416	640,521	95
Advances	5,281	-	-	-	-	-	(302)	2,659	-	-	(320)	(710)
Total assets	<u>\$ 323,780</u>	<u>\$ 15,476</u>	<u>\$ 18,118</u>	<u>\$ 54,458</u>	<u>\$ 94,756</u>	<u>\$ 83,760</u>	<u>\$ 25,633</u>	<u>\$ 2,659</u>	<u>\$ 4,600</u>	<u>\$ 416</u>	<u>\$ 720,252</u>	<u>\$ (615)</u>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>(DEFICITS)</b>												
Liabilities:												
Accounts payable	\$ 2,977	\$ 321	\$ -	\$ -	\$ -	\$ -	\$ (145)	\$ 6,492	\$ -	\$ -	\$ 1,250	\$ 43
Other liabilities and accruals	5,965	-	-	-	-	83,760	3,241	(31,518)	-	-	199,229	-
Due to other funds	259,505	-	-	-	-	-	-	27,325	-	-	-	-
Total liabilities	<u>268,447</u>	<u>321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,760</u>	<u>3,096</u>	<u>2,299</u>	<u>-</u>	<u>-</u>	<u>200,479</u>	<u>43</u>
Fund balances:												
Reserved for:												
Related assets	-	-	-	-	-	-	-	-	-	-	-	-
Encumbrances	34,972	434	-	-	-	-	12,338	7,707	-	-	15,499	229
Unreserved (deficit)	20,361	14,721	18,118	54,458	94,756	-	10,199	(7,347)	4,600	416	504,274	(887)
Total fund balances	<u>55,333</u>	<u>15,155</u>	<u>18,118</u>	<u>54,458</u>	<u>94,756</u>	<u>-</u>	<u>22,537</u>	<u>360</u>	<u>4,600</u>	<u>416</u>	<u>519,773</u>	<u>(658)</u>
Total liabilities and fund balances	<u>\$ 323,780</u>	<u>\$ 15,476</u>	<u>\$ 18,118</u>	<u>\$ 54,458</u>	<u>\$ 94,756</u>	<u>\$ 83,760</u>	<u>\$ 25,633</u>	<u>\$ 2,659</u>	<u>\$ 4,600</u>	<u>\$ 416</u>	<u>\$ 720,252</u>	<u>\$ (615)</u>

See Accompanying Independent Auditors' Report.



**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**Combining Balance Sheet, Continued  
September 30, 2010**

	200520	200525	200527	200528	300400	300600	300612	800405					
	Sea Patrol	Transportation Services	Registrar General	Ministry of Internal Affairs	MIDA	Local Government	Four-Atoll Medical	ADB Development Projects	Marshall Islands Scholarship, Grant and Loan Board	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Total
<b>ASSETS</b>													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,268	\$ 1,038,047	\$ 1,861,427	\$ 523,996	\$ 28,194	\$ 3,473,932
Time certificates of deposit	-	-	-	-	-	-	-	-	227,787	-	-	-	227,787
Investments	-	-	-	-	318,630	-	-	-	-	-	-	-	318,630
Receivables, net:													
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	79,241
Federal	-	-	-	-	-	-	-	-	-	-	-	-	318,499
General	-	-	-	-	-	-	-	-	-	-	1,226,992	-	1,226,992
Other	-	-	-	-	-	-	190,719	-	-	49,186	6,048	161	246,924
Due from other funds	5,868	18,337	391	82,459	-	14,251	97,635	-	-	918,083	1,619,241	-	3,694,400
Advances	-	-	-	180	-	-	-	-	-	31,874	44,750	-	83,412
Total assets	<u>\$ 5,868</u>	<u>\$ 18,337</u>	<u>\$ 391</u>	<u>\$ 82,639</u>	<u>\$ 318,630</u>	<u>\$ 14,251</u>	<u>\$ 288,354</u>	<u>\$ 22,268</u>	<u>\$ 1,265,834</u>	<u>\$ 2,860,570</u>	<u>\$ 3,421,027</u>	<u>\$ 28,355</u>	<u>\$ 9,669,817</u>
<b>LIABILITIES AND FUND BALANCES</b>													
<b>(DEFICITS)</b>													
Liabilities:													
Accounts payable	\$ -	\$ -	\$ -	\$ 1,561	\$ -	\$ -	\$ -	\$ -	\$ 1,116	\$ 263,626	\$ 457,706	\$ -	\$ 734,947
Other liabilities and accruals	-	-	-	-	-	-	-	-	-	548,613	-	44,351	853,641
Due to other funds	-	-	-	-	-	-	-	-	-	-	918,083	-	1,204,913
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,116</u>	<u>812,239</u>	<u>1,375,789</u>	<u>44,351</u>	<u>2,793,501</u>
Fund balances:													
Reserved for:													
Related assets	-	-	-	-	318,630	-	-	22,268	-	-	-	-	340,898
Encumbrances	-	4,070	-	21,112	-	14,251	-	-	247,574	-	-	-	358,186
Unreserved (deficit)	5,868	14,267	391	59,966	-	-	288,354	-	1,017,144	2,048,331	2,045,238	(15,996)	6,177,232
Total fund balances	<u>5,868</u>	<u>18,337</u>	<u>391</u>	<u>81,078</u>	<u>318,630</u>	<u>14,251</u>	<u>288,354</u>	<u>22,268</u>	<u>1,264,718</u>	<u>2,048,331</u>	<u>2,045,238</u>	<u>(15,996)</u>	<u>6,876,316</u>
Total liabilities and fund balances	<u>\$ 5,868</u>	<u>\$ 18,337</u>	<u>\$ 391</u>	<u>\$ 82,639</u>	<u>\$ 318,630</u>	<u>\$ 14,251</u>	<u>\$ 288,354</u>	<u>\$ 22,268</u>	<u>\$ 1,265,834</u>	<u>\$ 2,860,570</u>	<u>\$ 3,421,027</u>	<u>\$ 28,355</u>	<u>\$ 9,669,817</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**Combining Schedule of Revenues, Expenditures By Function,  
and Changes in Fund Balances  
Year Ended September 30, 2010**

	200090	200105	200224	200317	200318	200319	200330	200332	200333	200335	200340	200515
	Reimbursable	Public Works	Land Registration Authority	Changed Circumstances	Labor (General)	Labor (Bond)	Judiciary	Ministry of Justice	Marshall Islands Revised Code	Alternative Energy	Resident Workers Training Account	Postal Service
<b>Revenues:</b>												
Federal and other grants	\$ 379,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,555	\$ -	\$ -	\$ -	\$ -
Fees and charges	146,449	59,778	-	-	49,877	-	1,331	537,970	900	-	306,672	95
Sales	-	10,600	-	-	-	-	-	30,670	-	-	-	-
<b>Total revenues</b>	<b>525,513</b>	<b>70,378</b>	<b>-</b>	<b>-</b>	<b>49,877</b>	<b>-</b>	<b>1,331</b>	<b>622,195</b>	<b>900</b>	<b>-</b>	<b>306,672</b>	<b>95</b>
<b>Expenditures by Function:</b>												
<b>Current:</b>												
<b>General government:</b>												
Nitijela	-	-	-	-	-	-	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-	672,026	-	-	-	-	-
Attorney-General	23,496	-	-	-	-	-	-	-	-	-	-	-
Ministry of Education	-	-	-	-	-	-	-	-	-	-	248,733	-
Ministry of Health and Environment	-	-	-	-	-	-	-	-	-	-	-	-
Ministry of Resources and Development	15,239	-	-	-	-	-	-	-	-	-	-	-
Ministry of Internal Affairs	-	-	-	-	-	-	-	-	-	-	-	-
Ministry of Justice	-	-	-	-	-	-	-	194,668	-	-	-	-
Ministry of Finance	465,888	-	-	-	-	-	-	-	-	-	-	-
Ministry of Foreign Affairs and Trade	-	-	-	-	59,956	-	-	-	-	-	-	-
Ministry of Public Works	-	93,733	-	-	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>504,623</b>	<b>93,733</b>	<b>-</b>	<b>-</b>	<b>59,956</b>	<b>-</b>	<b>672,026</b>	<b>194,668</b>	<b>-</b>	<b>-</b>	<b>248,733</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	20,890	(23,355)	-	-	(10,079)	-	(670,695)	427,527	900	-	57,939	95
<b>Other financing sources (uses):</b>												
Operating transfers in	-	-	-	-	-	-	672,025	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	(427,167)	-	-	-	-
<b>Total other financing sources (uses), net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>672,025</b>	<b>(427,167)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>20,890</b>	<b>(23,355)</b>	<b>-</b>	<b>-</b>	<b>(10,079)</b>	<b>-</b>	<b>1,330</b>	<b>360</b>	<b>900</b>	<b>-</b>	<b>57,939</b>	<b>95</b>
<b>Fund balances (deficit) at the beginning of the year</b>	<b>34,443</b>	<b>38,510</b>	<b>18,118</b>	<b>54,458</b>	<b>104,835</b>	<b>-</b>	<b>21,207</b>	<b>-</b>	<b>3,700</b>	<b>416</b>	<b>461,834</b>	<b>(753)</b>
<b>Fund balances (deficit) at the end of the year</b>	<b>\$ 55,333</b>	<b>\$ 15,155</b>	<b>\$ 18,118</b>	<b>\$ 54,458</b>	<b>\$ 94,756</b>	<b>\$ -</b>	<b>\$ 22,537</b>	<b>\$ 360</b>	<b>\$ 4,600</b>	<b>\$ 416</b>	<b>\$ 519,773</b>	<b>\$ (658)</b>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**Combining Schedule of Revenues, Expenditures By Function,  
and Changes in Fund Balances, Continued  
Year Ended September 30, 2010**

	200520	200525	200527	200528	300400	300600	300612	800405					
	Sea Patrol	Transportation Services	Registrar General	Ministry of Internal Affairs	MIDA	Local Government	Four-Atoll Medical	ADB Development Projects	Marshall Islands Scholarship, Grant and Loan Board	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Total
<b>Revenues:</b>													
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 712,106	\$ -	\$ -	\$ 1,144,725
Fees and charges	-	-	-	31,238	-	-	-	-	5,429	295,219	7,174,506	3,995	8,613,459
Sales	-	135	-	70,344	-	-	-	-	-	-	-	-	111,749
Total revenues	-	135	-	101,582	-	-	-	-	5,429	1,007,325	7,174,506	3,995	9,869,933
<b>Expenditures by Function:</b>													
<b>Current:</b>													
<b>General government:</b>													
Nitijela	-	-	-	-	-	-	-	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-	-	-	-	-	-	-	672,026
Attorney-General	-	-	-	-	-	-	-	-	-	-	-	-	23,496
Ministry of Education	-	-	-	-	-	-	-	-	956,155	-	-	-	1,204,888
Ministry of Health and Environment	-	-	-	-	-	-	-	-	-	3,316,890	3,003,498	-	6,320,388
Ministry of Resources and Development	-	-	-	-	-	-	-	-	-	-	-	-	15,239
Ministry of Internal Affairs	-	-	-	84,422	-	284,637	-	-	-	-	-	-	369,059
Ministry of Justice	-	-	-	-	-	-	-	-	-	-	-	-	194,668
Ministry of Finance	-	-	-	-	-	-	-	-	-	-	-	-	465,888
Ministry of Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	-	-	-	59,956
Ministry of Public Works	-	-	-	-	-	-	-	-	-	-	-	-	93,733
Nuclear claims related	-	-	-	-	-	-	947,546	-	-	-	-	101,894	1,049,440
Total expenditures	-	-	-	84,422	-	284,637	947,546	-	956,155	3,316,890	3,003,498	101,894	10,468,781
Excess (deficiency) of revenues over (under) expenditures	-	135	-	17,160	-	(284,637)	(947,546)	-	(950,726)	(2,309,565)	4,171,008	(97,899)	(598,848)
<b>Other financing sources (uses):</b>													
Operating transfers in	-	-	-	-	-	284,637	985,233	-	1,656,178	3,715,375	-	79,477	7,392,925
Operating transfers out	-	-	-	-	-	-	-	-	-	-	(3,715,375)	-	(4,142,542)
Total other financing sources (uses), net	-	-	-	-	-	284,637	985,233	-	1,656,178	3,715,375	(3,715,375)	79,477	3,250,383
Net change in fund balances	-	135	-	17,160	-	-	37,687	-	705,452	1,405,810	455,633	(18,422)	2,651,535
Fund balances (deficit) at the beginning of the year	5,868	18,202	391	63,918	318,630	14,251	250,667	22,268	559,266	642,521	1,589,605	2,426	4,224,781
Fund balances at the end of the year	\$ 5,868	\$ 18,337	\$ 391	\$ 81,078	\$ 318,630	\$ 14,251	\$ 288,354	\$ 22,268	\$ 1,264,718	\$ 2,048,331	\$ 2,045,238	\$ (15,996)	\$ 6,876,316

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, 2010**

	200090	200105	200224	200317	200318	200319	200330	200332	200333	200335	200340	200515
	Reimbursable	Public Works	Land Registration Authority	Changed Circumstances	Labor (General)	Labor (Bond)	Judiciary	Ministry of Justice	Marshall Islands Revised Code	Alternative Energy	Resident Workers Training Account	Postal Service
<b>Revenues:</b>												
Federal and other grants	\$ 379,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,555	\$ -	\$ -	\$ -	\$ -
Fees and charges	146,449	59,778	-	-	49,877	-	1,331	537,970	900	-	306,672	95
Sales	-	10,600	-	-	-	-	-	30,670	-	-	-	-
<b>Total revenues</b>	<b>525,513</b>	<b>70,378</b>	<b>-</b>	<b>-</b>	<b>49,877</b>	<b>-</b>	<b>1,331</b>	<b>622,195</b>	<b>900</b>	<b>-</b>	<b>306,672</b>	<b>95</b>
<b>Expenditures by Account:</b>												
Grants and subsidies	-	-	-	-	-	-	-	-	-	-	-	-
Salaries and wages	370,828	-	-	-	33,667	-	495,689	-	-	-	30,604	-
Medical supplies	-	-	-	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	2,097	-	-	-	71,191	-
Capital outlay	36,926	54,655	-	-	-	-	14,985	79,120	-	-	2,471	-
Travel	34,068	-	-	-	5,153	-	29,969	12,756	-	-	14,112	-
Food stuffs	521	-	-	-	-	-	816	10,948	-	-	-	-
Supplies and materials	11,482	24,529	-	-	611	-	4,476	8,835	-	-	1,449	-
POL	4,134	14,589	-	-	-	-	17,958	21,509	-	-	2,383	-
Rentals	905	(40)	-	-	-	-	628	4,065	-	-	-	-
Allowances	-	-	-	-	-	-	14,864	-	-	-	-	-
Communications	19,836	-	-	-	20,525	-	17,037	1,005	-	-	12,260	-
Insurance	1,071	-	-	-	-	-	561	1,766	-	-	-	-
Utilities	8,154	-	-	-	-	-	5,992	-	-	-	-	-
Leased housing	7,500	-	-	-	-	-	51,750	-	-	-	-	-
Freight	105	-	-	-	-	-	-	-	-	-	-	-
Professional services	7,025	-	-	-	-	-	2,035	-	-	-	-	-
Printing and reproduction	528	-	-	-	-	-	1,162	22,092	-	-	1,500	-
Other	1,540	-	-	-	-	-	12,007	32,572	-	-	112,763	-
<b>Total expenditures</b>	<b>504,623</b>	<b>93,733</b>	<b>-</b>	<b>-</b>	<b>59,956</b>	<b>-</b>	<b>672,026</b>	<b>194,668</b>	<b>-</b>	<b>-</b>	<b>248,733</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	20,890	(23,355)	-	-	(10,079)	-	(670,695)	427,527	900	-	57,939	95
<b>Other financing sources (uses):</b>												
Operating transfers in	-	-	-	-	-	-	672,025	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	(427,167)	-	-	-	-
<b>Total other financing sources (uses), net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>672,025</b>	<b>(427,167)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>20,890</b>	<b>(23,355)</b>	<b>-</b>	<b>-</b>	<b>(10,079)</b>	<b>-</b>	<b>1,330</b>	<b>360</b>	<b>900</b>	<b>-</b>	<b>57,939</b>	<b>95</b>
<b>Fund balances (deficit) at the beginning of the year</b>	<b>34,443</b>	<b>38,510</b>	<b>18,118</b>	<b>54,458</b>	<b>104,835</b>	<b>-</b>	<b>21,207</b>	<b>-</b>	<b>3,700</b>	<b>416</b>	<b>461,834</b>	<b>(753)</b>
<b>Fund balances (deficit) at the end of the year</b>	<b>\$ 55,333</b>	<b>\$ 15,155</b>	<b>\$ 18,118</b>	<b>\$ 54,458</b>	<b>\$ 94,756</b>	<b>\$ -</b>	<b>\$ 22,537</b>	<b>\$ 360</b>	<b>\$ 4,600</b>	<b>\$ 416</b>	<b>\$ 519,773</b>	<b>\$ (658)</b>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**Combining Schedule of Revenues, Expenditures By Account,  
and Changes in Fund Balances, Continued  
Year Ended September 30, 2010**

	200520	200525	200527	200528	300400	300600	300612	800405					
	Sea Patrol	Transportation Services	Registrar General	Ministry of Internal Affairs	MIDA	Local Government	Four-Atoll Medical	ADB Development Projects	Marshall Islands Scholarship, Grant and Loan Board	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Total
<b>Revenues:</b>													
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 712,106	\$ -	\$ -	\$ 1,144,725
Fees and charges	-	-	-	31,238	-	-	-	-	5,429	295,219	7,174,506	3,995	8,613,459
Sales	-	135	-	70,344	-	-	-	-	-	-	-	-	111,749
<b>Total revenues</b>	<b>-</b>	<b>135</b>	<b>-</b>	<b>101,582</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,429</b>	<b>1,007,325</b>	<b>7,174,506</b>	<b>3,995</b>	<b>9,869,933</b>
<b>Expenditures by Account:</b>													
Grants and subsidies	-	-	-	-	-	280,088	-	-	768,941	-	-	-	1,049,029
Salaries and wages	-	-	-	7,019	-	-	-	-	77,770	204,808	310,951	68,723	1,600,059
Medical supplies	-	-	-	-	-	-	-	-	-	2,485,796	1,720,080	-	4,205,876
Contractual services	-	-	-	4,800	-	-	947,546	-	-	-	200,000	22	1,225,656
Capital outlay	-	-	-	10,626	-	-	-	-	3,479	98,928	-	-	301,190
Travel	-	-	-	29,653	-	-	-	-	15,193	81,697	498,713	-	721,314
Food stuffs	-	-	-	1,867	-	-	-	-	-	-	-	-	14,152
Supplies and materials	-	-	-	16,676	-	-	-	-	10	23,758	12,861	318	105,005
POL	-	-	-	2,025	-	-	-	-	-	-	-	-	62,598
Rentals	-	-	-	850	-	-	-	-	12,000	-	-	24,647	43,055
Allowances	-	-	-	-	-	-	-	-	-	-	-	-	14,864
Communications	-	-	-	2,536	-	-	-	-	13,475	32,022	15,532	4,903	139,131
Insurance	-	-	-	1,612	-	-	-	-	-	-	14,711	-	19,721
Utilities	-	-	-	-	-	4,074	-	-	-	-	38,397	-	56,617
Leased housing	-	-	-	-	-	-	-	-	-	-	-	-	59,250
Freight	-	-	-	1,057	-	-	-	-	-	76,878	-	-	78,040
Professional services	-	-	-	-	-	-	-	-	-	104,842	154,250	-	268,152
Printing and reproduction	-	-	-	-	-	-	-	-	-	-	-	-	25,282
Other	-	-	-	5,701	-	475	-	-	65,287	208,161	38,003	3,281	479,790
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84,422</b>	<b>-</b>	<b>284,637</b>	<b>947,546</b>	<b>-</b>	<b>956,155</b>	<b>3,316,890</b>	<b>3,003,498</b>	<b>101,894</b>	<b>10,468,781</b>
Excess (deficiency) of revenues over (under) expenditures	-	135	-	17,160	-	(284,637)	(947,546)	-	(950,726)	(2,309,565)	4,171,008	(97,899)	(598,848)
<b>Other financing sources (uses):</b>													
Operating transfers in	-	-	-	-	-	284,637	985,233	-	1,656,178	3,715,375	-	79,477	7,392,925
Operating transfers out	-	-	-	-	-	-	-	-	-	-	(3,715,375)	-	(4,142,542)
<b>Total other financing sources (uses), net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>284,637</b>	<b>985,233</b>	<b>-</b>	<b>1,656,178</b>	<b>3,715,375</b>	<b>(3,715,375)</b>	<b>79,477</b>	<b>3,250,383</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>135</b>	<b>-</b>	<b>17,160</b>	<b>-</b>	<b>-</b>	<b>37,687</b>	<b>-</b>	<b>705,452</b>	<b>1,405,810</b>	<b>455,633</b>	<b>(18,422)</b>	<b>2,651,535</b>
<b>Fund balances (deficit) at the beginning of the year</b>	<b>5,868</b>	<b>18,202</b>	<b>391</b>	<b>63,918</b>	<b>318,630</b>	<b>14,251</b>	<b>250,667</b>	<b>22,268</b>	<b>559,266</b>	<b>642,521</b>	<b>1,589,605</b>	<b>2,426</b>	<b>4,224,781</b>
<b>Fund balances (deficit) at the end of the year</b>	<b>\$ 5,868</b>	<b>\$ 18,337</b>	<b>\$ 391</b>	<b>\$ 81,078</b>	<b>\$ 318,630</b>	<b>\$ 14,251</b>	<b>\$ 288,354</b>	<b>\$ 22,268</b>	<b>\$ 1,264,718</b>	<b>\$ 2,048,331</b>	<b>\$ 2,045,238</b>	<b>\$ (15,996)</b>	<b>\$ 6,876,316</b>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**  
**FIDUCIARY FUNDS - PRIVATE PURPOSE TRUSTS**

September 30, 2010

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, 2010, follows:

Marshall Islands Social Security Administration (MISSA)

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

Kwajalein Atoll Trust Fund

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

Section 212 Kwajalein Landowners Fund

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

Nuclear Claims Trust Fund

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

See Accompanying Independent Auditors’ Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

Combining Schedule of Fiduciary Net Assets  
Fiduciary Funds - Private Purpose Trusts  
September 30, 2010

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	\$ 763,320	\$ -	\$ -	\$ -	\$ 763,320
Time certificates of deposit	4,065,200	-	-	-	4,065,200
Receivables, net:					
Contributions	2,695,054	-	-	-	2,695,054
Other	1,079,888	-	-	-	1,079,888
Investments	61,722,519	-	-	64,534	61,787,053
Due from other funds	-	421,658	29,059,215	10,461	29,491,334
Capital assets, net of accumulated depreciation	54,858	-	-	-	54,858
Total assets	<u>70,380,839</u>	<u>421,658</u>	<u>29,059,215</u>	<u>74,995</u>	<u>99,936,707</u>
<u>LIABILITIES</u>					
Accounts payable	41,456	-	-	-	41,456
Other liabilities and accruals	176,154	-	-	-	176,154
Due to other funds	1,619,241	-	-	-	1,619,241
Total liabilities	<u>1,836,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,836,851</u>
<u>NET ASSETS</u>					
Held in trust for:					
Social security benefits	68,543,988	-	-	-	68,543,988
Nuclear claims	-	-	-	74,995	74,995
Land use distributions	-	421,658	29,059,215	-	29,480,873
Total net assets	<u>\$ 68,543,988</u>	<u>\$ 421,658</u>	<u>\$ 29,059,215</u>	<u>\$ 74,995</u>	<u>\$ 98,099,856</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

Combining Schedule of Changes in Fiduciary Net Assets  
Fiduciary Funds - Private Purpose Trusts  
Year Ended September 30, 2010

DILOG Fund Number	350610	510610	300614	Total	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Nuclear Claims Trust	Total
Additions:					
Contributions:					
Private employees	\$ 8,816,591	\$ -	\$ -	\$ -	\$ 8,816,591
Government employees	3,874,061	-	-	-	3,874,061
Penalties and interest	428,184	-	-	-	428,184
Total contributions	<u>13,118,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,118,836</u>
Investment earnings:					
Net increase in the fair value of investments	4,213,121	-	-	17,460	4,230,581
Interest and dividends	1,404,298	-	68,132	2,667	1,475,097
Total investment earnings	5,617,419	-	68,132	20,127	5,705,678
Less investment expense	126,783	-	-	2,645	129,428
Net investment earnings	<u>5,490,636</u>	<u>-</u>	<u>68,132</u>	<u>17,482</u>	<u>5,576,250</u>
Other:					
Compact funding	-	-	16,697,652	-	16,697,652
Other	488,192	-	-	-	488,192
Total additions	<u>19,097,664</u>	<u>-</u>	<u>16,765,784</u>	<u>17,482</u>	<u>35,880,930</u>
Deductions:					
Land use distributions	-	-	12,373,133	-	12,373,133
Benefits	14,551,142	-	-	-	14,551,142
Administrative expenses	885,294	-	9	-	885,303
Transfers out	-	-	-	79,477	79,477
Total deductions	<u>15,436,436</u>	<u>-</u>	<u>12,373,142</u>	<u>79,477</u>	<u>27,889,055</u>
Change in net assets	3,661,228	-	4,392,642	(61,995)	7,991,875
Net assets at the beginning of the year	<u>64,882,760</u>	<u>421,658</u>	<u>24,666,573</u>	<u>136,990</u>	<u>90,107,981</u>
Net assets at the end of the year	<u>\$ 68,543,988</u>	<u>\$ 421,658</u>	<u>\$ 29,059,215</u>	<u>\$ 74,995</u>	<u>\$ 98,099,856</u>

See Accompanying Independent Auditors' Report.



## REPUBLIC OF THE MARSHALL ISLANDS

### NONMAJOR COMPONENT UNITS

September 30, 2010

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, 2010, follows:

#### Air Marshall Islands, Inc. (AMI)

AMI was granted a corporate charter by the Cabinet of RepMar on October 12, 1989 to provide domestic and international carrier service within and from the Marshall Islands. AMI is governed by a seven-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar.

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

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

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

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

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

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

#### Marshall Islands Shipping Corporation (MISC)

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

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR COMPONENT UNITS

September 30, 2010

### Marshall Islands Visitors Authority (MIVA)

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

### RMI Environmental Protection Authority (EPA)

EPA was established for the protection and management of the environment. EPA is governed by a five-member Board of Directors appointed by the President in consultation with the Minister of Resources and Development.

### Tobolar Copra Processing Plant, Inc. (TCPPI)

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

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR COMPONENT UNITS

### Combining Schedule of Net Assets September 30, 2010

	Air Marshall Islands, Inc.	Kwajalein Atoll Joint Utilities Resources, Inc.	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	Marshall Islands Shipping Corporation	Marshall Islands Visitors Authority	RMI Environmental Protection Authority	Tobolar Copra Processing Plant, Inc.	Total
<b>ASSETS</b>											
Current assets:											
Cash and cash equivalents	\$ 25,694	\$ 498,753	\$ 1,644	\$ 17,263	\$ 44,145	\$ 113,362	\$ 153,409	\$ 68,089	\$ 53,668	\$ 173,521	\$ 1,149,548
Receivables, net	193,485	299,704	38,661	414,980	201,854	10,157	173,248	9,267	11,007	221,744	1,574,107
Inventories	438,691	505,041	-	25,353	137,089	20,971	13,296	-	-	907,824	2,048,265
Other current assets	209,668	274,034	1,000	10,750	4,493	8,316	-	84,219	-	263	592,743
Total current assets	<u>867,538</u>	<u>1,577,532</u>	<u>41,305</u>	<u>468,346</u>	<u>387,581</u>	<u>152,806</u>	<u>339,953</u>	<u>161,575</u>	<u>64,675</u>	<u>1,303,352</u>	<u>5,364,663</u>
Noncurrent assets:											
Capital assets, net of accumulated depreciation	4,548,751	3,487,583	621,909	1,508,756	227,690	36,158	228,839	1,148	76,132	612,803	11,349,769
Total assets	<u>\$ 5,416,289</u>	<u>\$ 5,065,115</u>	<u>\$ 663,214</u>	<u>\$ 1,977,102</u>	<u>\$ 615,271</u>	<u>\$ 188,964</u>	<u>\$ 568,792</u>	<u>\$ 162,723</u>	<u>\$ 140,807</u>	<u>\$ 1,916,155</u>	<u>\$ 16,714,432</u>
<b>LIABILITIES</b>											
Current liabilities:											
Current portion of long-term debt	\$ 205,982	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,982
Accounts payable	1,978,761	40,974	47,097	1,721,202	100,052	6,354	260,473	4,299	9,328	87,959	4,256,499
Other liabilities and accruals	405,703	1,029,801	29,377	412,372	146,144	113,748	255,370	4,731	-	34,158	2,431,404
Due to primary government	3,116,890	-	-	-	-	-	-	-	-	-	3,116,890
Deferred revenues	156,380	40,068	-	-	34,105	19,073	-	-	-	-	249,626
Total current liabilities	<u>5,863,716</u>	<u>1,110,843</u>	<u>76,474</u>	<u>2,133,574</u>	<u>280,301</u>	<u>139,175</u>	<u>515,843</u>	<u>9,030</u>	<u>9,328</u>	<u>122,117</u>	<u>10,260,401</u>
Noncurrent liabilities:											
Noncurrent portion of long-term debt	965,473	-	-	-	-	-	-	-	-	-	965,473
Total liabilities	<u>6,829,189</u>	<u>1,110,843</u>	<u>76,474</u>	<u>2,133,574</u>	<u>280,301</u>	<u>139,175</u>	<u>515,843</u>	<u>9,030</u>	<u>9,328</u>	<u>122,117</u>	<u>11,225,874</u>
<b>NET ASSETS</b>											
Invested in capital assets, net of related debt	4,548,751	3,487,583	621,909	1,508,756	227,690	36,158	228,839	1,148	76,132	612,803	11,349,769
Restricted	-	-	-	-	-	-	-	-	44,421	-	44,421
Unrestricted	(5,961,651)	466,689	(35,169)	(1,665,228)	107,280	13,631	(175,890)	152,545	10,926	1,181,235	(5,905,632)
Total net assets	<u>(1,412,900)</u>	<u>3,954,272</u>	<u>586,740</u>	<u>(156,472)</u>	<u>334,970</u>	<u>49,789</u>	<u>52,949</u>	<u>153,693</u>	<u>131,479</u>	<u>1,794,038</u>	<u>5,488,558</u>
	<u>\$ 5,416,289</u>	<u>\$ 5,065,115</u>	<u>\$ 663,214</u>	<u>\$ 1,977,102</u>	<u>\$ 615,271</u>	<u>\$ 188,964</u>	<u>\$ 568,792</u>	<u>\$ 162,723</u>	<u>\$ 140,807</u>	<u>\$ 1,916,155</u>	<u>\$ 16,714,432</u>

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR COMPONENT UNITS

### Combining Schedule of Revenues, Expenses, and Changes in Net Assets Year Ended September 30, 2010

	Air Marshall Islands, Inc.	Kwajalein Atoll Joint Utilities Resources, Inc.	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	Marshall Islands Shipping Corporation	Marshall Islands Visitors Authority	RMI Environmental Protection Authority	Tobolar Copra Processing Plant, Inc.	Total
Operating revenues:											
Charges for services	\$ 1,869,775	\$ 3,568,970	\$ 180,439	\$ 1,981,928	\$ 986,593	\$ -	\$ 805,432	\$ -	\$ 33,345	\$ -	\$ 9,426,482
Sales	-	-	-	-	-	316,295	-	-	-	2,651,689	2,967,984
Other	437,137	-	14,914	-	-	90,133	490,885	654	17,806	-	1,051,529
Total operating revenues	2,306,912	3,568,970	195,353	1,981,928	986,593	406,428	1,296,317	654	51,151	2,651,689	13,445,995
Operating expenses:											
Cost of services	2,500,777	3,879,019	623,883	1,290,447	1,277,925	-	2,253,950	371,860	467,997	2,907,763	15,573,621
Administration costs	557,210	1,458,841	-	985,345	-	370,343	-	-	20,227	362,419	3,754,385
Depreciation and amortization	801,866	756,090	121,805	181,977	58,564	12,437	84,572	874	16,908	96,880	2,131,973
Total operating expenses	3,859,853	6,093,950	745,688	2,457,769	1,336,489	382,780	2,338,522	372,734	505,132	3,367,062	21,459,979
Operating income (loss)	(1,552,941)	(2,524,980)	(550,335)	(475,841)	(349,896)	23,648	(1,042,205)	(372,080)	(453,981)	(715,373)	(8,013,984)
Nonoperating revenues (expenses):											
Contributions from the primary government	898,791	1,548,782	420,375	-	318,099	-	969,150	144,130	320,265	1,340,002	5,959,594
Interest expense	(169,912)	(67,593)	-	(231,541)	-	-	-	-	-	(55,587)	(524,633)
Grants and other contributions	-	-	-	-	-	-	-	172,226	160,607	-	332,833
Other	148,913	740,656	-	-	1,696	3,323	63,160	-	18,778	-	976,526
Total nonoperating revenues (expenses), net	877,792	2,221,845	420,375	(231,541)	319,795	3,323	1,032,310	316,356	499,650	1,284,415	6,744,320
Capital contributions	-	-	-	-	221,600	-	-	-	-	-	221,600
Net income (loss)	(675,149)	(303,135)	(129,960)	(707,382)	191,499	26,971	(9,895)	(55,724)	45,669	569,042	(1,048,064)
Net assets at the beginning of the year	(737,751)	4,257,407	716,700	550,910	143,471	22,818	62,844	209,417	85,810	1,224,996	6,536,622
Net assets at the end of the year	\$ (1,412,900)	\$ 3,954,272	\$ 586,740	\$ (156,472)	\$ 334,970	\$ 49,789	\$ 52,949	\$ 153,693	\$ 131,479	\$ 1,794,038	\$ 5,488,558

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## GRANTS ASSISTANCE FUND

September 30, 2010

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, 2010, follows:

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

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

### Section 211 Compact Capital Account

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

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

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

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

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

### Section 221(b) Education and Health Care Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title II, Article I, Section 221(b) and approved by Nitijela resolution 62.

### Section 213 Audit Fund

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

### U.S. Federal Grants Fund

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

### European Union Grants Fund

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

# REPUBLIC OF THE MARSHALL ISLANDS

## GRANTS ASSISTANCE FUND

September 30, 2010

### Other Direct Assistance Fund

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

### Republic of China Projects Fund

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

### Compact Sector Grants Fund

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

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**GRANTS ASSISTANCE FUND**

Combining Balance Sheet

September 30, 2010

<b>DILOG Fund Number</b>	<b>350200</b>	<b>350210</b>	<b>350305</b>	<b>350315</b>	<b>510130</b>	<b>600350</b>	<b>700100</b>	<b>700360</b>	<b>700370</b>		
	Section 215(a)(1) Commu- nications	Section 211 Capital Account	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	Other Direct Assistance	Republic of China Projects	Compact Sector	Total
<b>ASSETS</b>											
Receivables:											
Federal agencies	\$ -	\$ -	\$ -	\$ -	\$ 571,249	\$ -	\$ -	\$ -	\$ -	\$ 3,269,981	\$ 3,841,230
General	-	-	-	-	-	-	-	-	1,750,000	-	1,750,000
Due from other funds	40,380	-	690	1,593	-	412,743	-	169,717	-	5,889,986	6,515,109
Advances	-	-	-	-	-	25,448	(18)	(2,422)	-	(1,163)	21,845
Total assets	<u>\$ 40,380</u>	<u>\$ -</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 571,249</u>	<u>\$ 438,191</u>	<u>\$ (18)</u>	<u>\$ 167,295</u>	<u>\$ 1,750,000</u>	<u>\$ 9,158,804</u>	<u>\$ 12,128,184</u>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 30,890	\$ 394,361	\$ 304	\$ 3,763	\$ 190,515	\$ 900,543	\$ 1,520,376
Other liabilities and accruals	-	-	-	-	-	43,830	2,233	1,561	5,837	215,827	269,288
Payable to federal agencies	-	-	-	-	-	-	-	-	-	381,217	381,217
Retention payable	-	-	-	-	-	-	-	-	-	851,921	851,921
Contracts payable	-	-	-	-	-	-	-	-	-	313,366	313,366
Due to other funds	-	-	-	-	540,359	-	117,263	-	626,318	1,554,477	2,838,417
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>571,249</u>	<u>438,191</u>	<u>119,800</u>	<u>5,324</u>	<u>822,670</u>	<u>4,217,351</u>	<u>6,174,585</u>
Fund balances (deficits):											
Reserved for:											
Encumbrances	40,380	2,693	-	-	271,077	1,422,123	30,912	44,564	1,070,362	9,862,794	12,744,905
Continuing appropriations	-	-	-	-	-	-	-	-	-	7,060,994	7,060,994
Unreserved (deficit)	-	(2,693)	690	1,593	(271,077)	(1,422,123)	(150,730)	117,407	(143,032)	(11,982,335)	(13,852,300)
Total fund balances (deficits)	<u>40,380</u>	<u>-</u>	<u>690</u>	<u>1,593</u>	<u>-</u>	<u>-</u>	<u>(119,818)</u>	<u>161,971</u>	<u>927,330</u>	<u>4,941,453</u>	<u>5,953,599</u>
Total liabilities and fund balances	<u>\$ 40,380</u>	<u>\$ -</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 571,249</u>	<u>\$ 438,191</u>	<u>\$ (18)</u>	<u>\$ 167,295</u>	<u>\$ 1,750,000</u>	<u>\$ 9,158,804</u>	<u>\$ 12,128,184</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, 2010**

<b>DILOG Fund Number</b>	<b>350200</b>	<b>350210</b>	<b>350305</b>	<b>350315</b>	<b>510130</b>	<b>600350</b>	<b>700100</b>	<b>700360</b>	<b>700370</b>		
	Section 215(a)(1) Communi- cations	Section 211 Capital Account	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	Other Direct Assistance	Republic of China Projects	Compact Sector	Total
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ 316,657	\$ 9,381,665	\$ 520,538	\$ 352,594	\$ 7,935,416	\$ 45,246,730	\$ 63,753,600
Expenditures by Function:											
Current:											
General government:											
Office of the Chief Secretary	-	-	-	-	-	186,600	189,564	193,776	-	-	569,940
Special appropriations	-	-	-	-	-	-	-	-	323,347	-	323,347
Council of Iroij	-	-	-	-	-	-	-	-	32,778	-	32,778
Nitijela	-	-	-	-	-	-	-	48,764	-	-	48,764
Office of the Auditor-General	-	-	-	-	316,657	10,440	-	-	-	-	327,097
Ministry of Education	-	-	-	-	-	1,944,776	-	-	-	25,405,079	27,349,855
Ministry of Health and Environment	-	-	-	-	-	4,373,807	-	17,259	4,388	7,949,079	12,344,533
Ministry of Transportation and Communications	-	-	-	-	-	-	-	-	74,550	-	74,550
Ministry of Resources and Development	-	-	-	-	-	80,384	-	9,010	1,195,411	-	1,284,805
Ministry of Internal Affairs	-	-	-	-	-	126,557	-	-	998,036	-	1,124,593
Ministry of Justice	-	-	-	-	-	-	-	-	309,436	-	309,436
Ministry of Finance	-	-	-	-	-	1,665,861	414,231	582	497,008	1,666,373	4,244,055
Ministry of Foreign Affairs	-	-	-	-	-	39,728	-	27,200	31,037	260,972	358,937
Ministry of Public Works	-	-	-	-	-	-	-	-	516,282	-	516,282
Environmental Protection Authority	-	-	-	-	-	-	-	-	-	572,228	572,228
Debt service:											
Principal repayment	-	-	-	-	-	-	-	-	1,122,477	-	1,122,477
Interest	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	173,385	7,493,373	7,666,758
Total expenditures	-	-	-	-	316,657	8,428,153	603,795	296,591	5,278,135	43,347,104	58,270,435
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	953,512	(83,257)	56,003	2,657,281	1,899,626	5,483,165
Other financing sources (uses):											
Operating transfers in	-	-	-	-	-	-	-	-	-	782,110	782,110
Operating transfers out	-	-	-	-	-	(985,233)	-	-	(1,729,951)	(1,535,547)	(4,250,731)
Total other financing sources (uses), net	-	-	-	-	-	(985,233)	-	-	(1,729,951)	(753,437)	(3,468,621)
Net change in fund balances (deficits)	-	-	-	-	-	(31,721)	(83,257)	56,003	927,330	1,146,189	2,014,544
Fund balances (deficits) at the beginning of the year	40,380	-	690	1,593	-	31,721	(36,561)	105,968	-	3,795,264	3,939,055
Fund balances (deficits) at the end of the year	\$ 40,380	\$ -	\$ 690	\$ 1,593	\$ -	\$ -	\$ (119,818)	\$ 161,971	\$ 927,330	\$ 4,941,453	\$ 5,953,599

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, 2010**

<b>DILOG Fund Number</b>	<b>350200</b>	<b>350210</b>	<b>350305</b>	<b>350315</b>	<b>510130</b>	<b>600350</b>	<b>700100</b>	<b>700360</b>	<b>700370</b>		
	Section 215(a)(1) Communi- cations	Section 211 Capital Account	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	Other Direct Assistance	Republic of China Projects	Compact Sector	Total
<b>Revenues:</b>											
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ 316,657	\$ 9,381,665	\$ 520,538	\$ 352,594	\$ 7,935,416	\$ 45,246,730	\$ 63,753,600
<b>Expenditures by Account:</b>											
Salaries and wages	-	-	-	-	-	2,941,745	104,498	156,975	360,797	14,573,077	18,137,092
Capital outlay	-	-	-	-	-	1,568,430	17,875	13,061	119,463	10,051,397	11,770,226
Grants and subsidies	-	-	-	-	-	62,299	6,570	10,200	2,615,621	7,665,288	10,359,978
Utilities	-	-	-	-	-	-	-	124	-	2,645,246	2,645,370
Leased housing	-	-	-	-	-	9,000	-	9,000	-	1,175,606	1,193,606
Supplies and materials	-	-	-	-	-	177,820	53,231	12,102	65,146	1,509,124	1,817,423
Contractual services	-	-	-	-	-	1,347,722	300,180	13,886	246,559	1,644,868	3,553,215
Travel	-	-	-	-	-	980,538	48,768	9,617	-	387,428	1,426,351
Food stuffs	-	-	-	-	-	458,600	10,190	4,084	4,639	867,749	1,345,262
Allowances	-	-	-	-	-	-	-	-	-	30,618	30,618
Professional services	-	-	-	-	316,657	15,006	2,200	9,308	-	-	343,171
Principal repayment	-	-	-	-	-	-	-	-	1,122,477	-	1,122,477
Medical supplies	-	-	-	-	-	92,981	-	-	-	184,584	277,565
Communications	-	-	-	-	-	93,397	-	10,545	4,201	221,967	330,110
POL	-	-	-	-	-	60,344	4,862	1,577	33,234	239,526	339,543
Rentals	-	-	-	-	-	71,861	13,135	665	-	83,199	168,860
Freight	-	-	-	-	-	16,940	4,825	64	-	41,516	63,345
Printing and reproduction	-	-	-	-	-	65,106	1,205	4,432	-	36,134	106,877
Insurance	-	-	-	-	-	-	-	102	23,416	1,847	25,365
Other	-	-	-	-	-	466,364	36,256	40,849	682,582	1,987,930	3,213,981
Total expenditures	-	-	-	-	316,657	8,428,153	603,795	296,591	5,278,135	43,347,104	58,270,435
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	953,512	(83,257)	56,003	2,657,281	1,899,626	5,483,165
<b>Other financing sources (uses):</b>											
Operating transfers in	-	-	-	-	-	-	-	-	-	782,110	782,110
Operating transfers out	-	-	-	-	-	(985,233)	-	-	(1,729,951)	(1,535,547)	(4,250,731)
Total other financing sources (uses), net	-	-	-	-	-	(985,233)	-	-	(1,729,951)	(753,437)	(3,468,621)
Net change in fund balances (deficits)	-	-	-	-	-	(31,721)	(83,257)	56,003	927,330	1,146,189	2,014,544
Fund balances (deficits) at the beginning of the year	40,380	-	690	1,593	-	31,721	(36,561)	105,968	-	3,795,264	3,939,055
Fund balances (deficits) at the end of the year	\$ 40,380	\$ -	\$ 690	\$ 1,593	\$ -	\$ -	\$ (119,818)	\$ 161,971	\$ 927,330	\$ 4,941,453	\$ 5,953,599

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### COMPACT SECTOR GRANTS FUND

September 30, 2010

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

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

#### Supplemental Education Fund

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

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

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

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

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

#### Section 211(a)(3) Private Sector Development Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(a)(3) and approved by Nitijela resolution 123 to support the efforts to attract foreign investment and increase indigenous business activity in the Republic of the Marshall Islands.

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

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

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

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

See Accompanying Independent Auditors' Report.

## REPUBLIC OF THE MARSHALL ISLANDS

### COMPACT SECTOR GRANTS FUND

September 30, 2010

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

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

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

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

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

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

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

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

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

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

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**COMPACT OF FREE ASSOCIATION SECTOR GRANTS**

Combining Balance Sheet

September 30, 2010

DILOG Fund Number	410100	410102	410110	410120	410140	410150	410160	410170	510100	510110	510120	Total
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	
<b>ASSETS</b>												
Receivables:												
Federal agencies	\$ -	\$ 404,286	\$ 642,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,223,602	\$ -	\$ -	\$ 3,269,981
Due from other funds	1,180,554	403,887	-	252,399	10,487	610,900	10,472	10,270	-	2,537,671	873,346	5,889,986
Advances	-	(1,557)	-	-	-	-	-	-	394	-	-	(1,163)
Total assets	<u>\$ 1,180,554</u>	<u>\$ 806,616</u>	<u>\$ 642,093</u>	<u>\$ 252,399</u>	<u>\$ 10,487</u>	<u>\$ 610,900</u>	<u>\$ 10,472</u>	<u>\$ 10,270</u>	<u>\$ 2,223,996</u>	<u>\$ 2,537,671</u>	<u>\$ 873,346</u>	<u>\$ 9,158,804</u>
<b>LIABILITIES AND FUND BALANCES</b>												
Liabilities:												
Accounts payable	\$ 204,235	\$ 194,140	\$ 332,244	\$ 28,116	\$ -	\$ 120,161	\$ -	\$ 13,423	\$ 3,742	\$ 4,482	\$ -	\$ 900,543
Other liabilities and accruals	102,194	25,406	68,649	-	-	14,059	-	3,652	1,867	-	-	215,827
Payable to federal agencies	105,652	-	-	19,000	-	240,472	-	16,093	-	-	-	381,217
Retention payable	-	-	-	-	-	-	-	-	851,921	-	-	851,921
Contracts payable	-	-	-	-	-	-	-	-	313,366	-	-	313,366
Due to other funds	-	-	501,377	-	-	-	-	-	1,053,100	-	-	1,554,477
Total liabilities	<u>412,081</u>	<u>219,546</u>	<u>902,270</u>	<u>47,116</u>	<u>-</u>	<u>374,692</u>	<u>-</u>	<u>33,168</u>	<u>2,223,996</u>	<u>4,482</u>	<u>-</u>	<u>4,217,351</u>
Fund balances (deficits):												
Reserved for:												
Encumbrances	279,559	683,908	173,329	139,939	-	287,335	-	500	8,037,649	260,575	-	9,862,794
Continuing appropriations	-	-	-	-	-	-	-	-	7,060,994	-	-	7,060,994
Unreserved (deficit)	488,914	(96,838)	(433,506)	65,344	10,487	(51,127)	10,472	(23,398)	(15,098,643)	2,272,614	873,346	(11,982,335)
Total fund balances (deficits)	<u>768,473</u>	<u>587,070</u>	<u>(260,177)</u>	<u>205,283</u>	<u>10,487</u>	<u>236,208</u>	<u>10,472</u>	<u>(22,898)</u>	<u>-</u>	<u>2,533,189</u>	<u>873,346</u>	<u>4,941,453</u>
Total liabilities and fund balances	<u>\$ 1,180,554</u>	<u>\$ 806,616</u>	<u>\$ 642,093</u>	<u>\$ 252,399</u>	<u>\$ 10,487</u>	<u>\$ 610,900</u>	<u>\$ 10,472</u>	<u>\$ 10,270</u>	<u>\$ 2,223,996</u>	<u>\$ 2,537,671</u>	<u>\$ 873,346</u>	<u>\$ 9,158,804</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, 2010

<b>DILOG Fund Number</b>	<b>410100</b>	<b>410102</b>	<b>410110</b>	<b>410120</b>	<b>410140</b>	<b>410150</b>	<b>410160</b>	<b>410170</b>	<b>510100</b>	<b>510110</b>	<b>510120</b>	<b>Total</b>
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	
Revenues:												
Compact funding	\$ 11,495,076	\$ 6,586,232	\$ 7,801,951	\$ 300,000	\$ -	\$ 3,210,583	\$ 1,548,782	\$ 214,109	\$ 13,307,975	\$ 559,462	\$ 222,560	\$ 45,246,730
Expenditures by Function:												
Current:												
General government:												
Ministry of Education	10,667,958	5,687,622	-	-	-	2,990,413	-	-	6,059,086	-	-	25,405,079
Ministry of Health and Environment	-	-	7,614,079	-	-	-	-	-	335,000	-	-	7,949,079
Ministry of Finance	-	-	-	-	-	-	1,666,373	-	-	-	-	1,666,373
Ministry of Foreign Affairs	-	-	-	260,972	-	-	-	-	-	-	-	260,972
Environmental Protection Authority	-	-	325,000	-	-	-	-	247,228	-	-	-	572,228
Capital outlay	-	-	-	-	-	-	-	-	6,913,889	579,484	-	7,493,373
Total expenditures	<u>10,667,958</u>	<u>5,687,622</u>	<u>7,939,079</u>	<u>260,972</u>	<u>-</u>	<u>2,990,413</u>	<u>1,666,373</u>	<u>247,228</u>	<u>13,307,975</u>	<u>579,484</u>	<u>-</u>	<u>43,347,104</u>
Excess (deficiency) of revenues over (under) expenditures	<u>827,118</u>	<u>898,610</u>	<u>(137,128)</u>	<u>39,028</u>	<u>-</u>	<u>220,170</u>	<u>(117,591)</u>	<u>(33,119)</u>	<u>-</u>	<u>(20,022)</u>	<u>222,560</u>	<u>1,899,626</u>
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	559,462	222,648	782,110
Operating transfers out	(471,924)	(963,623)	-	-	-	(100,000)	-	-	-	-	-	(1,535,547)
Total other financing sources (uses), net	<u>(471,924)</u>	<u>(963,623)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>559,462</u>	<u>222,648</u>	<u>(753,437)</u>
Net change in fund balances (deficits)	<u>355,194</u>	<u>(65,013)</u>	<u>(137,128)</u>	<u>39,028</u>	<u>-</u>	<u>120,170</u>	<u>(117,591)</u>	<u>(33,119)</u>	<u>-</u>	<u>539,440</u>	<u>445,208</u>	<u>1,146,189</u>
Fund balances (deficits) at the beginning of the year	<u>413,279</u>	<u>652,083</u>	<u>(123,049)</u>	<u>166,255</u>	<u>10,487</u>	<u>116,038</u>	<u>128,063</u>	<u>10,221</u>	<u>-</u>	<u>1,993,749</u>	<u>428,138</u>	<u>3,795,264</u>
Fund balances (deficits) at the end of the year	<u>\$ 768,473</u>	<u>\$ 587,070</u>	<u>\$ (260,177)</u>	<u>\$ 205,283</u>	<u>\$ 10,487</u>	<u>\$ 236,208</u>	<u>\$ 10,472</u>	<u>\$ (22,898)</u>	<u>\$ -</u>	<u>\$ 2,533,189</u>	<u>\$ 873,346</u>	<u>\$ 4,941,453</u>

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, 2010

<b>DILOG Fund Number</b>	<b>410100</b>	<b>410102</b>	<b>410110</b>	<b>410120</b>	<b>410140</b>	<b>410150</b>	<b>410160</b>	<b>410170</b>	<b>510100</b>	<b>510110</b>	<b>510120</b>	
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Total
<b>Revenues:</b>												
Compact funding	\$ 11,495,076	\$ 6,586,232	\$ 7,801,951	\$ 300,000	\$ -	\$ 3,210,583	\$ 1,548,782	\$ 214,109	\$ 13,307,975	\$ 559,462	\$ 222,560	\$ 45,246,730
<b>Expenditures by Account:</b>												
Salaries and wages	7,022,342	1,821,182	4,489,912	-	-	932,922	-	161,698	145,021	-	-	14,573,077
Capital outlay	191,915	280,622	205,283	-	-	49,002	-	(3,764)	8,943,377	384,962	-	10,051,397
Grants and subsidies	1,452,438	150,300	325,000	-	-	100,000	1,548,582	-	4,088,968	-	-	7,665,288
Utilities	529,098	98,251	1,254,482	-	-	637,294	117,791	8,330	-	-	-	2,645,246
Leased housing	334,823	56,834	760,729	-	-	-	-	-	23,220	-	-	1,175,606
Supplies and materials	351,942	897,843	21,676	-	-	187,048	-	4,113	46,502	-	-	1,509,124
Contractual services	510	921,984	-	260,972	-	441,902	-	19,500	-	-	-	1,644,868
Travel	139,009	45,934	53,654	-	-	93,132	-	17,121	38,578	-	-	387,428
Food stuffs	164,781	463,860	124,662	-	-	114,330	-	116	-	-	-	867,749
Allowances	30,618	-	-	-	-	-	-	-	-	-	-	30,618
Medical supplies	-	-	118,176	-	-	66,408	-	-	-	-	-	184,584
Communications	112,309	19,869	12,359	-	-	64,571	-	5,000	7,859	-	-	221,967
POL	118,692	36,436	24,575	-	-	45,566	-	6,381	7,876	-	-	239,526
Rentals	33,533	22,550	16,826	-	-	9,890	-	400	-	-	-	83,199
Freight	29,864	-	-	-	-	6,742	-	-	4,910	-	-	41,516
Printing and reproduction	17,115	3,945	4,503	-	-	8,142	-	2,429	-	-	-	36,134
Insurance	853	-	-	-	-	994	-	-	-	-	-	1,847
Other	138,116	868,012	527,242	-	-	232,470	-	25,904	1,664	194,522	-	1,987,930
Total expenditures	10,667,958	5,687,622	7,939,079	260,972	-	2,990,413	1,666,373	247,228	13,307,975	579,484	-	43,347,104
Excess (deficiency) of revenues over (under) expenditures	827,118	898,610	(137,128)	39,028	-	220,170	(117,591)	(33,119)	-	(20,022)	222,560	1,899,626
<b>Other financing sources (uses):</b>												
Operating transfers in	-	-	-	-	-	-	-	-	-	559,462	222,648	782,110
Operating transfers out	(471,924)	(963,623)	-	-	-	(100,000)	-	-	-	-	-	(1,535,547)
Total other financing sources (uses), net	(471,924)	(963,623)	-	-	-	(100,000)	-	-	-	559,462	222,648	(753,437)
Net change in fund balances (deficits)	355,194	(65,013)	(137,128)	39,028	-	120,170	(117,591)	(33,119)	-	539,440	445,208	1,146,189
Fund balances (deficits) at the beginning of the year	413,279	652,083	(123,049)	166,255	10,487	116,038	128,063	10,221	-	1,993,749	428,138	3,795,264
Fund balances (deficits) at the end of the year	\$ 768,473	\$ 587,070	\$ (260,177)	\$ 205,283	\$ 10,487	\$ 236,208	\$ 10,472	\$ (22,898)	\$ -	\$ 2,533,189	\$ 873,346	\$ 4,941,453

See Accompanying Independent Auditors' Report.