

**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, 2019**

**REPUBLIC OF THE MARSHALL ISLANDS**

**FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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## **INDEPENDENT AUDITORS' REPORT**

His Excellency David Kabua  
President  
Republic of the Marshall Islands:

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements as set forth in Section III of the foregoing table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis-of-Matters**

### *Federal Grants Receivable*

As discussed in Note 3 to the financial statements, RepMar is currently negotiating with federal grantor agencies to determine the ultimate collectability of certain receivables from federal agencies.

### *Social Security Obligations*

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

### *COVID-19*

As discussed in Note 14 to the financial statements, RepMar determined that the COVID-19 pandemic may negatively impact its financial position. However, due to uncertainty surrounding the duration of the state of emergency, RepMar is unable to reasonably estimate its ultimate financial impact.

### *Restatement*

As discussed in Note 15 to the financial statements, beginning net position of the governmental activities has been restated to correct an error.

Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information:*

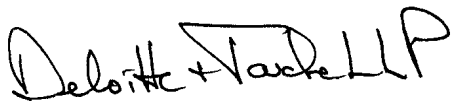
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as set forth in Section II of the foregoing table of contents, as well as the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund,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

## *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020, on our consideration of RepMar's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of RepMar's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RepMar's internal control over financial reporting and compliance.



December 31, 2020

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **Management's Discussion and Analysis Year Ended September 30, 2019**

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, 2019. We encourage readers to consider the information presented here in conjunction with RepMar's basic financial statements, which follow this section. Fiscal year 2018 comparative information, (restated for the correction of an error) has been included, where appropriate.

#### **FINANCIAL HIGHLIGHTS**

- The assets of RepMar exceeded its liabilities at the close of the most recent fiscal year by \$149.6 million (net position), decreasing by \$3.7 million (or 2%) from \$153.3 million, as restated, in the prior year. Of this amount, \$73.4 million represents RepMar's investment in capital assets; \$90.6 million represents amounts restricted for various purposes, with the remaining deficiency of \$14.4 million to be funded from future governmental activities.
- For FY 2019, the beginning net position of the governmental activities was restated by \$1.7 million due to an error associated with the overstatement of capital assets. Additional information on this restatement can be found in note 15 to the financial statements.
- During the current fiscal year, RepMar's expenses for governmental activities were \$162.5 million, including special appropriations made to State-Owned Enterprises, and were funded in part by \$73 million in program revenues and \$85.3 million in taxes and other general revenues. Program revenues increased by \$2.1 million (or 3%) from \$70.9 million in the prior year to \$73 million, which was attributable primarily to the increase in charges for services. Taxes and other general revenues increased by \$4.4 million (or 5%) from \$80.9 million in the prior year to \$85.3 million, which was attributable primarily to the increase in tax receipts. Expenses increased by \$7.6 million (or 5%) from \$154.9 million in the prior year to \$162.5 million, which was attributable primarily to an increase in special appropriations, education, and natural resources and commerce expenses.
- The Compact Trust Fund experienced a minimal increase in fund balance of \$0.6 million in the current fiscal year ending with a trust fund balance of \$74.6 million, up from \$74 million in the prior year.
- For the current fiscal year, General Fund expenditures (and other financing uses) of \$85.8 million slightly exceeded General Fund revenues (and other financing sources) of \$85.7 million. General fund revenues (and other financing sources) were up \$10.1 million (or 13%) from prior year primarily due to an increase in tax receipts of \$2.6 million (or 8%), ship registry revenues of \$1.1 million (or 16%), and other sources of \$7 million (or 872%), which included loan proceeds of \$4.9 million. Concurrently, General Fund expenditures (and other financing uses) were up \$9.2 million (or 12%) from prior year primarily due to an increase in ministry expenditures of \$5.3 million (or 11%) and other uses of \$2.2 million (or 80%).

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2019

These two government-wide financial statements report RepMar's net position and how such has changed. Net position, being the difference between RepMar's assets and liabilities, is one way to measure RepMar's financial health or position. Over time, increases or decreases in RepMar's net position is an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of RepMar, additional non-financial factors such as changes in RepMar's tax base, the condition of RepMar's roads and infrastructure, and the quality of services needs to be considered.

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

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

The government-wide financial statements can be found on pages 18 and 19 of this report.

#### **Fund Financial Statements**

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

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

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

Governmental funds - These are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of RepMar's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance RepMar's programs. The basic governmental fund financial statements can be found on pages 20 and 21 of this report.

Fiduciary funds - These are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support RepMar's own programs. RepMar is the trustee, or fiduciary, for other assets that because of trust arrangements, can be used only for the trust beneficiaries. RepMar is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of RepMar's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The basic fiduciary fund financial statements can be found on pages 23 and 24 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 25 and 26 of this report.



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### Management's Discussion and Analysis Year Ended September 30, 2019

#### 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 27 through 69 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 70 through 72 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 73 through 113 of this report.

#### A FINANCIAL ANALYSIS OF REPMAR AS A WHOLE

##### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of RepMar, assets exceeded liabilities by \$149.6 million at the close of the most recent fiscal year; however, such is either restricted as to the purpose it can be used for or is invested in capital assets. RepMar uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although RepMar's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities. The majority of RepMar's net position is comprised of its capital assets and long-term liabilities. Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year, respectively. RepMar's current assets amounted to \$51.8 million while its current liabilities were \$25.8 million. Restricted net position represents resources that are subject to external constraints. The table below summarizes RepMar's net position at the close of the current year compared with prior year.

RepMar's Net Position  
As of September 30

	Governmental Activities 2019	(As Restated) Governmental Activities 2018	Total Percentage Change 2019-2018
Current and other assets	\$ 137,327,866	\$ 133,972,288	3%
Capital assets	86,788,350	87,730,532	(1)%
<b>Total assets</b>	<b>224,116,216</b>	<b>221,702,820</b>	<b>1%</b>
Long-term debt outstanding	49,204,411	51,446,412	(4)%
Current and other liabilities	25,340,553	16,933,487	50%
<b>Total liabilities</b>	<b>74,544,964</b>	<b>68,379,899</b>	<b>9%</b>
Net position:			
Net investment in capital assets	73,402,887	73,469,273	(0)%
Restricted	90,560,229	91,483,782	(1)%
Unrestricted	(14,391,864)	(11,630,134)	24%
<b>Total net position</b>	<b>\$ 149,571,252</b>	<b>\$ 153,322,921</b>	<b>(2)%</b>

At the end of the current fiscal year, RepMar's unrestricted net position deficiency was \$14.4 million, an increase of the prior year amount by \$2.8 million (or 24%). 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, 2019

Total liabilities increased by \$6.2 million (or 9%) from the prior year amount of \$68.3 million to \$74.5 million, which was primarily attributable to an increase in current liabilities of \$8.5 million (or 49%) due to an increase in accounts payable of \$3 million, due to component units of \$3.9 million, and payable to federal agencies of \$0.9 million, offset by a decrease in long-term debt of \$2.2 million (or 4%).

### Changes in Net Position

As discussed earlier, net position of the primary government decreased by \$3.7 million, which represents a decrease of 2% from the prior year's restated amount of \$153.3 million. This result indicates that RepMar's financial condition, as a whole, deteriorated from the prior year. The table below summarizes RepMar's change in net position for the current fiscal year as compared with prior year.

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

	Governmental Activities 2019	(As Restated) Governmental Activities 2018	Total Percentage Change 2019-2018
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 13,359,165	\$ 11,224,025	19%
Operating grants and contributions	52,661,103	47,295,469	11%
Capital grants and contributions	7,046,145	12,400,929	(43)%
	<u>73,066,413</u>	<u>70,920,423</u>	3%
General revenues:			
Taxes	34,188,126	31,555,501	8%
Grants and contributions	41,737,941	41,596,869	0%
Ship registry	8,426,462	7,279,385	16%
Other general revenues	922,251	500,813	84%
	<u>85,274,780</u>	<u>80,932,568</u>	5%
<b>Total revenues</b>	<b><u>158,341,193</u></b>	<b><u>151,852,991</u></b>	<b>4%</b>
<b>Expenses:</b>			
Education, sports and training	37,486,365	33,246,489	13%
Health and human services	33,164,824	34,289,601	(3)%
Finance, banking and postal services	13,659,273	10,833,034	26%
Special appropriations	14,024,652	11,283,525	24%
Foreign affairs and trade	4,984,833	4,478,901	11%
Works, infrastructure and utilities	10,071,915	9,610,240	5%
Justice, immigration and labor	4,536,466	3,572,524	27%
Culture and internal affairs	5,333,601	5,901,943	(10)%
Capital projects	5,883,065	7,058,828	(17)%
Natural resources and commerce	10,238,980	6,431,232	59%
Transportation, communication and information technology	5,796,938	13,262,260	(56)%
President and cabinet	2,565,944	3,099,570	(17)%
Nitijela	2,568,976	2,433,110	6%
Nuclear claims related	1,583,812	1,387,533	14%
Interest	613,574	732,034	(16)%
Other	9,968,791	7,267,643	37%
<b>Total expenses</b>	<b><u>162,482,009</u></b>	<b><u>154,888,467</u></b>	<b>5%</b>
	<b><u>(4,140,816)</u></b>	<b><u>(3,035,476)</u></b>	<b>36%</b>
Contributions to permanent funds	389,147	3,154,929	(88)%
<b>Change in net position</b>	<b><u>(3,751,669)</u></b>	<b><u>119,453</u></b>	<b>(3241)%</b>
<b>Net position, beginning of year</b>	<b><u>153,322,921</u></b>	<b><u>153,203,468</u></b>	<b>0%</b>
<b>Net position, end of year</b>	<b><u>\$ 149,571,252</u></b>	<b><u>\$ 153,322,921</u></b>	<b>(2)%</b>

## REPUBLIC OF THE MARSHALL ISLANDS

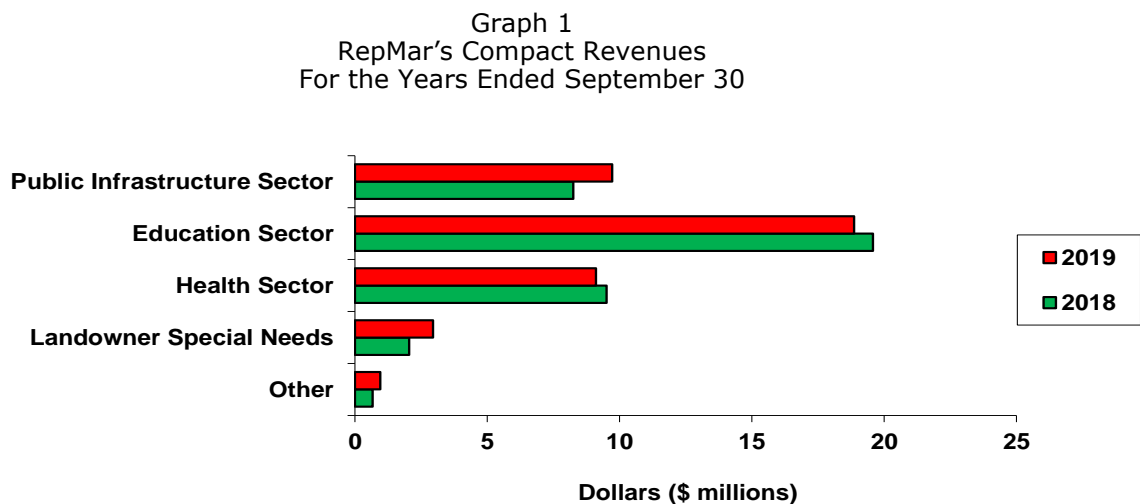
### Management's Discussion and Analysis Year Ended September 30, 2019

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

- Total revenues increased by \$6.5 million (or 4%) compared with prior year. General revenues increased by \$4.3 million (or 5%) as compared with prior year whereas program revenues increased by \$2.1 million (or 3%) as compared with prior year. The increase in general revenues reflects a \$2.6 million (or 8%) increase in tax receipts and a \$1.1 million (or 16%) increase in ship registry revenues. The increase in tax revenues is due primarily to an increase of \$1.2 million from income tax collections, an increase of \$1.1 million from import taxes, and an increase of \$0.8 million from gross revenue tax collections. The increase in program revenues reflects a \$2.1 million (or 19%) increase in charges for services primarily from a \$0.8 million increase in health fund collections and a \$0.7 million increase in recycling fund collections.
- At the same time, cost of governmental activities increased in the current year by \$7.6 million (or 5%) as compared with prior year, which was attributable primarily to an increase in education, sports and training expenses as well as natural resources and commerce expenses.
- The Compact Trust Fund experienced an increase in fund balance of \$0.6 million in the current fiscal year, increasing RepMar's trust fund balance to \$74.6 million from \$74 million in the prior year (up 1%). The investment earnings of \$0.4 million are less than the earnings experienced in prior year of \$3.2 million due to external global financial market forces.

A significant portion of RepMar's program revenues involve contributions from the Government of the United States under the Compact of Free Association. Overall funding from Compact sector grant revenues increased by \$1.6 million (or 4%) from prior year primarily due to an increase in Compact public infrastructure sector activities.

A graphic summary of overall Compact sector grant revenues received by RepMar for the current year compared with the prior year follows:

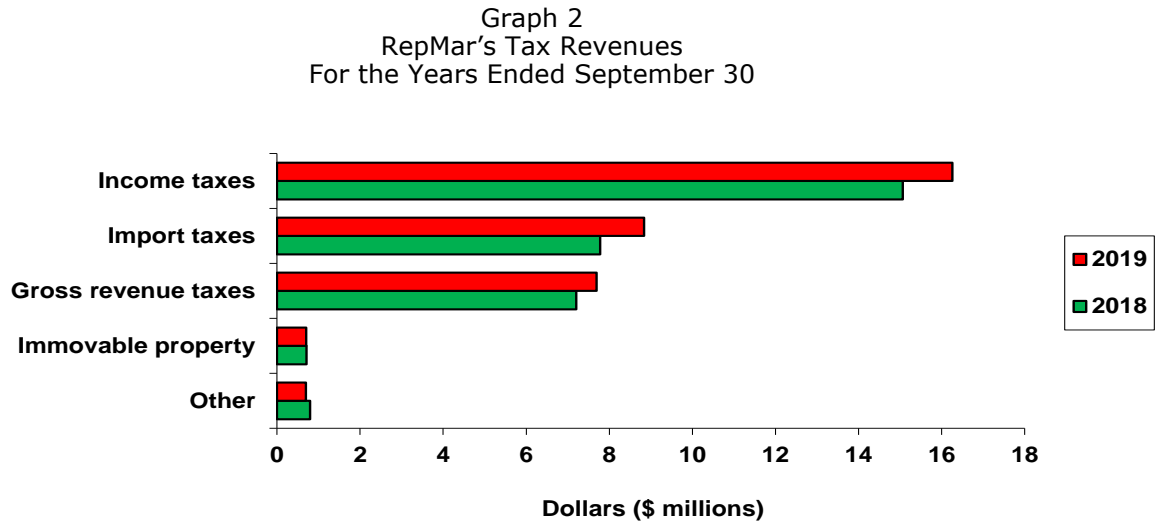


A significant portion of RepMar's general revenues involves tax revenue collections. At \$34.2 million in the current year, tax revenues increased by \$2.6 million (or 8%) compared with \$31.6 million collected in the prior year.

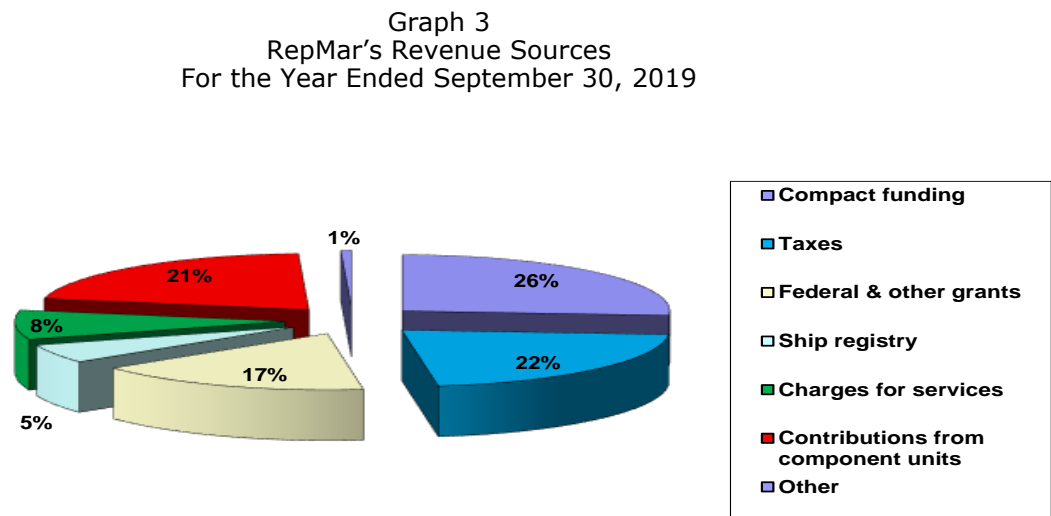
## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2019

A graphic summary of RepMar's tax revenue collections for the current year compared with the prior year follows:



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

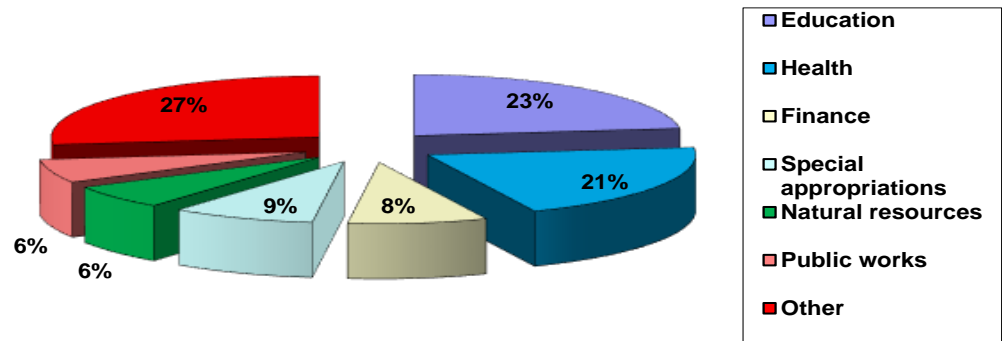


Compact funding, local taxes and federal and other grants are the major sources of revenue for RepMar, which comprise 65% of total revenues for the current year. The remaining 35% is primarily comprised of ship registry fees, fishing revenue contributions from MIMRA, and various fees and service charges.

## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2019

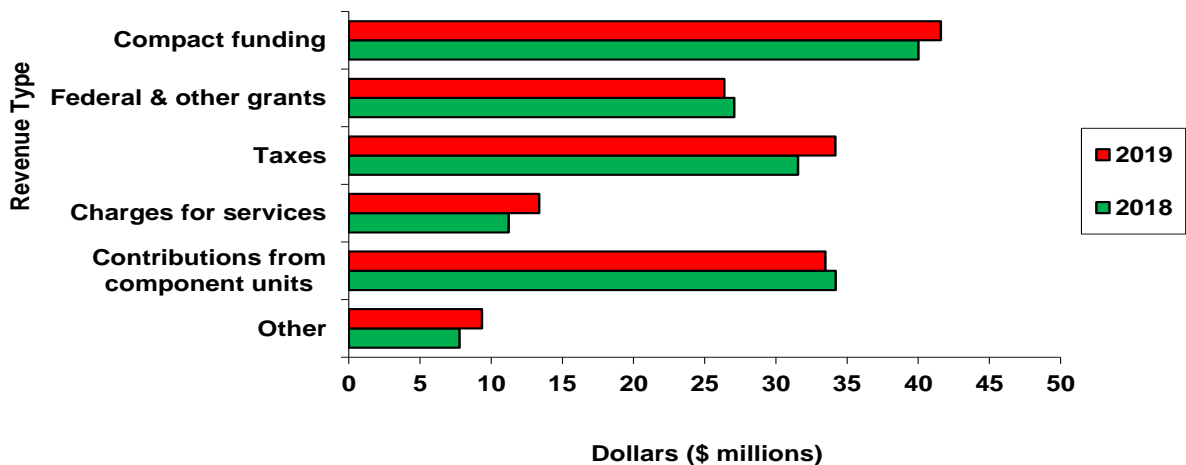
Graph 4  
RepMar's Cost of Governmental Activities  
For the Year Ended September 30, 2019



Other expenses that make up a portion of the costs of governmental activities include ministerial expenses within the Ministry of Transportation, Communication and Information Technology (\$5.8 million), the Ministry of Culture and Internal Affairs (\$5.3 million), the Ministry of Foreign Affairs and Trade (\$5 million), and the Ministry of Justice, Immigration and Labor (\$4.5 million); legislative expenses within the Nitijela (\$2.6 million); and executive expenses within the President's Office and Cabinet (\$2.6 million).

Graphs 5 and 6 below show a comparison of the major components of revenues and cost of governmental activities for the current year compared with the prior year follows:

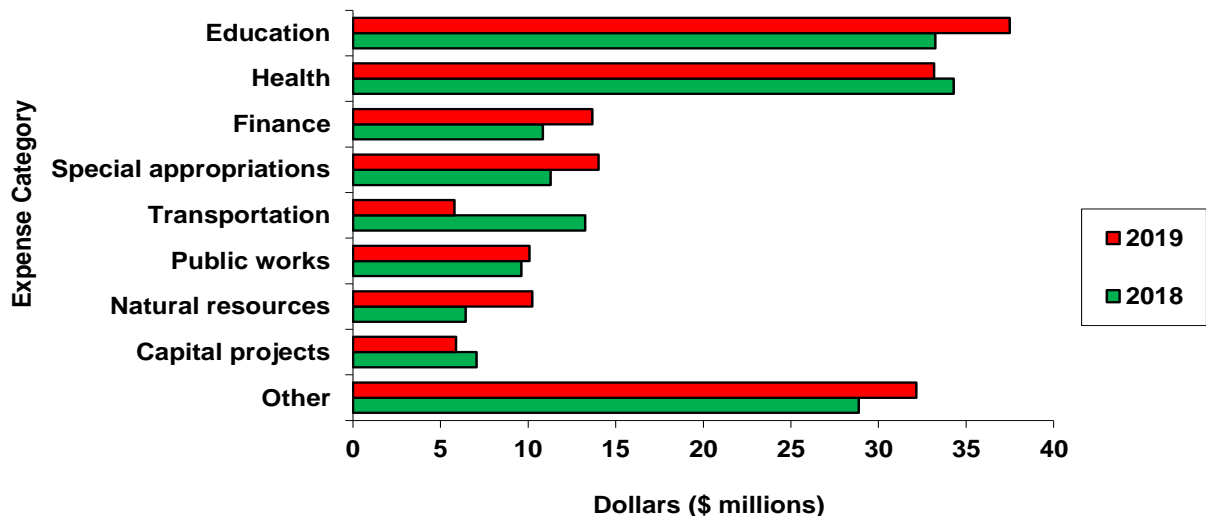
Graph 5  
RepMar's Revenue Sources  
For the Years Ended September 30



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### Management's Discussion and Analysis Year Ended September 30, 2019

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



Other expenses in the current year includes ministerial expenses within the Ministry of Foreign Affairs and Trade of \$5 million, up from \$4.5 million in the prior year; the Ministry of Justice, Immigration and Labor of \$4.5 million, up from \$3.6 million in the prior year; the Ministry of Culture and Internal Affairs of \$5.3 million, down from \$5.9 million in the prior year; legislative expenses within the Nitijela of \$2.6 million, up from \$2.4 million in the prior year; and executive expenses within the President's Office and Cabinet of \$2.6 million, down from \$3.1 million in the prior year.

#### Analysis of Changes in Net Position

During the current fiscal year, RepMar's total net position decreased by \$3.7 million compared with an increase in the prior fiscal year of \$0.1 million. This represents a decrease year on year in the change in net position of \$3.8 million (or 3,241%). The key elements of this decrease are: (1) an increase in general revenues of \$4.4 million; (2) a decrease in Compact Trust earnings of \$2.7 million; and (3) an increase in expenses, net of program revenues, of \$5.4 million.

General revenues increased by \$4.4 million (or 5%) from the previous fiscal year. The increase was primarily due to an increase in tax receipts of \$2.6 million (or 8%) and ship registry revenues of \$1.1 million (or 16%).

Expenses, net of program revenues, increased by \$5.4 million (or 6%) from the previous fiscal year. The increase was primarily attributable to an increase in natural resources and commerce of \$3.9 million, an increase in education, sport and training of \$3.5 million, and an increase in works, infrastructure and utilities of \$3.9 million offset by a decrease in transportation, communication and information technology of \$7.5 million compared with prior year.

# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2019

The elements of these changes are reflected below:

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

	Governmental Activities 2019	(As Restated) Governmental Activities 2018	Total Percentage Change 2019-2018
<b>General revenues:</b>			
Taxes	\$ 34,188,126	\$ 31,555,501	8%
Grants and contributions	12,485,000	12,000,000	4%
Contributions from component units	29,252,941	29,596,869	(1)%
Ship registry	8,426,462	7,279,385	16%
Other general revenues	922,251	500,813	84%
<b>Total general revenues</b>	<b>85,274,780</b>	<b>80,932,568</b>	<b>5%</b>
<b>Expenses, net of program revenues:</b>			
Education, sports and training	16,301,403	12,839,498	27%
Health and human services	7,987,487	10,084,495	(21)%
Special appropriations	11,953,845	11,283,525	6%
Finance, banking and postal services	3,062,873	2,527,095	21%
Works, infrastructure and utilities	9,286,400	5,394,358	72%
Natural resources and commerce	10,203,170	6,311,625	62%
Justice, immigration and labor	3,165,379	2,422,120	31%
Culture and internal affairs	5,121,661	5,795,733	(12)%
Foreign affairs and trade	4,884,768	4,367,566	12%
President and cabinet	2,565,944	3,099,570	(17)%
Capital projects	(778,024)	(2,033,865)	(62)%
Nitijela	2,568,976	2,433,110	6%
Transportation, communication and information technology	5,790,583	13,258,313	(56)%
Nuclear claims related	(307,052)	(47,147)	551%
Interest	613,574	732,034	(16)%
Other	6,994,609	5,500,014	27%
<b>Total expenses</b>	<b>89,415,596</b>	<b>83,968,044</b>	<b>6%</b>
	<b>(4,140,816)</b>	<b>(3,035,476)</b>	<b>36%</b>
Contributions to permanent fund	389,147	3,154,929	(88)%
<b>Change in net position</b>	<b>\$ (3,751,669)</b>	<b>\$ 119,453</b>	<b>(3241)%</b>

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **Management's Discussion and Analysis Year Ended September 30, 2019**

#### **FINANCIAL ANALYSIS OF REPMAR'S FUNDS**

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

##### **Governmental Funds**

The focus of RepMar's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing RepMar's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, RepMar's governmental funds reported combined ending fund balances of \$119.7 million, which represents a net decrease of \$1.1 million (or 1%) in comparison with the prior year. This net decrease is primarily attributable to Compact infrastructure maintenance and disaster assistance grant expenditures in excess of Compact revenues of \$2.3 million offset by an increase in the fair value of RepMar's investments in the Compact Trust Fund of \$0.6 million, and an excess of revenues over expenditures for the aggregate remaining governmental funds of \$1.7 million. Of this total combined fund balance, \$84.8 million is designated as nonspendable and cannot be spent either because it is not in a spendable form or because of legal or contractual constraints; \$12.2 million is designated as restricted and is constrained for specific purposes which are externally imposed; and \$13.6 million is designated as committed and is constrained for specific purposes which are internally imposed. The combined unassigned fund balance of RepMar's governmental funds is \$9.1 million.

The General Fund is the chief operating fund of RepMar. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$9.3 million, a decrease of \$1.7 million from the prior year \$11 million. Total fund balance was \$23.5 million compared with a total fund balance of \$23.6 million at the end of the prior fiscal year, a negligible decrease of \$0.1 million.

The Grants Assistance Fund has a total fund balance of \$13.4 million, which primarily represents unexpended European Union, World Bank, Republic of China (ROC) and Compact Sector grants at year end. The net decrease in fund balance during the current year in the Grants Assistance Fund was \$3.4 million (or 20%).

The Compact Trust Fund has a total fund balance of \$74.6 million, all of which is reserved for the funding of future operations of the primary government commencing in fiscal year 2023. The net increase in fund balance during the current year in the Compact Trust Fund was \$0.6 million (or 1%), which reflects a net increase in the value of trust fund investments of \$0.4 million and a transfer in of \$0.2 million from the General Fund.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the course of the fiscal year, budget revisions of \$6.7 million were made by management and elected officials of RepMar to the General Fund budget. Revenues collected (including other financing sources) of \$84.8 million were lower than budgeted amounts of \$89.6 million (or \$4.8 million) due primarily to lower than anticipated interest and investment earnings, which fell short of budgeted amounts by \$4.7 million. In addition, charges to appropriations (including other financing uses) of \$92 million were lower than budgeted amounts of \$96.8 million due primarily to lower actual ministerial expenditures.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

RepMar's investment in capital assets for its governmental activities as of September 30, 2019 amounted to \$204.3 million, net of accumulated depreciation of \$117.5 million, leaving a net book value of \$86.8 million. This represents a decrease of \$0.9 million (or 1%) from the \$87.7 million reported in the prior year. RepMar's capital assets include electrical and water infrastructure, roads and bridges, heavy equipment, ships, buildings, and various projects under construction.



## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2019

The table below summarizes RepMar's capital assets at the close of the current year compared with prior year.

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

	Governmental Activities 2019	(As Restated) Governmental Activities 2018	Total Percentage Change 2019-2018
Electrical distribution	\$ 884,600	\$ 995,393	(11)%
Buildings	59,193,023	59,929,726	(1)%
Water infrastructure system	728,839	1,093,258	(33)%
Docks, roads and bridges	6,030,878	6,779,820	(11)%
Ships	3,909,680	4,862,240	(20)%
Software	1,520,033	680,224	123%
Heavy equipment	4,689,150	5,922,747	(21)%
Construction in progress	9,832,147	7,467,124	32%
<b>Total</b>	<b>\$ 86,788,350</b>	<b>\$ 87,730,532</b>	<b>(1)%</b>

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

- 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>
Surgical Ward Phase 1	\$ 0.29	\$ 2.70
Ebeye Public School Classrooms	\$ 2.03	\$ 3.67
Honolulu Consulate Office Renovation	\$ 0.42	\$ 0.63
Outer Island Water Catchment Project	\$ 0.18	\$ 1.80
MIPD Office and Jail Project	\$ 0.37	\$ 1.24
Ebeye Hospital Supply	\$ 0.22	\$ 0.44
Border Management System	\$ 0.33	\$ 0.77

- Renovations in the amount of \$0.67 million to the Suva and Washington DC embassies.
- Acquisition of a new hospital information system in the amount of \$0.3 million for the Majuro hospital.

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 thirteen separate loans with the ADB (See table below). Long-term debt obligations increased by \$1.7 million (or 3%) in the current fiscal year.

## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2019

The table below summarizes RepMar's long-term debt at the close of the current year compared with prior year.

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

	Governmental Activities 2019	Governmental Activities 2018	Total Percentage Change 2019-2018
Asian Development Bank:			
Fisheries Development Project	\$ 1,692,380	\$ 1,833,098	(8)%
Typhoon Rehabilitation	274,992	295,362	(7)%
Basic Education Project	4,524,863	4,836,787	(6)%
Majuro Water Supply Project No. 1	403,408	432,385	(7)%
Health and Population Project	3,133,039	3,342,042	(6)%
Majuro Water Supply Project No. 2	5,312,860	5,644,914	(6)%
Public Sector Reform Program	7,903,538	8,355,090	(5)%
Ebeye Health and Infrastructure Project	4,476,827	4,849,894	(8)%
Skills Training and Vocational Education Project	2,769,385	2,974,524	(7)%
Fiscal and Financial Management Program No. 2	3,145,862	3,670,173	(14)%
Outer Island Transport Infrastructure Project	317,189	338,336	(6)%
Public Sector Program Loan	9,356,107	9,979,846	(6)%
Fiscal Reform and Debt Management Project	4,893,961	4,893,961	0%
International Cooperation Development Fund	1,000,000	-	
Marshall Islands Development Bank	3,904,330	-	
<b>Total</b>	<b>\$ 53,108,741</b>	<b>\$ 51,446,412</b>	<b>3%</b>

As mentioned above, total long-term debt increased by \$1.7 million (or 3%) during the current year, which represent long-term debt additions of \$4.9 million offset by declining principal balances associated with ADB debt service payments of \$3.2 million. The long-term debt additions entered into during the current year were associated with: 1) the International Cooperation Development Fund in the original amount of \$4 million, of which \$1 million has been drawn down for the Home Energy Efficiency and Renewable Energy Project; and 2) the Marshall Islands Development Bank in the original amount of \$6 million, of which \$3.9 million has been drawn down for the purpose of funding supplemental subsidy payments to Tobolar Copra Processing Authority.

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

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

Economic performance pre-COVID-19 was broadly strong, although there were signs of fiscal slippages. Growth is estimated to have increased to 5.3% in FY2019, from 3.6% in 2018, supported by newly added fishing capacity. Inflation remained contained over the last two years, partly as a result of low U.S. inflation and low commodity prices. The current account surplus increased further to 8% of GDP, boosted by increases in fishing exports and grants. The fiscal position has weakened recently with higher expenditures (especially copra subsidies) that have only been partially offset by higher revenues from fishing licenses.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **Management's Discussion and Analysis Year Ended September 30, 2019**

RepMar has taken swift precautionary measures in response to the COVID-19 pandemic. Travel bans on visitors from affected countries were imposed as of January 24. A general ban on incoming travelers was established on March 8 and has been extended to January 5, 2021 with the possibility of extensions well into 2021. To ensure continuity of services, a limited number of carriers and fishing vessels can enter RMI for the purpose of transshipment, after spending 14 days at sea and obtaining clearance from the relevant agencies. On August 26, RepMar approved a temporary suspension of non-essential international departures of RMI citizens, given a surge in COVID-19 cases in key transit points overseas.

The near-term economic outlook has significantly deteriorated with the drag from the COVID-19 pandemic. The RMI economy is heavily dependent on fisheries activities and fishing license receipts while relying relatively less on tourism. The COVID-19 pandemic is expected to impose large negative consequences on the economy, with real GDP contracting by 4.5% in FY2020. Fisheries and port-related activities are already experiencing significant losses due to lower global demand and travel restrictions. Slow business activities and job loss, including in the hotel and tourism sectors, are expected to weigh on domestic demand, despite support from the booming construction sector. Growth is projected to be negative also in FY2021. A gradual recovery is expected starting in the second half of 2021 as the pandemic subsides and economic activity resumes. Inflation is projected to stay subdued for FY2020, reflecting the decline of international commodity prices and US inflation. The RMI's current account surplus is projected to narrow to 1.6% of GDP in FY2020, as increases in primary income flows and grants is offset by a large negative goods balance. Over the medium term, the economy is projected to grow around 2% on the back of increasing infrastructure spending, while inflation is expected to rise gradually to 2%, converging to U.S. inflation rates. A current account deficit of around 2.3% of GDP is expected by 2025, as grants and fishing license fees (as a proportion of GDP) are expected to decline significantly, while Compact Trust Fund (CTF) disbursements will only provide for a partial offset.

Risks to the outlook are tilted to the downside. The uncertainty around the near-term outlook is larger than usual. The external risks include a more prolonged COVID-19 outbreak and global slowdown further hampering demand for RMI exports and lowering growth. Despite the travel ban, a domestic virus outbreak remains a risk, which would add fiscal costs and lead to an economic downturn if it materialized. In the medium and long term, inadequate access to financing for RepMar is a key risk, given emerging fiscal deficits from rising spending pressures amid weak revenue receipts, a lack of fiscal consolidation plans, a possible fiscal cliff associated with the expiration of US Compact grants, and stagnant fishing license receipts. Risks from climate change, the potential issuance of the SOV, and a weak AML/CFT framework also loom large. Climate change could impact productive capacity, fiscal costs, and private investors' decisions.

The issuance of a decentralized digital currency, the SOV, as a second legal tender would elevate risks to macroeconomic stability and financial integrity. The potential loss of the last USD corresponding banking relationship (CBR) if AML/CFT risks, including those related with the SOV, were not addressed would disrupt external aid and other important flows producing a significant drag on the economy. On the upside, agreement on a new Compact of Free Association (COFA) (negotiations are on-going) with favorable terms could significantly mitigate the risks of a fiscal cliff and preserve the provision of key federal services. In addition, revenues from fishing licenses could continue to grow on the back of higher global demand for fish, and public investment financed by much larger donor assistance envelopes could provide a significant stimulus to the economy.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **Management's Discussion and Analysis Year Ended September 30, 2019**

RepMar has taken comprehensive measures to mitigate the impacts of the COVID-19 pandemic. The national COVID-19 plan was recently increased to \$59 million (around 26% of GDP), from an initial cost of \$42 million, to boost the immediate COVID-19 response and help the economic recovery. Development partners have committed to cover most of the costs with grants and will address the urgent needs for RepMar's Ministry of Health and Human Services (including infrastructure, medical supplies and equipment, and support in case of a domestic outbreak). To date, approximately \$10 million has been spent on procuring medical equipment and supplies, enabling surge capacity, and upgrading the infrastructure, including new isolation and quarantine buildings. Other major spending has included building hand-washing stations, assisting expatriate Marshallese impacted by COVID-19, and economic relief payouts to local companies currently affected by COVID-19.

The fiscal position is expected to weaken in the near term and is at risk of deteriorating significantly if the current COFA expires without new agreement or fiscal adjustment. Reflecting revenue shortfalls from weaker economic activity and expected fiscal measures, the fiscal balance is projected to change from a surplus of 0.3% of GDP in FY2019 to a deficit of 3.5% of GDP in FY2020. The deficit is expected to be mostly financed by drawing down government deposits, and possible additional grants from development partners. The fiscal balance is expected to return to a surplus in FY 2021, but, in the absence of a new COFA, RepMar could face a fiscal cliff after FY2023 when the annual U.S. Compact grants amounting to around 12% of GDP are set to expire. Fiscal adjustment to prepare for the expiration would reduce the risk of a fiscal cliff, as would a new COFA.

Avoiding a fiscal cliff and protecting the real value of the CTF income stream should be fiscal policy priorities. Once the fallout from the pandemic fades, the authorities would need to undertake a combination of expenditure rationalization and revenue measures to achieve significant fiscal adjustment of around 4% of GDP over five years to maintain fiscal sustainability under the baseline outlook, which assumes expiration of the current COFA without renewal. On average, this would allow the country to complement the proceeds from the CTF yield with additional resources in order to compensate for the expected expiration of grants in 2023 under the Compact Agreement with the US. Reducing other fiscal risks, such as pension system shortfalls, further state-owned enterprises (SOE) losses, periods of below-average CTF yields, or risks from natural disasters, would require additional fiscal adjustment. Should the COFA agreement be extended, depending on the specifics, the needed fiscal adjustment could be smaller.

Sizeable fiscal adjustment should be accompanied by ambitious fiscal structural reforms. A good part of the adjustment could be achieved by reversing recent increases in central government recurrent spending (around 3.5% of GDP between 2015 and 2018) while preserving spending on health and education. Social security benefits could be adjusted through improved targeting to contain the need for government transfers over time. Improvements in revenue administration could also contribute, including through a tax-compliance strategy, improvement in return and payment collection processes, strengthening of tax audits, and enhanced taxpayer services. On the revenue side, implementing growth-friendly tax reforms could also contribute to sustained revenue increases. Specifically, the following reforms could be considered: reforming the personal income tax system; introducing a net profits tax and a consumption tax, with the latter replacing the gross revenue tax; replacing import duties with excise taxes; and enhancing the taxation of shipping and corporate registries.

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

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

# REPUBLIC OF THE MARSHALL ISLANDS

## Statement of Net Position September 30, 2019

	Primary Government	Component Units
<u>ASSETS</u>		
Cash and cash equivalents	\$ 12,426,599	\$ 16,651,418
Time certificates of deposit	-	30,923,213
Receivables, net	27,202,381	36,738,430
Inventories	-	11,245,329
Other assets	4,351,357	2,501,652
Due from external parties	598,588	-
Due from component units	7,215,130	300,792
Due from primary government	-	3,904,330
Investments	-	15,991,550
Restricted assets:		
Cash and cash equivalents	10,893,436	627,585
Investments	74,640,375	-
Capital assets:		
Nondepreciable capital assets	9,832,147	11,063,127
Capital assets, net of accumulated depreciation	76,956,203	122,964,592
Indefeasible right of use, net	-	4,073,390
Total assets	<u>224,116,216</u>	<u>256,985,408</u>
<u>LIABILITIES</u>		
Accounts payable	8,862,501	20,021,717
Medical claims payable	1,552,877	-
Other liabilities and accruals	3,149,584	6,016,304
Contracts payable	-	910,997
Retention payable	1,733,585	-
Payable to federal agencies	1,366,585	695,840
Unearned revenues	372,821	6,701,278
Customer deposits	-	1,985,579
Accrued interest payable	162,093	-
Noncurrent liabilities:		
Due within one year	8,606,694	4,241,155
Due in more than one year	48,738,224	26,746,222
Total liabilities	<u>74,544,964</u>	<u>67,319,092</u>
Commitments and contingencies		
<u>NET POSITION</u>		
Net investment in capital assets	73,402,887	118,827,008
Restricted for:		
Future operations - nonexpendable	74,640,375	-
Debt service	3,904,479	-
Compact related	3,811,238	-
Other purposes	8,204,137	3,612,438
Unrestricted (deficits)	<u>(14,391,864)</u>	<u>67,226,870</u>
Total net position	<u>\$ 149,571,252</u>	<u>\$ 189,666,316</u>

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Statement of Activities Year Ended September 30, 2019

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government:						
Governmental activities:						
President and Cabinet	\$ 2,565,944	\$ -	\$ -	\$ -	\$ (2,565,944)	\$ -
Office of the Chief Secretary	2,367,611	-	935,037	-	(1,432,574)	-
Special appropriations	14,024,652	-	1,312,693	758,114	(11,953,845)	-
Council of Iroij	561,997	-	-	-	(561,997)	-
Nitijela	2,568,976	-	-	-	(2,568,976)	-
Office of the Auditor-General	1,540,297	-	434,416	-	(1,105,881)	-
Public Service Commission	666,911	1,500	-	-	(665,411)	-
Judiciary	1,126,450	149,777	-	-	(976,673)	-
Office of the Attorney General	1,353,912	86,175	-	-	(1,267,737)	-
Education, Sports and Training	37,486,365	-	20,684,962	500,000	(16,301,403)	-
Health and Human Services	33,164,824	9,596,533	15,580,804	-	(7,987,487)	-
Transportation, Communication and Information Technology	5,796,938	6,355	-	-	(5,790,583)	-
Natural Resources and Commerce	10,238,980	25,810	10,000	-	(10,203,170)	-
Culture and Internal Affairs	5,333,601	64,621	147,319	-	(5,121,661)	-
Justice, Immigration and Labor	4,536,466	1,371,087	-	-	(3,165,379)	-
Finance, Banking and Postal Services	13,659,273	819,099	9,777,301	-	(3,062,873)	-
Foreign Affairs and Trade	4,984,833	100,065	-	-	(4,884,768)	-
Works, Infrastructure and Utilities	10,071,915	297,763	487,752	-	(9,286,400)	-
Environmental Protection Authority	2,351,613	840,380	526,897	-	(984,336)	-
Nuclear claims related	1,583,812	-	1,890,864	-	307,052	-
Capital projects	5,883,065	-	873,058	5,788,031	778,024	-
Unallocated interest - long-term debt	613,574	-	-	-	(613,574)	-
<b>Total primary government</b>	<b>\$ 162,482,009</b>	<b>\$ 13,359,165</b>	<b>\$ 52,661,103</b>	<b>\$ 7,046,145</b>	<b>(89,415,596)</b>	<b>-</b>
Component units:						
Air Marshall Islands, Inc.	5,599,762	4,905,222	-	-	-	(694,540)
College of the Marshall Islands	11,966,483	1,635,934	6,348,046	-	-	(3,982,503)
Kwajalein Atoll Joint Utilities Resources, Inc.	7,752,917	3,947,366	-	3,931,774	-	126,223
Marshalls Energy Company, Inc.	36,394,497	34,767,635	90,435	-	-	(1,536,427)
MI Development Bank	2,331,417	3,139,856	196,923	-	-	1,005,362
MI Marine Resources Authority	34,023,878	34,597,266	737,829	-	-	1,311,217
MI National Telecom. Authority	8,916,029	8,130,401	-	-	-	(785,628)
MI Shipping Corporation	3,713,724	761,492	-	-	-	(2,952,232)
RMI Ports Authority	7,845,349	4,835,149	-	77,773	-	(2,932,427)
Tobolar Copra Processing Authority	10,005,863	2,383,890	-	-	-	(7,621,973)
Other nonmajor component units	11,284,581	7,263,235	280,150	111,474	-	(3,629,722)
<b>Total component units</b>	<b>\$ 139,834,500</b>	<b>\$ 106,367,446</b>	<b>\$ 7,653,383</b>	<b>\$ 4,121,021</b>	<b>-</b>	<b>(21,692,650)</b>
General revenues:						
Taxes:						
Income taxes					16,257,737	-
Import taxes					8,837,095	-
Gross revenue taxes					7,696,026	-
Immovable property					702,622	-
Fuel taxes					523,561	-
Penalties and interest					73,963	-
Other					97,122	-
Unrestricted grants and contributions					12,485,000	-
Contributions from component units					29,252,941	-
Ship registry					8,426,462	-
Unrestricted investment earnings					153,679	1,850,592
Contributions from primary government					-	24,329,214
Other					768,572	8,500
<b>Total general revenues</b>					<b>85,274,780</b>	<b>26,188,306</b>
Contributions to permanent funds					389,147	-
<b>Total general revenues and contributions</b>					<b>85,663,927</b>	<b>26,188,306</b>
Change in net position					(3,751,669)	4,495,656
Net position at the beginning of the year, as previously reported					154,988,313	185,170,660
Restatement (see Note 15)					(1,665,392)	-
Net position at the beginning of the year, as restated					153,322,921	185,170,660
Net position at the end of the year					<b>\$ 149,571,252</b>	<b>\$ 189,666,316</b>

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Balance Sheet Governmental Funds September 30, 2019

		Special Revenue	Permanent		
	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,540,597	\$ -	\$ -	\$ 3,886,002	\$ 12,426,599
Receivables, net:					
Taxes	3,074,436	-	-	174,333	3,248,769
Federal agencies	361,393	15,973,275	-	-	16,334,668
General	824,695	3,874,964	-	2,839,872	7,539,531
Other	-	-	-	79,413	79,413
Due from other funds	11,446,189	11,574,200	-	4,378,094	27,398,483
Due from component units	7,215,130	-	-	-	7,215,130
Advances	424,846	446,006	-	490,255	1,361,107
Other assets	2,990,250	-	-	-	2,990,250
Restricted assets:					
Cash and cash equivalents	10,893,436	-	-	-	10,893,436
Investments	-	-	74,640,375	-	74,640,375
Total assets	<u>\$ 45,770,972</u>	<u>\$ 31,868,445</u>	<u>\$ 74,640,375</u>	<u>\$ 11,847,969</u>	<u>\$ 164,127,761</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 3,715,499	\$ 3,293,760	\$ -	\$ 1,853,242	\$ 8,862,501
Medical claims payable	-	-	-	1,552,877	1,552,877
Other liabilities and accruals	1,883,267	1,027,259	-	239,058	3,149,584
Payable to federal agencies	-	1,366,585	-	-	1,366,585
Retention payable	403,231	1,330,354	-	-	1,733,585
Due to component units	551,741	-	-	-	551,741
Unearned revenue	372,821	-	-	-	372,821
Due to other funds	15,353,706	11,446,189	-	-	26,799,895
Total liabilities	<u>22,280,265</u>	<u>18,464,147</u>	<u>-</u>	<u>3,645,177</u>	<u>44,389,589</u>
Fund balances:					
Nonspendable	10,205,380	-	74,640,375	-	84,845,755
Restricted	3,967,131	7,205,033	-	1,019,652	12,191,816
Committed	14,251	6,429,123	-	7,183,140	13,626,514
Unassigned (deficits)	9,303,945	(229,858)	-	-	9,074,087
Total fund balances	<u>23,490,707</u>	<u>13,404,298</u>	<u>74,640,375</u>	<u>8,202,792</u>	<u>119,738,172</u>
Total liabilities and fund balances	<u>\$ 45,770,972</u>	<u>\$ 31,868,445</u>	<u>\$ 74,640,375</u>	<u>\$ 11,847,969</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					86,788,350
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities include:					
Accrued interest payable				(162,093)	
Loans payable				(49,204,411)	
Due to component units				(3,904,330)	
Compensated absences payable				(3,684,436)	
					<u>(56,955,270)</u>
Net position of governmental activities					<u>\$ 149,571,252</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, 2019

		Special Revenue	Permanent		
	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 34,188,126	\$ -	\$ -	\$ -	\$ 34,188,126
Federal and other grants	4,882,220	66,936,166	-	373,862	72,192,248
Sales	-	-	-	363,185	363,185
Ship registry	8,426,462	-	-	-	8,426,462
Net change in the fair value of investments	-	-	389,147	-	389,147
Interest and dividends	130,300	-	-	23,379	153,679
Fees and charges	249,186	-	-	12,746,794	12,995,980
Contributions from component units	29,252,941	-	-	-	29,252,941
Other	768,572	-	-	-	768,572
<b>Total revenues</b>	<b>77,897,807</b>	<b>66,936,166</b>	<b>389,147</b>	<b>13,507,220</b>	<b>158,730,340</b>
<b>Expenditures:</b>					
<b>Current:</b>					
President and Cabinet	2,381,393	184,551	-	-	2,565,944
Office of the Chief Secretary	1,114,486	1,253,125	-	-	2,367,611
Special appropriations	12,616,799	2,070,807	-	-	14,687,606
Council of Iroij	561,997	-	-	-	561,997
Nitijela	2,530,586	-	-	-	2,530,586
Office of the Auditor-General	1,105,881	434,416	-	-	1,540,297
Public Service Commission	651,911	-	-	-	651,911
Judiciary	-	-	-	1,126,450	1,126,450
Office of the Attorney General	1,685,912	-	-	-	1,685,912
<b>Ministries:</b>					
Education, Sports and Training	11,417,519	21,836,484	-	2,606,185	35,860,188
Health and Human Services	5,659,512	16,803,670	-	10,606,180	33,069,362
Transportation, Communication and Information Technology	5,705,868	-	-	-	5,705,868
Natural Resources and Commerce	8,057,627	2,024,178	-	-	10,081,805
Culture and Internal Affairs	3,469,522	1,777,357	-	32,186	5,279,065
Justice, Immigration and Labor	3,520,739	902,720	-	347,365	4,770,824
Finance, Banking and Postal Services	4,669,319	7,980,012	-	959,620	13,608,951
Foreign Affairs and Trade	4,681,048	289,939	-	-	4,970,987
Works, Infrastructure and Utilities	6,767,072	487,752	-	156,567	7,411,391
Environmental Protection Authority	447,415	1,904,198	-	-	2,351,613
Nuclear claims related	-	-	-	1,583,812	1,583,812
<b>Debt service:</b>					
Principal repayment	3,242,001	-	-	-	3,242,001
Interest	602,484	-	-	-	602,484
<b>Capital outlay</b>	<b>-</b>	<b>8,514,073</b>	<b>-</b>	<b>-</b>	<b>8,514,073</b>
<b>Total expenditures</b>	<b>80,889,091</b>	<b>66,463,282</b>	<b>-</b>	<b>17,418,365</b>	<b>164,770,738</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,991,284)</b>	<b>472,884</b>	<b>389,147</b>	<b>(3,911,145)</b>	<b>(6,040,398)</b>
<b>Other financing sources (uses):</b>					
Loan proceeds	4,904,330	-	-	-	4,904,330
Operating transfers in	2,865,257	717,454	250,000	6,598,314	10,431,025
Operating transfers out	(4,882,702)	(4,577,235)	-	(971,088)	(10,431,025)
<b>Total other financing sources (uses), net</b>	<b>2,886,885</b>	<b>(3,859,781)</b>	<b>250,000</b>	<b>5,627,226</b>	<b>4,904,330</b>
<b>Net change in fund balances</b>	<b>(104,399)</b>	<b>(3,386,897)</b>	<b>639,147</b>	<b>1,716,081</b>	<b>(1,136,068)</b>
<b>Fund balances at the beginning of the year</b>	<b>23,595,106</b>	<b>16,791,195</b>	<b>74,001,228</b>	<b>6,486,711</b>	<b>120,874,240</b>
<b>Fund balances at the end of the year</b>	<b>\$ 23,490,707</b>	<b>\$ 13,404,298</b>	<b>\$ 74,640,375</b>	<b>\$ 8,202,792</b>	<b>\$ 119,738,172</b>

See accompanying notes to basic financial statements.



## REPUBLIC OF THE MARSHALL ISLANDS

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year ended September 30, 2019

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

Net change in fund balances - total governmental funds	\$ (1,136,068)
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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	\$ 4,707,751	
Depreciation expense	<u>(5,535,679)</u>	(827,928)

Capital assets transferred to Majuro Atoll Local Government.	(114,254)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. For the current year, these amounts consist of:

ICDF loan proceeds	\$ (1,000,000)	
MIDB loan proceeds	(3,904,330)	
Repayment of ADB loans	<u>3,242,001</u>	(1,662,329)

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

Change in accrued interest payable	<u>(11,090)</u>
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Change in net position of governmental activities	\$ <u>(3,751,669)</u>
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See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Statement of Fiduciary Net Position Fiduciary Funds September 30, 2019

	Private Purpose Trust	Agency
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,595,599	\$ -
Time certificate of deposit	2,000,000	-
Receivables, net:		
Contributions	3,486,560	-
Other	287,815	-
Investments	77,472,635	-
Due from other funds	901,471	164,484
Capital assets, net of accumulated depreciation	155,179	-
Total assets	<u>85,899,259</u>	<u>\$ 164,484</u>
<u>LIABILITIES</u>		
Accounts payable	225,641	\$ -
Other liabilities and accruals	115,630	164,484
Due to other funds	1,664,543	-
Total liabilities	<u>2,005,814</u>	<u>\$ 164,484</u>
<u>NET POSITION</u>		
Held in trust for:		
Social security benefits	83,153,974	
Land use distributions	739,471	
Total net position	<u>\$ 83,893,445</u>	

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended September 30, 2019

	Private Purpose Trust
Additions:	
Contributions:	
Private employees	\$ 13,546,725
Government employees	6,608,620
Penalties and interest	<u>796,180</u>
Total contributions	<u>20,951,525</u>
Investment income:	
Net change in the fair value of investments	14,417
Interest and dividends	<u>2,327,687</u>
Total investment income	2,342,104
Less investment expense	<u>136,251</u>
Net investment income	<u>2,205,853</u>
Other:	
Compact funding	21,983,400
Transfers in from the General Fund	2,314,747
Other	<u>357,788</u>
	<u>24,655,935</u>
Total additions	<u>47,813,313</u>
Deductions:	
Land use distributions	21,953,827
Benefits	20,835,292
Administrative expenses	<u>1,106,091</u>
Total deductions	<u>43,895,210</u>
Change in net position held in trust for:	
Social security benefits	3,888,530
Land use distributions	29,573
Net position at the beginning of the year	<u>79,975,342</u>
Net position at the end of the year	<u>\$ 83,893,445</u>

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Statement of Net Position Component Units September 30, 2019

	Air Marshall Islands, Inc.	College of the Marshall Islands	Kwajalein Atoll Joint Utilities Resources, Inc.	Marshall's Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	RMI Ports Authority	Tobolar Copra Processing Authority	Nonmajor Component Units	Total
<b>ASSETS</b>												
Cash and cash equivalents	\$ 164,179	\$ 13,590	\$ 130,708	\$ 2,852,351	\$ 4,179,746	\$ 3,227,987	\$ 1,193,086	\$ 308,205	\$ 2,413,341	\$ 228,165	\$ 1,940,060	\$ 16,651,418
Time certificates of deposit	-	2,144,230	-	2,944,977	1,155,251	21,230,073	812,466	-	2,514,014	122,202	-	30,923,213
Receivables, net	361,823	2,787,099	199,391	5,345,519	21,240,560	2,645,122	1,687,468	205,920	636,131	763,875	865,522	36,738,430
Inventories	827,125	467,151	543,290	7,794,045	18,150	-	304,049	4,052	-	861,598	425,869	11,245,329
Other assets	365,085	146,512	15,903	512,991	-	-	128,929	806,812	8,877	328,461	188,082	2,501,652
Investments	-	1,700,200	-	-	9,068,994	5,222,356	-	-	-	-	-	15,991,550
Due from component units	-	-	-	-	300,792	-	-	-	-	-	-	300,792
Due from primary government	-	-	-	-	3,904,330	-	-	-	-	-	-	3,904,330
Restricted assets:												
Cash and cash equivalents	-	-	-	-	627,585	-	-	-	-	-	-	627,585
Capital assets:												
Nondepreciable capital assets	-	372,306	3,355,639	865,850	51,206	-	1,206,062	1,900,500	3,251,649	-	59,915	11,063,127
Capital assets, net of accumulated depreciation	10,272,984	11,658,106	7,401,782	5,472,803	340,458	4,201,373	17,964,304	6,420,550	55,179,093	680,823	3,372,316	122,964,592
Indefeasible right of use, net	-	-	-	-	-	-	4,073,390	-	-	-	-	4,073,390
Total assets	11,991,196	19,289,194	11,646,713	25,788,536	40,887,072	36,526,911	27,369,754	9,646,039	64,003,105	2,985,124	6,851,764	256,985,408
<b>LIABILITIES</b>												
Accounts payable	868,522	715,380	5,817,649	4,541,163	209,677	506,120	890,678	853,256	839,837	614,336	4,165,099	20,021,717
Other liabilities and accruals	780,760	833,964	35,390	2,588,424	-	182,667	198,379	137,373	138,971	272,818	847,558	6,016,304
Contracts payable	-	-	-	-	-	157,633	302,150	283,500	167,714	-	-	910,997
Payable to federal agencies	-	695,840	-	-	-	-	-	-	-	-	-	695,840
Unearned revenue	102,037	1,447,052	204,094	4,608,626	-	-	-	24,000	-	-	315,469	6,701,278
Customer deposits	-	-	-	-	1,474,744	-	510,835	-	-	-	-	1,985,579
Noncurrent liabilities:												
Due within one year	300,792	-	-	550,586	-	-	2,825,283	-	285,714	278,780	-	4,241,155
Due in more than one year	3,116,890	-	-	5,878,156	1,000,000	-	16,261,590	-	-	489,586	-	26,746,222
Total liabilities	5,169,001	3,692,236	6,057,133	18,166,955	2,684,421	846,420	20,988,915	1,298,129	1,432,236	1,655,520	5,328,126	67,319,092
<b>NET POSITION</b>												
Net investment in capital assets	9,972,192	12,030,412	10,757,421	6,125,040	391,664	4,201,373	4,456,883	8,037,550	58,430,742	991,500	3,432,231	118,827,008
Restricted	-	1,700,200	187,166	-	627,585	430,995	-	377,708	-	-	288,784	3,612,438
Unrestricted	(3,149,997)	1,866,346	(5,355,007)	1,496,541	37,183,402	31,048,123	1,923,956	(67,348)	4,140,127	338,104	(2,197,377)	67,226,870
Total net position	\$ 6,822,195	\$ 15,596,958	\$ 5,589,580	\$ 7,621,581	\$ 38,202,651	\$ 35,680,491	\$ 6,380,839	\$ 8,347,910	\$ 62,570,869	\$ 1,329,604	\$ 1,523,638	\$ 189,666,316

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Statement of Revenues, Expenses, and Changes in Net Position Component Units Year Ended September 30, 2019

	Air Marshall Islands, Inc.	College of the Marshall Islands	Kwajalein Atoll Joint Utilities Resources, Inc.	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	RMI Ports Authority	Tobolar Copra Processing Authority	Nonmajor Component Units	Total
Expenses	\$ 5,599,762	\$ 11,966,483	\$ 7,752,917	\$ 36,394,497	\$ 2,331,417	\$ 34,023,878	\$ 8,916,029	\$ 3,713,724	\$ 7,845,349	\$ 10,005,863	\$ 11,284,581	\$ 139,834,500
Program revenues:												
Charges for services	4,905,222	1,635,934	3,947,366	34,767,635	3,139,856	34,597,266	8,130,401	761,492	4,835,149	2,383,890	7,263,235	106,367,446
Operating grants and contributions	-	6,348,046	-	90,435	196,923	737,829	-	-	-	-	280,150	7,653,383
Capital grants and contributions	-	-	3,931,774	-	-	-	-	-	77,773	-	111,474	4,121,021
Total program revenues	4,905,222	7,983,980	7,879,140	34,858,070	3,336,779	35,335,095	8,130,401	761,492	4,912,922	2,383,890	7,654,859	118,141,850
Net program revenues (expenses)	(694,540)	(3,982,503)	126,223	(1,536,427)	1,005,362	1,311,217	(785,628)	(2,952,232)	(2,932,427)	(7,621,973)	(3,629,722)	(21,692,650)
General revenues:												
Payments from RepMar	942,400	4,812,730	1,789,860	2,016,514	-	-	1,200,000	2,758,000	-	8,967,551	1,842,159	24,329,214
Investment earnings	-	108,373	-	-	1,095,499	547,616	18,163	-	80,941	-	-	1,850,592
Other	-	-	-	-	-	1,000	-	-	-	-	7,500	8,500
Total general revenues	942,400	4,921,103	1,789,860	2,016,514	1,095,499	548,616	1,218,163	2,758,000	80,941	8,967,551	1,849,659	26,188,306
Change in net position	247,860	938,600	1,916,083	480,087	2,100,861	1,859,833	432,535	(194,232)	(2,851,486)	1,345,578	(1,780,063)	4,495,656
Net position at the beginning of the year	6,574,335	14,658,358	3,673,497	7,141,494	36,101,790	33,820,658	5,948,304	8,542,142	65,422,355	(15,974)	3,303,701	185,170,660
Net position at the end of the year	\$ 6,822,195	\$ 15,596,958	\$ 5,589,580	\$ 7,621,581	\$ 38,202,651	\$ 35,680,491	\$ 6,380,839	\$ 8,347,910	\$ 62,570,869	\$ 1,329,604	\$ 1,523,638	\$ 189,666,316

See accompanying notes to basic financial statements.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

The Republic of the Marshall Islands ("RepMar") was constituted on May 1, 1979, under the provisions of the Constitution of the Republic of the Marshall Islands (the "Constitution") as approved by the people of the Marshall Islands. The Constitution provides for the separation of powers of the executive, legislative, and judicial branches of the government. RepMar assumes responsibility for general government, public safety, health, education, and economic development. The United States dollar is the official currency and legal tender. The Legislative Branch (the Nitijela) enacted Public Law 2018-53 declaring the issuance of a digital decentralized currency as legal tender in addition to the United States dollar, which is to be introduced through an Initial Currency Offering (ICO). Regulations associated with this ICO have yet to be formulated by the Minister of Finance, Banking and Postal Services.

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

#### A. Reporting Entity

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

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

Each blended and discretely presented component unit of RepMar has a September 30 year-end.

The financial statements of the component units have been included in the financial reporting entity in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and 34*. Component units are entities that are legally separate organizations for which RepMar's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with RepMar are such that exclusion would cause RepMar's basic financial statements to be misleading or incomplete. RepMar is financially accountable because it appoints the members of the governing authorities of each of the component units and because it is able to impose its will on these organizations or because the organizations provide specific financial benefits or impose specific financial burdens on RepMar.

## REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2019

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

#### A. Reporting Entity, Continued

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

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

Discretely presented component units are entities which are legally separate from RepMar, but are financially accountable to RepMar, or whose relationships with RepMar are such that exclusion would cause RepMar's basic financial statements to be misleading or incomplete.

The component units' column of the basic financial statements includes the financial data of the following major component units:

- Air Marshall Islands, Inc. (AMI): AMI was granted a corporate charter by the Cabinet of RepMar on October 12, 1989 to provide domestic and international carrier service within and from the Marshall Islands. AMI is governed by a seven-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to AMI through legislative appropriations.
- College of the Marshall Islands (CMI): CMI was established as an independent institution pursuant to the College of the Marshall Islands Act of 1992 (Public Law No. 1992-13) to provide post-secondary education services to meet the needs of the Marshall Islands. CMI is governed by a nine-member Board of Regents appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to CMI through legislative appropriations.
- 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 a seven-member RMI Combined Utilities Board of Directors appointed by the Cabinet of RepMar. The RMI Combined Utilities Board of Directors also have governance over Marshalls Energy Company, Inc. and Majuro Water and Sewer Company, Inc. (MWSC). RepMar provides financial support to KAJUR through legislative appropriations.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

##### A. Reporting Entity, Continued

- Marshalls Energy Company, Inc. (MEC): MEC was granted a corporate charter by the Cabinet of RepMar on February 2, 1984 to engage in the business of generating and transmitting electricity, and the import and marketing of petroleum products. MEC is governed by a seven-member RMI Combined Utilities Board of Directors appointed by the Cabinet of RepMar. The RMI Combined Utilities Board of Directors also have governance over KAJUR and MWSC. RepMar guarantees principal and interest payments to the Rural Utilities Service in the event of default by MEC on a Federal Financing Bank loan. RepMar provides financial support to MEC through legislative appropriations.
- Marshall Islands Development Bank (MIDB): MIDB was established under Public Law No. 1988-1 to promote development and expansion of the Marshall Islands economy and is governed by a seven-member Board of Directors appointed by the Cabinet. MIDB has received funds under Sections 111 and 211 of the Compact of Free Association and funds from the U.S. Department of Agriculture under the Rural Housing and Community Development Service Housing Preservation Grant. RepMar has the ability to impose its will on MIDB.
- Marshall Islands Marine Resources Authority (MIMRA): MIMRA was established as a body corporate pursuant to the Marshall Islands Marine Resources Authority Act of 1997 (Public Law No. 1997-60) to facilitate the sustainable and responsible use of the marine resources in the Marshall Islands. MIMRA is governed by a seven-member Board of Directors, including the Minister of Natural Resources and Commerce, the Minister of Foreign Affairs and Trade, the Minister of Culture and Internal Affairs, and four members appointed by the President. RepMar has the ability to impose its will on MIMRA.
- Marshall Islands National Telecommunications Authority (MINTA): MINTA was incorporated under Public Law No. 1990-105 to engage in the business of providing local and international telecommunication services. MINTA is governed by an eight-member Board of Directors elected by a majority vote of its shareholders. RepMar owns a voting majority of MINTA stock. RepMar guarantees principal and interest payments to the Rural Utilities Service in the event of default by MINTA on Rural Electrification and Telephone Revolving Fund loans.
- Marshall Islands Shipping Corporation (MISC): MISC was established as a body corporate pursuant to the Marshall Islands Shipping Corporation Act of 2004 (Public Law No. 2005-41) to operate services for the transportation of goods, mails and passengers by sea and to carry on business as ship owners, charterers of ships and vessels, ship brokers, and shipping agents, and to make provision for purposes connected with the aforesaid matters. MISC is governed by a five-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to MISC through legislative appropriations.
- RMI Ports Authority (RMIPA): RMIPA was incorporated under Public Law No. 2003-81 to engage in the operation and maintenance of commercial port facilities in the Marshall Islands. RMIPA is governed by a seven-member Board of Directors appointed by the President upon the approval of the Cabinet of RepMar. RepMar has the ability to impose its will on RMIPA.



## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

##### A. Reporting Entity, Continued

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

The component units' column of the basic financial statements also includes the financial data of the following nonmajor component units: Majuro Atoll Waste Company, Inc., Majuro Resort, Inc., Majuro Water and Sewer Company, Inc., Marshall Islands Postal Service Authority, Marshall Islands Visitors Authority, RMI Environmental Protection Authority, and Office of Commerce, Investment and Tourism.

In addition, RepMar's single fiduciary component unit is subject to legislative and executive controls. This component unit, while meeting the definition of a component unit and while legally separate, is presented in the fund financial statements of RepMar; however, has been omitted from the government-wide financial statements as the resources are not available to fund operations of RepMar.

The fiduciary component unit is as follows:

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

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 website [www.rmioag.com](http://www.rmioag.com).

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

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

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

## REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2019

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

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

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

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

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

The government-wide Statement of Net Position reports \$90,560,229 of restricted net position, of which \$8,204,137 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.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

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

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

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

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

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

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

Contributions for fiduciary funds are recorded when due and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Additional contributions are recognized as revenue as soon as all eligibility requirements have been met. Investment earnings are recorded as earned, since they are both measurable and available.

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.

## REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2019

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

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

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

RepMar reports the following major funds:

- General Fund - this fund is the primary operating fund of RepMar. It is used to account for all governmental transactions, except those required to be accounted for in another fund.
- Grants Assistance Fund - this special revenue fund accounts for all financial transactions that are subgranted to RepMar, including United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(a) and approved by Nitijela resolution 123 to promote economic advancement and budgetary self-reliance as well as other direct grants that RepMar received from the United States government and other donor countries.
- Compact Trust Fund - this permanent fund accounts for RepMar's contributions to the Trust Fund established in accordance with Section 216 of the Compact of Free Association, as amended, to provide for an additional source of revenue for the government budget that will be needed to substitute for the absence of Compact of Free Association funding in the future.

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

In addition, RepMar reports the following fund types:

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

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

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

##### F. Investments

Investments and related investment earnings of the primary government and the discretely presented component units are recorded at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (ie., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

RepMar categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement. Investments not categorized under the fair value hierarchy are shown at either Net Asset Value (NAV) or amortized cost.

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.

RepMar holds approximately 30% of the outstanding shares of Pacific Islands Development Bank at cost of \$2,990,250. This equity interest does not meet the definition of an investment as the asset is held primarily for economic development. Accordingly, such is presented within the accompanying financial statements as other assets.

##### G. Receivables

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

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

##### H. Inventories

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

##### I. Interfund Receivables/Payables

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

##### J. Restricted Assets

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

##### K. Indefeasible Right of Use

RepMar has capitalized the cost of acquisition of the exclusive right to use a specified amount of fiber capacity for a period of time, which is amortized over the length of the term of the capacity agreement on the straight line method.

##### 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.

##### M. Deferred Outflows of Resources

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

##### N. Unearned Revenue

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

##### O. Long-term Debt

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

##### P. 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.

##### Q. Deferred Inflows of Resources

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

##### R. Fund Balances

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

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

##### R. Fund Balances, Continued

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

A formal minimum fund balance policy has not been adopted.

##### S. 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.

##### T. New Accounting Standards

During the year ended September 30, 2019, RepMar implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on RepMar's financial statements. However, the implementation of GASB Statement No. 88 did result in additional required disclosures surrounding debt. See Note 7.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.



## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

##### T. New Accounting Standards, Continued

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

##### U. Encumbrances

RepMar utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2019, RepMar has significant encumbrances summarized as follows:

<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Other Governmental</u>	<u>Total</u>
<u>\$ 7,459,038</u>	<u>\$20,600,841</u>	<u>\$ -</u>	<u>\$ 72,330</u>	<u>\$28,132,209</u>

##### V. Estimates

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

##### W. 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, 2018 from which summarized information was derived.

#### (2) Deposits and Investments

The deposit and investment policies of RepMar are governed by 3 MIRC 7, *Investment of Public Funds*, and 11 MIRC 1, *Financial Management*, in conjunction with various trust agreements. Under 3 MIRC 7, the Secretary of Finance, Banking and Postal Services, 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.

Investment guidelines to be followed by the Secretary of Finance, Banking and Postal Services are as follows:

- (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, Banking and Postal Services 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, Banking and Postal Services may invest any monies of RepMar, which:

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

Any of such investments shall be due to mature no later than one (1) year from the date of investment, unless otherwise directed and authorized by the Cabinet for a longer period. Income derived from investments may be reinvested, unless the Cabinet decides otherwise, at the discretion of the Secretary of Finance, Banking and Postal Services 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, 2019

#### (2) Deposits and Investments, Continued

The Compact Trust Fund (the Trust Fund) operates under an investment policy adopted by the Trust Fund Committee. The investment policy has been established to reflect the growth objectives and risk tolerance of the Committee. The investment policy was adjusted in June 2017 per resolution RMI 2017-8 and requires the Trust Fund to allocate its managed investment portfolios among domestic and foreign equity and fixed income securities. All or a portion of the Trust Fund may be invested in exchange traded funds ("ETFs"), mutual funds, real estate investment trusts ("REITs"), common trust funds ("commingled vehicles"), private equity funds, and other pooled investment vehicles ("pooled vehicles").

Equity securities issued by ETFs, mutual funds, REITs, commingled and pooled vehicles which invest exclusively in fixed income securities are considered to be fixed income securities for the purpose of compliance with the Trust Fund's investment policy. The fair values of ETFs, mutual funds, commingled and pooled vehicles are generally determined by the fair value of the underlying marketable equity and debt securities owned, which are principally common stocks and bonds. The fair value of REITs is generally based upon the quoted market value of underlying REIT units owned. Publicly traded ETFs, mutual funds, REITs, and similar vehicles may trade at prices above or below the fair values of the underlying investments owned; therefore the fair value of such investments may differ from the sum of the fair values of the underlying investments owned.

The Trust Fund's equity investment objective is for its various portfolios to achieve total returns similar to their benchmark equity indices. Benchmark indices include the CRSP US Total Market Index, the FTSE Global All Cap ex US Index, and the MSCI ACWI Index.

The core fixed income portfolios may be invested in securities issued by the U.S. government and government agencies, foreign governments, domestic and international corporate securities, including asset-backed and mortgage-backed obligations. The fixed income portfolio may invest in high yield securities; however the average quality of the fixed income portfolio must be rated "investment grade" by at least one nationally recognized rating agency at the time of purchase.

Private equity funds are a form of pooled investment vehicle, typically limited partnerships controlled by a private equity firm that acts as general partner. The general partner seeks to obtain specific dollar commitments from qualified institutional and accredited investors to invest capital in the fund as limited partners. The passive limited partners fund pro rata portions of their commitments when the general partner has identified an appropriate opportunity, which may be venture capital in the form of equity securities, convertible debt securities, or real estate for which no active markets exist. Venture capital is often used to finance new products and technologies, expand working capital, make acquisitions, or finance leveraged buyouts. A typical private equity fund could make between 15 and 25 separate investments over a ten-year life, with no single investment exceeding 10% of the total capital commitment. The fair values of the underlying investments held by each private equity fund are generally determined by management of the equity investee or as determined by the general partner or manager of the private equity fund and is based upon the Trust Fund's percentage ownership of the underlying investments. Investments in private equity funds generally tend to be illiquid for significant periods of time.

Hedge funds are a form of pooled investment vehicle, generally a limited partnership or a foreign (off-shore) investment corporation, that seeks to maximize absolute returns whose offering memorandum allows for the fund to take both long and short positions, use leverage and derivatives, and invest in many markets. Hedge funds often take large risks using a broad range of speculative strategies, including investing in unconventional and illiquid investments. The fair value of the Trust Fund's investment in a hedge fund is determined by the hedge fund manager and is based upon the Trust Fund's percentage ownership of the underlying investments.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

#### (2) Deposits and Investments, Continued

Derivatives, options and futures are permitted investments for the purpose of reducing risk and efficient portfolio management. Derivatives, options and futures may not be used for speculative purposes.

Asset allocations are targets and will be dictated by current and anticipated market conditions, and may be amended by the Trust Fund Committee from time to time. Tactical ranges anticipate fluctuation and provide flexibility for each investment manager's portfolio to vary within the range without the need for immediate rebalancing.

##### A. Deposits

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

As of September 30, 2019, the carrying amount of the primary government's total cash and cash equivalents was \$23,320,035 and the corresponding bank balances were \$25,754,737. Of the bank balances, \$23,132,605 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2019, bank deposits in the amount of \$1,546,557 were FDIC insured. Bank deposits of \$2,622,162 are maintained in financial institutions not subject to depository insurance. RepMar does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2019, the carrying amount of the fiduciary fund's total cash and cash equivalents and time certificate of deposit was \$3,595,599 and the corresponding bank balances were \$3,753,512. Of the bank balances, \$347,702 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2019, bank deposits in the amount of \$250,000 were FDIC insured. Bank deposits of \$3,405,810 are maintained in financial institutions not subject to depository insurance. RepMar does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2019, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$48,202,216 and the corresponding bank balances were \$48,582,405. Of the bank balances, \$10,281,941 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2019, bank deposits in the amount of \$2,981,146 were FDIC insured. Bank deposits of \$38,300,464 are maintained in financial institutions not subject to depository insurance. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

#### (2) Deposits and Investments, Continued

##### B. Investments

###### Primary Government

Investments of the primary government as of September 30, 2019, are as follows:

###### Compact Trust Fund:

###### Common trust funds:

Domestic Equity	\$ 26,333,001
International Equity	23,781,175
Fixed Income	18,185,384
Real Estate Investment Trust	1,223,129
Private Markets	5,101,055
Money market funds	<u>16,631</u>

\$ 74,640,375

At September 30, 2019, all fixed income investments were held in ETFs.

The Trust Fund's fixed income allocation consists of a Vanguard Total Bond Market Index ("VTBMI"), a Vanguard Intermediate-Term Investment Grade Fund ("VIT IGF"), and a Vanguard Short-Term Investment-Grade Fund ("VST IGF"); the performance of the fixed income funds is expected to closely replicate the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. The bonds held by VTBMI vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2019. High yield debt receiving a credit rating below "A" comprises approximately 18% of the VTBMI fixed income portfolio as rated by Moody's at September 30, 2019. At September 30, 2019, the weighted average maturity of the bonds comprising VTBMI is 8.3 years. The bonds held by VIT IGF vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2019. High yield debt receiving a credit rating below "A" comprises approximately 21.9% of the VIT IGF fixed income portfolio as rated by Moody's at September 30, 2019. At September 30, 2019, the weighted average maturity of the bonds comprising VIT IGF is 5.79 years. The bonds held by VST IGF vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2019. High yield debt receiving a credit rating below "A" comprises approximately 29.4% of the VST IGF fixed income portfolio as rated by Moody's at September 30, 2019. At September 30, 2019, the weighted average maturity of the bonds comprising VST IGF is 2.7 years.

The Trust Fund's investment policy does not require direct investment in fixed maturity securities ("Bonds") as a means of managing its exposure to loss of principal due to increasing interest rates. The Trust Fund's investment policy requires the performance of each investment class to be periodically compared with an associated benchmark. Bonds and bond funds generally decrease in value in response to rising interest rates. Bonds, however, have a fixed date of maturity and do not have exposure to loss of principal from rising interest rates, whereas shares of a common trust fund, ETF, or similar investment vehicle have no maturity date.

The Trust Fund's exposure to foreign currency risk is derived from its investment in common trust funds, ETFs and REITs that hold investments in securities of foreign issuers and sovereigns.

# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2019

### (2) Deposits and Investments, Continued

#### B. Investments, Continued

##### Primary Government, Continued

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. At September 30, 2019, the Trust Fund held approximately \$18,033,000 in securities of foreign issuers held in common trust funds. Of this amount, approximately \$4,510,000 was held in securities whose functional currency is the Euro, \$3,000,000 was held in securities whose functional currency is the Japanese Yen, \$2,030,000 whose functional currency is the British pound, and \$8,493,000 in functional currencies of 35 other countries.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of September 30, 2019, there were no investments in any one issuer that exceeded 5% of total investments.

The Trust Fund has the following recurring fair value measurements as of September 30, 2019:

		Fair Value Measurements Using		
		Quoted Prices		
		In Active	Significant	
		Markets for	Other	Significant
		Identical	Observable	Unobservable
		Assets	Inputs	Inputs
		(Level 1)	(Level 2)	(Level 3)
	Total			
Investments by fair value level:				
Common trust funds:				
Domestic Equity	\$ 26,333,001	\$ 26,333,001	\$ -	\$ -
International Equity	23,781,175	23,781,175	-	-
Fixed Income	18,185,384	18,185,384	-	-
Real Estate Investment Trust	<u>1,223,129</u>	<u>1,223,129</u>	-	-
	69,522,689	<u>\$ 69,522,689</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
Private Markets	5,101,055			
Investments measured at amortized cost:				
Money market funds	<u>16,631</u>			
	<u>\$ 74,640,375</u>			

##### Fiduciary Funds

Investments in marketable securities of the Marshall Islands Social Security Administration (MISSA) as of September 30, 2019, are as follows:

Money market funds	\$ 59,616
Exchange Traded Funds	11,642,344
Mutual funds	<u>46,000,543</u>
	<u>\$ 57,702,503</u>

# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2019

### (2) Deposits and Investments, Continued

#### B. Investments, Continued

##### Fiduciary Funds, Continued

Fiduciary funds have the following recurring fair value measurements as of September 30, 2019:

		Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Investments by fair value level:				
Exchange traded funds	\$ 11,642,344	\$ 11,642,344	\$ -	\$ -
Mutual funds	<u>46,000,543</u>	<u>46,000,543</u>	<u>-</u>	<u>-</u>
	57,642,887	<u>\$ 57,642,887</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	<u>59,616</u>			
	<u>\$ 57,702,503</u>			

Additionally, MISSA owns 60,150 shares of common stock of Marshall Islands Holdings, Inc. (MIHI), which represents approximately 36% of the outstanding shares of MIHI as of September 30, 2019. MIHI engages in all aspects of holding company activities in the Marshall Islands and which is the sole shareholder of Bank of Marshall Islands (BOMI). MISSA also owns 80,080 shares of common stock of Marshall Islands Service Corporation (MISC), which represents approximately 5% of the outstanding shares of MISC as at September 30, 2019. MISC is majority-owned by MIHI. The investment in MIHI is accounted for on the equity method since the investment constitutes 20% or more of the voting stock of MIHI. At September 30, 2019, MISSA's investment in MIHI amounted to \$18,740,035. The investment in MISC is accounted for at the Net Asset Value. At September 30, 2019, MISSA's investment in MISC amounted to \$1,030,097. During the year ended September 30, 2019, MISSA received dividend payments from MIHI of \$500,133. For the year ended September 30, 2019, MISSA recognized \$2,345,153 of equity in net earnings of MIHI.

Summarized financial information of MIHI is presented on the table below:

	As of the quarter ended December 31, 2018 and for the period from January 1, 2019 to September 30, 2019 (Unaudited)
Total assets	\$ <u>135,898,616</u>
Total liabilities	\$ <u>79,449,431</u>
Equity:	
Attributable to stockholders of MIHI	\$ <u>51,143,851</u>
Noncontrolling interest	\$ <u>5,305,334</u>
Net income attributed to:	
Stockholder of MIHI	\$ <u>5,074,779</u>
Noncontrolling interests	\$ <u>373,318</u>

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

#### (2) Deposits and Investments, Continued

##### B. Investments, Continued

##### Fiduciary Funds, Continued

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

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

MISSA 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 the name of MISSA by their custodial financial institutions at September 30, 2019.

MISSA 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. Furthermore, as of September 30, 2019, 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, 2019

### (2) Deposits and Investments, Continued

#### B. Investments, Continued

##### Discretely Presented Component Units

Investments of the discretely presented component units as of September 30, 2019, are as follows:

##### College of the Marshall Islands (CMI):

Money market funds	\$ 13,546
Exchange Traded Funds	839,805
Mutual funds	<u>846,849</u>
	\$ <u>1,700,200</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, and fixed income securities.

CMI has the following recurring fair value measurements as of September 30, 2019:

	Fair Value Measurements Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	<u>Total</u>			
Investments by fair value level:				
Exchange traded funds	\$ 839,805	\$ 839,805	\$ -	\$ -
Mutual funds	<u>846,849</u>	<u>846,849</u>	<u>-</u>	<u>-</u>
	1,686,654	<u>\$ 1,686,654</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	<u>13,546</u>			
	<u>\$ 1,700,200</u>			

##### Marshall Islands Development Bank:

Common equity securities	\$ <u>9,068,994</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.

MIDB owns 26,376 shares of common stock of Marshall Islands Holdings, Inc. (MIHI), which represents approximately 16% of the outstanding shares of MIHI as of September 30, 2019. MIDB also owns 3,000 shares of common stock of Marshall Islands Service Corporation (MISC), which represents approximately 1% of the outstanding shares of MISC as of September 30, 2019. MISC is majority-owned by MIHI. The investments in MIHI and MISC are accounted for at the Net Asset Value.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2019

### (2) Deposits and Investments, Continued

#### B. Investments, Continued

##### Discretely Presented Component Units, Continued

Marshall Islands Marine Resources Authority (MIMRA):

Investment in joint venture \$ 5,222,356

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

A summary of audited financial information as of and for the year ended December 31, 2019, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>18,748,056</u>
Liabilities	\$ <u>7,867,885</u>
Net earnings	\$ <u>893,623</u>

During the year ended September 30, 2019, MIMRA received no dividend payments from MIFCO. For the year ended September 30, 2019, MIMRA recognized equity in net earnings of MIFCO of \$304,654.

### (3) Receivables

#### Primary Government

Receivables as of September 30, 2019, 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	\$ 3,074,436	\$ -	\$ -	\$ 174,333	\$ -	\$ 3,248,769
Federal agencies	361,393	15,973,275	-	-	-	16,334,668
General	1,382,496	4,066,900	-	8,549,278	-	13,998,674
Contributions	-	-	-	-	10,009,209	10,009,209
Loans	4,368,787	-	-	17,967,812	-	22,336,599
Other	-	-	-	<u>893,171</u>	<u>287,815</u>	<u>1,180,986</u>
	9,187,112	20,040,175	-	27,584,594	10,297,024	67,108,905
Less: allowance for uncollectible						
Accounts	<u>(4,926,588)</u>	<u>(191,936)</u>	-	<u>(24,490,976)</u>	<u>(6,522,649)</u>	<u>(36,132,149)</u>
Net receivables	\$ <u>4,260,524</u>	\$ <u>19,848,239</u>	\$ -	\$ <u>3,093,618</u>	\$ <u>3,774,375</u>	\$ <u>30,976,756</u>

Certain receivables due from federal grantor agencies recorded within the Grants Assistance Fund remain uncollected. RepMar is currently negotiating with these grantors for a final determination insofar as collection on these amounts. Management is of the opinion that collection efforts will be favorable and thus no allowance for uncollectible accounts is considered necessary.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2019

### (3) Receivables, Continued

#### Primary Government, Continued

Loans receivable of the primary government are summarized as follows:

#### General Fund:

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

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

\$ 4,368,787

#### Nonmajor Governmental Funds:

Loans to qualified Marshallese students under a student financial assistance program, interest free, uncollateralized with no set repayment terms, and may be converted to grants at a later date if the recipients meet certain criteria. These loans have been fully provided for in the allowance for uncollectible accounts. During the year ended September 30, 2019, loans in the amount of \$113,563 were converted to grants as the recipients met the criteria for conversion. \$ 17,967,812

#### Discretely Presented Component Units

Receivables as of September 30, 2019, for the discretely presented component units, including applicable allowance for uncollectible accounts, are as follows:

	Air Marshall Islands, Inc.	College of the Marshall Islands	Kwajalein Atoll Joint Utilities Resources, Inc.	Marshall's Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	Tobolar RMI Ports Authority	Copra Processing Authority	Non-major Component Units	Totals
Receivables:												
Federal agencies	\$ -	\$ 302,108	\$ 47,679	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,557	\$ 382,344
General	437,748	5,084,661	3,455,321	16,151,140	-	2,218,501	1,418,438	885,780	1,918,364	1,058,597	3,799,711	36,428,261
Loans	-	-	-	-	28,027,211	-	-	-	-	-	-	28,027,211
Interest	-	-	-	-	162,399	84,900	-	-	56,607	-	-	303,906
Other	<u>118,461</u>	<u>324,082</u>	<u>304,339</u>	<u>977,983</u>	<u>450,159</u>	<u>1,409,112</u>	<u>331,914</u>	<u>-</u>	<u>54,957</u>	<u>73,366</u>	<u>159,884</u>	<u>4,204,257</u>
	556,209	5,710,851	3,807,339	17,129,123	28,639,769	3,712,513	1,750,352	885,780	2,029,928	1,131,963	3,992,152	69,345,979
Less: allowance for uncollectible accounts	<u>(194,386)</u>	<u>(2,923,752)</u>	<u>(3,607,948)</u>	<u>(11,783,604)</u>	<u>(7,399,209)</u>	<u>(1,067,391)</u>	<u>(62,884)</u>	<u>(679,860)</u>	<u>(1,393,797)</u>	<u>(368,088)</u>	<u>(3,126,630)</u>	<u>(32,607,549)</u>
Net receivables	<u>\$361,823</u>	<u>\$ 2,787,099</u>	<u>\$ 199,391</u>	<u>\$ 5,345,519</u>	<u>\$21,240,560</u>	<u>\$2,645,122</u>	<u>\$1,687,468</u>	<u>\$ 205,920</u>	<u>\$ 636,131</u>	<u>\$ 763,875</u>	<u>\$ 865,522</u>	<u>\$ 36,738,430</u>

# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2019

### (3) Receivables, Continued

#### Discretely Presented Component Units, Continued

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

Marshall Islands Development Bank (MIDB):

MIDB's loan portfolio is comprised of consumer, housing and business loans. The majority of the loan portfolio is unsecured, while the remaining portion is secured by various forms of collateral. These loans are cosigned by third parties. The basis for expected repayment of a majority of consumer and housing loans is the continued employment of the borrower and allotment agreements between MIDB and the borrower's employer. All loans are at fixed rates ranging from 4% - 14% per annum.

### (4) Interfund Receivables and Payables

#### Primary Government

Receivables and payables between funds reflected as due to/from other funds in the governmental funds balance sheet at September 30, 2019, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	Grants Assistance	\$ 11,446,189	\$ 11,446,189
Grants Assistance	General	11,574,200	11,574,200
Nonmajor governmental funds	General	2,713,551	2,713,551
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	1,664,543	-
Fiduciary Funds - Private Purpose Trust	General	-	901,471
Fiduciary Funds - Agency	General	-	164,484
		27,398,483	26,799,895
Fiduciary Funds - Private Purpose Trust	General	901,471	-
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	-	1,664,543
Fiduciary Funds - Agency	General	164,484	-
		<u>\$ 28,464,438</u>	<u>\$ 28,464,438</u>

Receivables and payables reflected as due to/from component units at September 30, 2019, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental activities:		
Marshall Islands Development Bank	\$ -	\$ 3,904,330
General Fund:		
Marshall's Energy Company, Inc.	6,215,130	-
Marshall Islands Development Bank	1,000,000	-
Marshall Islands Marine Resources Authority	-	330,000
RMI Ports Authority	-	152,678
Nonmajor component units	-	69,063
	<u>7,215,130</u>	<u>551,741</u>
	<u>\$ 7,215,130</u>	<u>\$ 4,456,071</u>

The amount recorded by the General Fund due from Marshall's Energy Company, Inc. of \$6,215,130 represents a subsidiary loan agreement under an Asian Development Bank (ADB) loan (Loan Number 2659 RMI (SF)) received by RepMar from the ADB. Interest accrues at the rate of 1% per annum through September 30, 2019 and at 1.5% per annum thereafter with principal and interest payments due of \$37,960 and matures on May 31, 2034.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2019

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

#### Primary Government, 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>
2020	\$ 336,974	\$ 118,546	\$ 455,520
2021	369,884	85,636	455,520
2022	375,470	80,050	455,520
2023	381,141	74,379	455,520
2024	386,898	68,622	455,520
2025 - 2029	2,023,927	253,673	2,277,600
2030 - 2034	<u>2,340,836</u>	<u>95,168</u>	<u>2,436,004</u>
	<u>\$ 6,215,130</u>	<u>\$ 776,074</u>	<u>\$ 6,991,204</u>

The amount recorded by the General Fund due from Marshall Islands Development Bank of \$1,000,000 represents a subsidiary loan agreement received by RepMar from the International Cooperation and Development Fund (ICDF). Total available subsidiary loan of \$4,000,000 was divided into four drawdowns of \$1,000,000 each. Loan drawdowns commenced in 2019 with repayment commencing in 2021 in bi-monthly installments with interest at the rate of 2% per annum. Loan repayments will be based on total drawdowns made up to 2021.

The amount recorded as due from component units of the primary government of \$7,215,130 does not equal the corresponding due to primary government of the discretely presented component units of \$11,617,734 due to an allowance for doubtful accounts recorded by the General Fund and the Grants Assistance Fund of \$2,802,604 and \$1,600,000, respectively. The amount recorded as due to component units of the primary government of \$4,456,071 does not equal the corresponding due from primary government of the discretely presented component units due to a \$551,741 allowance for doubtful accounts recorded by the respective component units.

Due to component units includes \$3,904,330 due to the Marshall Islands Development Bank (MIDB), which represents amounts drawn down on a \$6,000,000 loan facility to provide additional funds to supplement the General Fund's subsidy to Tobolar Copra Processing Authority as a result of the increase in the price of copra.

The MIDB loan is governed by a Loan Agreement and related Promissory Note, which sets forth covenants to ensure compliance with the terms and conditions during the term of the loan including payment of debt service. The primary requirements are summarized below:

Events of Default - Article 5A of the Loan Agreement sets forth various events of default, which occurs when the Borrower fails to fulfill a payment obligation under the loan agreement when due; or the Borrower fails to perform any of the covenants provided under Article 4 of the Loan Agreement.

Acceleration of Maturity - Article 5B of the Loan Agreement sets forth certain remedies in the event of default. Upon default by the Borrower, MIDB may exercise all rights and remedies available to MIDB to enforce the Loan Agreement.

# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2019

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

#### Discretely Presented Component Units

Receivables and payables reflected as due to/from primary government at September 30, 2019, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Air Marshall Islands, Inc.:		
General Fund	\$ -	\$ 1,516,890
Grants Assistance Fund	-	1,600,000
Marshall's Energy Company, Inc.:		
General Fund	-	6,215,130
Marshall Islands Development Bank:		
General Fund	-	1,000,000
Marshall Islands National Telecommunications Authority:		
General Fund	-	1,000,000
RMI Ports Authority:		
General Fund	<u>-</u>	<u>285,714</u>
	\$ <u>-</u>	\$ <u>11,617,734</u>

The amount recorded by the Marshall Islands National Telecommunications Authority (MINTA) due to the General Fund of \$1,000,000 includes Compact of Free Association Infrastructure Maintenance Sector grant funds borrowed by MINTA of \$700,000. This loan is unsecured and interest free with annual payments due of \$100,000 commencing March 2012 to be deposited into a savings account established in accordance with Section 211(d)(2) of the Compact of Free Association, as amended. The remaining amount of \$300,000 represents an advance from the General Fund for the purpose of providing funding for the 4G LTE Project, which is to be reimbursed by MINTA.

Receivables and payables reflected as due to/from component units at September 30, 2019, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Air Marshall Islands, Inc.:		
Marshall Islands Development Bank	\$ -	\$ 300,792
Marshall Islands Development Bank:		
Air Marshall Islands, Inc.	<u>300,792</u>	<u>-</u>
	\$ <u>300,792</u>	\$ <u>300,792</u>

The loan recorded by Marshall Islands Development Bank due from Air Marshall Islands, Inc. (AMI) of \$300,792 accrues interest at the rate of 6.5% per annum and matured on May 30, 2018. The loan has been collateralized by certain aircraft operated by AMI and a guarantee from the primary government. Loan proceeds of \$2,500,000 were used to fund Dash 8 aircraft improvements.

# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2019

### **(5) Capital Assets**

Capital asset activities for the year ended September 30, 2019, are as follows:

#### Primary Government

	Estimated Useful Lives	Balance October 1, 2018	Additions	Transfers	Retirements	Balance September 30, 2019
<b>Depreciable capital assets:</b>						
Electrical distribution	30 yrs	\$ 30,540,465	\$ -	\$ -	\$ -	\$ 30,540,465
Buildings	30 - 40 yrs	108,586,730	670,762	1,059,995	(645,031)	109,672,456
Water infrastructure system	25 yrs	9,261,029	-	-	-	9,261,029
Docks, roads and bridges	25 - 30 yrs	20,710,923	-	-	-	20,710,923
Ships	25 yrs	11,123,000	-	-	-	11,123,000
Software	10 yrs	2,378,327	300,000	735,000	-	3,413,327
Heavy equipment	3 - 10 yrs	10,426,508	-	-	(686,173)	9,740,335
		<u>193,026,982</u>	<u>970,762</u>	<u>1,794,995</u>	<u>(1,331,204)</u>	<u>194,461,535</u>
<b>Less accumulated depreciation:</b>						
Electrical distribution		(29,545,072)	(110,793)	-	-	(29,655,865)
Buildings		(48,657,004)	(2,232,054)	-	409,625	(50,479,433)
Water infrastructure system		(8,167,771)	(364,419)	-	-	(8,532,190)
Docks, roads and bridges		(13,931,103)	(748,942)	-	-	(14,680,045)
Ships		(6,260,760)	(952,560)	-	-	(7,213,320)
Software		(1,698,103)	(195,191)	-	-	(1,893,294)
Heavy equipment		(4,503,761)	(931,720)	-	384,296	(5,051,185)
		<u>(112,763,574)</u>	<u>(5,535,679)</u>	<u>-</u>	<u>793,921</u>	<u>(117,505,332)</u>
Total depreciable capital assets, net		80,263,408	(4,564,917)	1,794,995	(537,283)	76,956,203
<b>Nondepreciable capital assets:</b>						
Construction in progress		7,467,124	4,160,018	(1,794,995)	-	9,832,147
		<u>\$ 87,730,532</u>	<u>\$ (404,899)</u>	<u>\$ -</u>	<u>\$ (537,283)</u>	<u>\$ 86,788,350</u>

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

Public Service Commission	\$ 15,000
Education, Sports and Training	1,626,177
Health and Human Services	617,962
Transportation, Communication and Information Technology	91,070
Natural Resources and Commerce	1,800
Culture and Internal Affairs	54,536
Justice, Immigration and Labor	137,642
Finance, Banking and Postal Services	50,322
Foreign Affairs and Trade	198,920
Works, Infrastructure and Utilities	2,703,860
Nitijela	38,390
	<u>\$ 5,535,679</u>

#### Discretely Presented Component Units

	Estimated Useful Lives	Balance October 1, 2018	Additions	Retirements	Balance September 30, 2019
<b>Depreciable capital assets:</b>					
Buildings	3 - 34 yrs	\$ 46,592,419	\$ 3,508,003	\$ -	\$ 50,100,422
Utility plant	3 - 40 yrs	85,069,801	5,944,417	(2,133,185)	88,881,033
Vessels	25 yrs	6,521,980	270,273	-	6,792,253
Machinery and equipment	2 - 25 yrs	52,153,867	6,096,386	(2,427,550)	55,822,703
Infrastructure	5 - 50 yrs	86,376,401	-	-	86,376,401
		<u>276,714,468</u>	<u>15,819,079</u>	<u>(4,560,735)</u>	<u>287,972,812</u>
Less accumulated depreciation		(155,051,010)	(14,066,094)	4,108,884	(165,008,220)
Total depreciable capital assets, net		<u>121,663,458</u>	<u>1,752,985</u>	<u>(451,851)</u>	<u>122,964,592</u>
<b>Nondepreciable capital assets:</b>					
Land		372,306	-	-	372,306
Construction in progress		13,432,441	7,027,526	(9,769,146)	10,690,821
		<u>13,804,747</u>	<u>7,027,526</u>	<u>(9,769,146)</u>	<u>11,063,127</u>
		<u>\$ 135,468,205</u>	<u>\$ 8,780,511</u>	<u>\$ (10,220,997)</u>	<u>\$ 134,027,719</u>

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2019

### (6) Indefeasible Right of Use (IRU)

In 2009, the Marshall Islands National Telecommunications Authority (MINTA) entered into an IRU Capital Lease agreement with a third party for the exclusive use of 8 wave lengths of fiber capacity of the two fibers of the Kwajalein Cable System (KCS) which runs between Guam and Kwajalein and which is known as the "HANTRU1 System". Under the terms of the agreement, MINTA made certain payments of \$6,500,091. The initial term of the agreement is for a period of 10 years commencing on the date MINTA is initially granted access, and which term is automatically renewable for a further 10 year period and an additional 5 year period thereafter. Prior to the tenth and twentieth anniversary dates, MINTA has the option to terminate this agreement; however, such is subject to prior approval of the Rural Utilities Services (RUS) of the U.S. Department of Agriculture. MINTA's policy is to amortize the right of use over the 25 year period. As of September 30, 2019, accumulated amortization expense of \$2,426,701 has been recorded.

### (7) Long-term Debt

#### 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, 2019, the primary government had the following long-term debt outstanding and payable:

	Dated Date	Interest Rate	Final Maturity	Outstanding Amount
Asian Development Bank (ADB):				
Loan No. 1102 MAR (SF) Fisheries Development Project	November 28, 1991	1%	July 1, 2031	\$ 1,692,380
Loan No. 1218 MAR (SF) Typhoon Rehabilitation	January 29, 1993	1%	November 15, 2032	274,992
Loan No. 1249 MAR (SF) Basic Education Project	November 17, 1993	1%	October 15, 2033	4,524,863
Loan No. 1250 MAR (SF) Majuro Water Supply Project #1	November 17, 1993	1%	May 15, 2033	403,408
Loan No. 1316 RMI (SF) Health and Population Project	February 24, 1995	1%	July 1, 2034	3,133,039
Loan No. 1389 RMI (SF) Majuro Water Supply Project #2	February 1, 1996	1%	September 1, 2035	5,312,860
Loan No. 1513 RMI (SF) Public Sector Reform Program	January 30, 1997	1%	December 1, 2036	7,903,538
Loan No. 1694 RMI (SF) Ebeye Health and Infrastructure Project	October 8, 1999	1%	August 1, 2031	4,476,827
Loan No. 1791 RMI (SF) Skills Training and Vocational Education Project	January 11, 2001	1.5%	November 15, 2032	2,769,385
Loan No. 1829 RMI (SF) Fiscal and Financial Management Program #2	June 22, 2001	1% - 1.5%	May 15, 2025	3,145,862
Loan No. 1948 RMI (SF) Outer Island Transport Infrastructure Project	February 14, 2003	1% - 1.5%	August 1, 2034	317,189
Loan No. 2659 RMI (SF) Public Sector Reform Sub Program #1	September 8, 2010	1% - 1.5%	August 15, 2034	9,356,107
Loan No. 2950 RMI (SF) Public Sector Reform Sub Program #2	December 13, 2012	1% - 1.5%	November 15, 2036	<u>4,893,961</u>
				48,204,411
International Cooperation and Development Fund (ICDF):				
Home Energy Efficiency and Renewable Energy Project	November 8, 2016	3%	May 8, 2031	<u>1,000,000</u>
				\$ <u>49,204,411</u>

#### Asian Development Bank Loans:

Loan Number 1102 MAR (SF) in the amount of SDR 2,432,599 is to assist RepMar in initiating a domestic commercial fish production and marketing capability, and to strengthen RepMar's institutional capabilities to support economic self-reliance through the development of its major natural resource, fisheries.

Loan Number 1218 MAR (SF) in the amount of SDR 364,000 is to provide funding for the emergency rehabilitation and restoration of facilities that were damaged or destroyed by Typhoon Gay in November 1992.

Loan Number 1249 MAR (SF) in the amount of SDR 5,717,446 is to provide funding for the improvement of basic education within the Marshall Islands.

Loan Number 1250 MAR (SF) and Loan Number 1389 RMI (SF) in the cumulative amount of SDR 6,540,496 is to provide funding for the Majuro Water Supply Project.



## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

#### (7) Long-term Debt, Continued

##### Primary Government, Continued

##### Asian Development Bank Loans, Continued:

Loan Number 1316 RMI (SF) in the amount of SDR 3,911,000 is to provide funding for improving the quality of health and family planning services, and strengthening RepMar's primary health care model of services.

Loan Number 1513 RMI (SF) in the amount of SDR 8,241,000 is to provide funding for the Public Sector Reform Program. The proceeds are to be used to: (i) stabilize RepMar's finances in the short run; (ii) ensure the long-term structural stability of RepMar's finances; and (iii) create an improved enabling environment for the private sector.

Loan Number 1694 RMI (SF) in the amount of SDR 6,924,000 is to provide funding for the Ebeye Health and Infrastructure Project. The proceeds are to be used to: (i) improve the delivery of quality medical care for Ebeye and proximate islands; (ii) strengthen primary health care and preventive services to the general population; (iii) rehabilitate and expand the existing water supply and sewerage systems on Ebeye; and (iv) upgrade the islets power generation and distribution system.

Loan Number 1791 RMI (SF) in the amount of SDR 5,276,000 is to provide funding for the Skills Training and Vocational Education Project. The proceeds are to be used to: 1) provide funding for career awareness, skills training, special training programs for women and youth; and 2) institutional capacity building within the Marshall Islands.

Loan Number 1829 RMI (SF) in the amount of SDR 6,320,000 is to provide funding for the Fiscal and Financial Management Program. The proceeds are to be used to: 1) establish a trust fund; 2) finance the payment of medical referral costs in arrears; and 3) improve the overall financial management of RepMar.

Loan Number 1948 RMI (SF) in the amount of SDR 5,304,000 is to provide funding for the Outer Island Transport Infrastructure Project. The proceeds are to be used to provide or improve outer island port infrastructure, navigation aids, storage warehouses, and airstrip extensions and maintenance.

Loan Number 2659 RMI (SF) and Loan Number 2950 RMI (SF) in the cumulative amount of SDR 9,655,000 is to provide funding for the Public Sector Reform Sub Program # 1 and # 2. The proceeds are to be used to: 1) improve the medium term fiscal outlook, with a view to increasing the budget surplus; 2) restrain public expenditure through selected reductions and freezes in selected major recurrent expenditure items; 3) reform and modernize the tax system, including by introducing a sales tax, and by improving tax administration; 4) improve the operational and financial performance of state owned enterprises (SOEs) through introduction of a national SOE policy and related legislation, and to implement a recovery plan for MEC; and 5) support stakeholder participation and consultation in respect of the Program.

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

#### (7) Long-term Debt, Continued

##### Primary Government, Continued

##### Asian Development Bank 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>
2020	\$ 3,247,151	\$ 507,601	\$ 3,754,752
2021	3,402,573	482,262	3,884,835
2022	3,557,996	454,959	4,012,955
2023	3,557,996	413,957	3,971,953
2024	3,557,996	373,953	3,931,949
2025 - 2029	15,692,602	1,302,811	16,995,413
2030 - 2034	13,037,210	503,625	13,540,835
2035 - 2037	<u>2,150,887</u>	<u>34,073</u>	<u>2,184,960</u>
	\$ <u>48,204,411</u>	\$ <u>4,073,241</u>	\$ <u>52,277,652</u>

ADB loans are governed by Loan Regulations, which set forth certain terms and conditions applicable to these loans as follows:

Events of default with finance related consequences - in the event that the Borrower shall have failed to make payment of principal, interest charge or any other charge required under the Loan Agreement, the ADB may by notice to the Borrower suspend in whole or in part the right of the Borrower to make any further withdrawals from the Loan Account. The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event which gave rise to such suspension shall have, in the reasonable opinion of the ADB, ceased to exist or until the ADB shall have notified the Borrower that the right to make withdrawals has been restored in whole or in part, whichever is the earlier. If the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of 30 days, the ADB may by notice to the Borrower terminate the right of the Borrower to make withdrawals. Upon the giving of such notice, the Loan shall be cancelled.

Acceleration of maturity - the regulations specify that in the case of default that has occurred and continues for a period of 30 days, the ADB, at its option, may by notice to the Borrower declare the principal of the loan then outstanding, together with all accrued interest and other charges thereon, to be due and payable immediately.

##### International Cooperation and Development Fund (ICDF) Loan:

The Home Energy Efficiency and Renewable Energy Project loan in the amount of \$4,000,000 aims to increase local energy resources and efficient utilization of energy through the household sector, both of which are expected to reduce pollution through a reduction in the use of imported fossil fuel for power generation. Loan proceeds are to be on lent to the Marshall Islands Development Bank (MIDB) for the purpose of providing funds to household borrowers. The applicant households must take an energy audit to obtain a list of the inefficient appliances and light fittings in need of replacement, which will later be provided to MIDB for loan approval.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2019

### (7) Long-term Debt, Continued

#### Primary Government, Continued

#### International Cooperation and Development Fund (ICDF) Loan, Continued:

ICDF loans are governed by General Conditions, which set forth covenants to ensure compliance with the terms and conditions of the Projects during the implementation phase and payment of debt service. The primary requirements of the General Conditions are summarized below:

The Borrower shall implement the Projects with due diligence and due care and in accordance with sound financial standards and practice.

Events of default with finance related consequences - Section 13.1 of the General Conditions sets forth various events of default, which occurs when the Borrower shall have failed to pay, when due, any interest or installment of principal or any other sums due under the Loan Agreement; or the Borrower shall have failed to perform any of the covenants provided under Section 11 of the General Conditions.

Acceleration of maturity - Section 13.2 of the General Conditions specify that in the case of default that has occurred and continues for a period of 21 days, the ICDF, at its option, may by notice to the Borrower declare the principal of the loan then outstanding, together with all accrued interest and other charges thereon, to be due and payable immediately. Default interest at a rate equal to 4% above the applicable LIBOR, as defined in the General Conditions, shall accrue on each installment payment of the principal amount of the Loan, interest thereon, which are overdue.

Changes in long-term debt of the primary government for the year ended September 30, 2019 was as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Loans payable:					
ADB loans	\$ 51,446,412	\$ -	\$ (3,242,001)	\$ 48,204,411	\$ 3,247,151
ICDF loan	-	1,000,000	-	1,000,000	-
	<u>\$ 51,446,412</u>	<u>\$ 1,000,000</u>	<u>\$ (3,242,001)</u>	<u>\$ 49,204,411</u>	<u>\$ 3,247,151</u>

#### Discretely Presented Component Units

As of September 30, 2019, the discretely presented component units had the following long-term debt outstanding and payable:

	Dated Date	Interest Rate	Final Maturity	Outstanding Amount
Marshall's Energy Company, Inc.:				
Federal Financing Bank (FFB) mortgage note	May 1, 1997	5.49% - 7.25%	December 31, 2019	\$ 213,612
Marshall Islands National Telecommunications Authority:				
Rural Utilities Service (RUS) mortgage note	April 17, 1990	5.00%	April 17, 2025	4,923,306
Rural Utilities Service (RUS) mortgage note	June 4, 1992	5.00%	June 4, 2027	581,099
Rural Utilities Service (RUS) mortgage note	March 12, 2009	5.00%	March 12, 2031	9,867,611
Rural Utilities Service (RUS) mortgage note	March 12, 2009	3.64% - 3.84%	March 12, 2031	<u>2,714,857</u>
				<u>18,086,873</u>
Tobolar Copra Processing Authority:				
Bank loan	June 23, 2016	8.5%	June 30, 2022	<u>768,366</u>
				<u>\$ 19,068,851</u>

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

#### (7) Long-term Debt, Continued

##### Discretely Presented Component Units, Continued

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

Loan repayments of the FFB mortgage note are guaranteed by RUS, which are, in turn, unconditionally guaranteed by the primary government, under which the primary government 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. The FFB Loan Agreement sets forth covenants to ensure proper operation and maintenance of the electric utility system and payment of debt service. The primary requirements of the loan agreement is summarized below:

Rate Covenant - MEC has covenanted to at all times fix, prescribe and collect rates, fees and charges in connection with the services furnished by the electric utility system that will be sufficient to yield the sum of net income during each fiscal year equal to at least 125% of the annual debt service. TIER is defined as net income (after tax) plus interest divided by interest expense. The Loan Agreement prohibits MEC, without the prior written consent of RUS, to incur additional indebtedness while MEC maintains a TIER below 1.0; or if the additional indebtedness will cause MEC's TIER to fall below 1.0; or an Event of Default has occurred and is continuing.

Events of default with finance related consequences - the Loan Agreement specifies a number of Events of Default and related Remedies. MEC shall furnish to RUS promptly, after becoming aware, notice of the occurrence of any default under the Loan Documents or the receipt of any notice with respect to the occurrence of any event with which the giving of notice or the passage of time, or both, could become an Event of Default.

Acceleration of maturity - Upon the occurrence of an Event of Default and is continuing, RUS may, by notice in writing to MEC, declare all unpaid principal of and all interest accrued on the Notes to be immediately due and payable and, upon such declaration, all such principal and interest shall become immediately due and payable.

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

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ <u>213,612</u>	\$ <u>85,509</u>	\$ <u>299,121</u>

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

Certain portions of loan repayments of the RUS mortgage notes are unconditionally guaranteed by the primary government, under which the primary government will make debt service payments to RUS up to \$1,500,000 annually in the event of default by MINTA, and have been collateralized by a leasehold mortgage and security agreement over the assets of MINTA.

The respective RUS Loan Agreements set forth covenants to ensure proper operation and maintenance of the telecommunications system and payment of debt service. In 2019, MINTA did not meet the required times interest earned ratio (TIER). MINTA management is of the opinion that RUS is aware of this matter.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

#### (7) Long-term Debt, Continued

##### Discretely Presented Component Units, Continued

##### Marshall Islands National Telecommunications Authority (MINTA), Continued:

The primary requirements of the loan agreements are summarized below:

Rate Covenant - MINTA has covenanted to at all times fix, prescribe and collect rates, fees and charges in connection with the services furnished by the telecommunications system that will be sufficient to yield the sum of net income during each fiscal year equal to at least 150% of the annual debt service commencing on December 31, 2012. TIER is defined as net income (after tax) plus interest divided by interest expense. The Loan Agreements prohibit MINTA, without the prior written consent of RUS, to incur additional indebtedness while MINTA maintains a TIER below 1.0; or if the additional indebtedness will cause MINTA's TIER to fall below 1.0; or an Event of Default has occurred and is continuing.

Events of default with finance related consequences - the Loan Agreements specify a number of Events of Default and related Remedies. MINTA shall furnish to RUS promptly, after becoming aware, notice of the occurrence of any default under the Loan Documents or the receipt of any notice with respect to the occurrence of any event with which the giving of notice or the passage of time, or both, could become an Event of Default.

Acceleration of maturity - Upon the occurrence of an Event of Default and is continuing, RUS may, by notice in writing to MINTA, declare all unpaid principal of and all interest accrued on the Notes to be immediately due and payable and, upon such declaration, all such principal and interest shall become immediately due and payable.

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>
2020	\$ 1,825,283	\$ 828,457	\$ 2,653,740
2021	1,915,602	738,138	2,653,740
2022	2,010,427	643,313	2,653,740
2023	2,109,984	543,756	2,653,740
2024	2,231,011	422,729	2,653,740
2025 - 2029	6,371,883	1,037,455	7,409,338
2030 - 2031	<u>1,622,683</u>	<u>49,296</u>	<u>1,671,979</u>
	\$ <u>18,086,873</u>	\$ <u>4,263,144</u>	\$ <u>22,350,017</u>

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

Loan repayments of the bank are guaranteed by Marshall Islands Development Bank (MIDB) under which MIDB will make debt service payments in the event of default by TCPA, and have been collateralized by a general security agreement over the assets of TCPA. The Loan Agreement sets forth covenants to ensure payment of debt service. The primary requirements of the loan agreement is summarized below:

Events of default with finance related consequences - the Loan Agreement specifies a number of Events of Default and related Remedies.

Acceleration of maturity - Upon the occurrence of an Event of Default and is continuing, the bank may, without notice or demand, declare all unpaid principal of and all interest accrued on the loan to be immediately due and payable and, upon such declaration, all such principal and interest shall become immediately due and payable.

# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2019

### (7) Long-term Debt, Continued

#### Discretely Presented Component Units, Continued

Tobolar Copra Processing Authority (TCPA), Continued:

Annual repayment 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>
2020	\$ 278,780	\$ 54,023	\$ 332,803
2021	301,571	29,929	331,500
2022	<u>188,015</u>	<u>5,088</u>	<u>193,103</u>
	<u>\$ 768,366</u>	<u>\$ 89,040</u>	<u>\$ 857,406</u>

Changes in long-term debt of the discretely presented component units for the year ended September 30, 2019 was as follows:

	<u>Balance October 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2019</u>	<u>Due Within One Year</u>
Loans payable:					
MEC	\$ 1,355,915	\$ -	\$ (1,142,303)	\$ 213,612	\$ 213,612
MIDB	301,955	-	(301,955)	-	-
MINTA	19,734,230	-	(1,647,357)	18,086,873	1,825,283
RMIPA	24,318	-	(24,318)	-	-
TCPA	<u>928,964</u>	<u>-</u>	<u>(160,598)</u>	<u>768,366</u>	<u>278,780</u>
	<u>\$ 22,345,382</u>	<u>\$ -</u>	<u>\$ (3,276,531)</u>	<u>\$ 19,068,851</u>	<u>\$ 2,317,675</u>

### (8) Change in Other Long-term Obligations

#### Primary Government

Other long-term liabilities will be liquidated in the future primarily from the General Fund and the Grants Assistance Fund. During the year ended September 30, 2019, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net position:

	<u>Balance October 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2019</u>	<u>Due Within One Year</u>
Due to component units	\$ 551,741	\$ 3,904,330	\$ -	\$ 4,456,071	\$ 3,949,878
Other:					
Compensated absences	<u>3,684,436</u>	<u>1,420,728</u>	<u>(1,420,728)</u>	<u>3,684,436</u>	<u>1,409,665</u>
	<u>\$ 4,236,177</u>	<u>\$ 5,325,058</u>	<u>\$ (1,420,728)</u>	<u>\$ 8,140,507</u>	<u>\$ 5,359,543</u>

# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2019

### **(8) Change in Other Long-term Obligations, Continued**

#### Discretely Presented Component Units

Changes in other long-term liabilities of discretely presented component units for the year ended September 30, 2019, are as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Due to component unit:					
AMI	\$ 400,371	\$ -	\$ (99,579)	\$ 300,792	\$ 300,792
Due to primary government:					
AMI	3,116,890	-	-	3,116,890	-
MEC	6,650,417	-	(435,287)	6,215,130	336,974
MIDB	-	1,000,000	-	1,000,000	-
MINTA	1,000,000	-	-	1,000,000	1,000,000
RMIPA	285,714	-	-	285,714	285,714
	<u>11,053,021</u>	<u>1,000,000</u>	<u>(435,287)</u>	<u>11,617,734</u>	<u>1,622,688</u>
	<u>\$ 11,453,392</u>	<u>\$ 1,000,000</u>	<u>\$ (534,866)</u>	<u>\$ 11,918,526</u>	<u>\$ 1,923,480</u>

### **(9) Fund Balances**

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

	General	Grants Assistance	Compact Trust	Nonmajor Governmental Funds	Totals
Fund balances:					
Nonspendable:					
Pacific Islands Development Bank investment	\$ 2,990,250	\$ -	\$ -	\$ -	\$ 2,990,250
Loan receivable - MEC	6,215,130	-	-	-	6,215,130
Loan receivable - MIDB	1,000,000	-	-	-	1,000,000
Permanent fund principal	-	-	74,640,375	-	74,640,375
Restricted:					
Education and health	-	872,120	-	438,172	1,310,292
Capacity building	-	163,374	-	-	163,374
Environmental	-	171,345	-	-	171,345
Infrastructure	-	3,075	-	-	3,075
Infrastructure maintenance	-	584,394	-	-	584,394
Disaster assistance	-	3,444,039	-	-	3,444,039
Compact - other	-	41,070	-	-	41,070
ADB loan # 2659 sinking fund	3,904,479	-	-	-	3,904,479
European Development Fund	-	345,620	-	-	345,620
World Bank	-	1,579,996	-	-	1,579,996
Credit card collateralization	62,652	-	-	-	62,652
Nuclear claims related	-	-	-	581,480	581,480
Committed:					
Judiciary	-	-	-	498,290	498,290
Education and health	-	-	-	4,922,574	4,922,574
Capital projects	-	6,429,123	-	-	6,429,123
Other	14,251	-	-	1,762,276	1,776,527
Unassigned	<u>9,303,945</u>	<u>(229,858)</u>	<u>-</u>	<u>-</u>	<u>9,074,087</u>
	<u>\$ 23,490,707</u>	<u>\$ 13,404,298</u>	<u>\$ 74,640,375</u>	<u>\$ 8,202,792</u>	<u>\$ 119,738,172</u>

# **REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2019

## (9) Fund Balances, Continued

Restricted fund balance of the Grants Assistance Fund includes unexpended World Bank funds as follows:

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Telecommunications and ICT Technical Assistance	\$ (7,442)	\$ 511,099	\$ 503,658	\$ (1)
Pacific Resilience Project II	(20,108)	918,113	1,017,675	(119,670)
Sustainable Energy Development Project	490,563	1,481,784	1,408,726	563,621
RMI Maritime Investment Project	114,035	802,259	601,444	314,850
Strengthen Budget Execution and Financial Reporting	66,053	312,271	379,852	(1,528)
Multisectoral Early Childhood Development Project	<u>(1,944)</u>	<u>900,000</u>	<u>75,332</u>	<u>822,724</u>
	\$ <u>641,157</u>	\$ <u>4,925,526</u>	\$ <u>3,986,687</u>	\$ <u>1,579,996</u>

## (10) Restricted Assets

### Primary Government

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

Escrow account established for the benefit of landowners of Kwajalein Atoll.	\$ 293,838
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.	2,777,375
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.	3,553,359
Savings accounts collateralizing a credit card facility.	62,652
Deposit account established in accordance with ADB Loan 2659-RMI (SF) for the purpose of funding loan debt service payments.	3,904,479
Deposit account established to satisfy a court judgment pertaining to Civil Action 2014-133.	200,715
Savings account established for the purpose of accounting for funds held by RepMar in a custodial capacity relating to unclaimed property.	<u>101,018</u>
	\$ <u>10,893,436</u>

Restricted investments of the primary government are as follows:

Investments held in a trust fund for the purpose of accumulating resources to fund RepMar government operations after fiscal year 2023.	\$ <u>74,640,375</u>
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# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2019

### (10) Restricted Assets, Continued

#### Discretely Presented Component Units

Restricted cash and cash equivalents of the discretely presented component units are as follows:

Marshall Islands Development Bank:

Savings account collateralizing loans funded by Rural Housing Service.                      \$ 627,585

### (11) 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, 2019, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Grants Assistance Fund	\$ 717,454	\$ 1,894,169
Compact Trust Fund	250,000	-
Nonmajor governmental funds	<u>3,915,248</u>	<u>971,088</u>
	<u>4,882,702</u>	<u>2,865,257</u>
Grants Assistance Fund:		
General Fund	1,894,169	717,454
Nonmajor governmental funds	<u>2,683,066</u>	<u>-</u>
	<u>4,577,235</u>	<u>717,454</u>
Compact Trust Fund:		
General Fund	<u>-</u>	<u>250,000</u>
Nonmajor governmental funds:		
General Fund	971,088	3,915,248
Grants Assistance Fund	<u>-</u>	<u>2,683,066</u>
	<u>971,088</u>	<u>6,598,314</u>
	<u>\$ 10,431,025</u>	<u>\$ 10,431,025</u>

Transfers are used to 1) move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) record reductions in interfund loans for amounts that are not expected to be repaid. Specifically, RepMar transferred \$717,454 from the General Fund to the Grants Assistance Fund to fund local matching requirements; \$250,000 from the General Fund to the Compact Trust Fund as a trust fund contribution; \$3,915,248 from the General Fund to the Nonmajor Governmental Funds to finance Judicial branch operations, off-island medical referrals and scholarships; \$2,683,066 from the Grants Assistance Fund to the Nonmajor Governmental Funds to finance scholarships and Four-atoll medical costs; \$1,894,169 from the Grants Assistance Fund to the General Fund for reimbursement of disaster related expenditures; and \$971,088 from the Nonmajor Governmental Funds to the General Fund to fund general operations.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

#### (12) Compact Trust Fund

Section 216(a) of the Compact, as amended, provides for annual contributions from the United States into a trust fund established in accordance with the Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended, Regarding a Trust Fund (Trust Fund Agreement). The contributions by the United States were conditioned upon RepMar contributing to the trust fund at least \$25,000,000 on October 1, 2003, \$2,500,000 prior to October 1, 2004, and a final \$2,500,000 prior to October 1, 2005. As of September 30, 2019, 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.

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

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

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

RepMar - "A Account" and "C Account"	\$ 58,953,696
RepMar - "D Account"	<u>15,686,679</u>
	\$ <u>74,640,375</u>

At September 30, 2019, the fair market value of contributions to the Compact Trust Fund "A Account" by the United States and the Republic of China, including associated undistributed income, and the related "C Account" is as follows:

United States - "A Account" and "C Account"	\$ 327,435,421
Republic of China - "A Account" and "C Account"	<u>48,277,709</u>
	\$ <u>375,713,130</u>

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

#### (13) Contingencies and Commitments

##### Nuclear Claims Trust Fund (NCTF)

Section 177(c) of the Compact of Free Association (the Compact) provides, on a one-time grant basis, the amount of \$150,000,000 to RepMar to be used to establish a trust fund from which annual distributions are to be made in accordance with Article II of the Agreement between the Government of the United States and RepMar for Implementation of Section 177 of the Compact (the Agreement). Pursuant to the Agreement, RepMar established the NCTF from which these distributions are made. Over a period of fifteen years, the Nuclear Claims Tribunal (NCT) received \$45,750,000 from the NCTF that was made available for whole or partial payment of monetary awards. As of September 30, 2019, 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. Accordingly, in order to satisfy these claims, additional funds will have to be made available from a renegotiated financial settlement of damages with the United States.

##### 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 2019 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2019. 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 or the OMB Uniform Guidance. 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.

##### Economic Dependency

During the year ended September 30, 2019, RepMar's General Fund recorded contributions from component units of \$29,252,941, which represents 38% of total General Fund revenues. These contributions include fisheries revenues of \$29,141,128 collected by the Marshall Islands Marine Resources Authority (MIMRA) and, as a result, the General Fund is economically dependent upon such contributions. If a significant reduction in the level of budgetary support from MIMRA due to the migratory nature of this economic resource were to occur, it may have an effect on the General Fund's programs and activities.

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

As of September 30, 2019, MEC is in compliance with certain coverage ratio requirements relating to a loan agreement with Rural Utilities Service (RUS). The mortgage notes have been unconditionally guaranteed by RepMar. RepMar may be liable for the debt service payments to RUS in the event of default by MEC.

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

In 2019, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2018. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of \$428,740,000 and \$79,270,000, respectively, as of October 1, 2018. The funded ratio of the Retirement Fund as of October 1, 2017 is 18%. As of September 30, 2019, MISSA recorded total fund equity of \$83,132,371 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.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

##### 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. In 1998, the Cabinet of RepMar directed the Minister of Finance, Banking and Postal Services to terminate the contract.

##### Litigation

RepMar is party to various legal proceedings, many of which are normal recurrences in governmental operations. The Attorney General of RepMar is of the opinion that the probable outcome of suits existing at September 30, 2019 is not predictable. No provision for any liability has been made in the accompanying financial statements because management believes that no unfavorable outcome is likely to occur.

##### 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, 2019 is \$12,897,461.

##### 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.

##### 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 the year ended September 30, 2019, RepMar appropriated \$1,405,835 to fund such leases.

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

<u>Year ending</u> <u>September 30,</u>	<u>Total</u>
2020	\$ 94,484
2021	97,684
2022	97,684
2023	97,684
2024	97,684
2025 - 2029	501,218
2030 - 2034	184,418
2035 - 2039	94,418
2040 - 2044	<u>79,418</u>
	\$ <u>1,344,692</u>

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

##### Leases, Continued

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 September 30,</u>	<u>Total</u>
2020	\$ 537,735
2021	92,699
2022	30,625
2023	30,625
2024	30,625
2025 - 2029	145,571
2030 - 2034	140,813
2035 - 2039	122,203
2040 - 2041	<u>3,112</u>
	\$ <u>1,134,008</u>

##### Operation, Management and Repair (OM&R) Agreement

In 2009, MINTA, along with the Federated States of Micronesia Telecommunications Corporation (FSMTC), entered into an OM&R agreement with a third party for the purpose of operating, maintaining, and repairing the "Micronesian Addition", which is a subset of the HANTRU1 System. The term of the agreement coincides with the term of the IRU Capital Lease agreement wherein MINTA and FSMTC are required to each make monthly payments of \$6,400 less certain service credits, and which are subject to inflationary adjustments and an annual incremental increase of 3%.

Approximate future minimum annual payments under this agreement are as follows:

<u>Year ending September 30,</u>	<u>Total</u>
2020	\$ 101,710
2021	104,761
2022	107,904
2023	111,141
2024	114,475
2025 - 2029	625,997
2030 - 2034	<u>725,702</u>
	\$ <u>1,891,690</u>

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

#### (13) 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. In 2002, RepMar agreed to set aside the financial provisions of this Joint Venture Agreement in favor of an annual payment of \$1,000,000, payable in quarterly installments of \$250,000 through December 31, 2006. On December 6, 2006, RepMar agreed to again set aside the financial provisions of this Joint Venture Agreement in favor of an annual payment of \$2,000,000, payable in quarterly installments of \$500,000 through December 31, 2009. On June 8, 2009, RepMar agreed to further amend the financial provisions of this Joint Venture Agreement whereby an annual payment of \$3,000,000 is payable by TCMI through December 31, 2010 in monthly installments of \$250,000, with an effective date of July 1, 2008. For the period January 1, 2011 through December 31, 2013, the annual payment amount increased to \$4,000,000, payable in monthly installments of \$333,333 and further increased to an annual payment amount of \$5,000,000 for the period January 1, 2014 through December 31, 2018, payable in monthly installments of \$416,667.

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

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

The abovementioned annual payments are contingent upon continued net earnings being generated by TCMI. In the event that net earnings of TCMI fall below 2007 levels, the annual payments are to be adjusted accordingly on a prorated basis. During the year ended September 30, 2019, TCMI made payments of \$8,426,462 to RepMar.

##### 4G LTE Project

In 2016, MINTA entered into a 6-year master services agreement with a vendor for the purpose of providing 4G LTE services to MINTA, which MINTA will re-sell to its customers. The vendor will be responsible for finance, implementation, and operation of the 4G LTE Project at no cost to MINTA. Upon commencement of services, the vendor will be reimbursed from net project revenues, which are defined as new revenue generated by the project less MINTA expense directly related to the project, and MINTA lost revenues, which are defined as revenues lost from existing MINTA services as a result of the new 4G LTE Project.

##### Ebeye Water Supply and Sanitation Project (EWSSP)

In 2015, the Asian Development Bank (ADB) approved two grants (Grant Nos. 0438-RMI and 0439-RMI) to RepMar in the aggregate amount of \$9,000,000 for the EWSSP. Simultaneously, the ADB entered into a project agreement with the Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR) for the purpose of implementing the Project by improving water and sanitation systems on Ebeye. The grant agreements required that the grant proceeds be made available to KAJUR for the purpose of financing expenditures of the Project. During the year ended September 30, 2019, \$3,931,774 of Project capital expenditures were incurred.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

##### Loan Guarantees

Marshall Islands Development Bank (MIDB) has pledged an escrow account in support of certain USDA Rural Development housing loans, the balance of which amounted to \$11,570,121 as of September 30, 2019. In the event of default, MIDB could be exposed to an amount in excess of the escrow account balance, an amount that is presently indeterminable. No provision for any liability that may result from this matter has been provided for within the accompanying financial statements.

##### Budgetary Compliance

For the year ended September 30, 2019, over-expenditures exceeding appropriations within the General Fund were as follows:

MISSA Subsidy	\$ 16,680
Outer Islands Local Government MISSA Payments	\$ 192,942
Majuro Landowners Electricity Bills	\$ 978,180
International Subscriptions	\$ 12,041
ADB Loan Repayment	\$ 14,085
Contracted Teachers	\$ 306,853
Office of the Secretary of Health and Human Services	\$ 138,508
Kwajalein Atoll Health Services	\$ 457,707
Marshall Islands Shipping Corporation Subsidy	\$ 628,000
Tobolar Copra Processing Authority Subsidy	\$ 2,890,849
Outer Island Runway Projects	\$ 172,099
EPA Administration	\$ 23,266

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

##### Other Commitments

Significant commitments of the primary government as of September 30, 2019, are as follows:

- a) Guaranteed debt of Air Marshall Islands, Inc. (AMI) with a letter of guarantee. At September 30, 2019, AMI had guaranteed debt totaling \$300,792.
- b) Guaranteed debt of MEC in respect to a loan from the United States Rural Utilities Service (RUS) with a letter of guarantee. At September 30, 2019, MEC had guaranteed RUS debt totaling \$213,612.
- c) Guaranteed debt of Marshall Islands National Telecommunications Authority (MINTA) in respect of a loan from RUS with a letter of guarantee. At September 30, 2019, MINTA had guaranteed RUS debt totaling \$18,086,873.
- 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 of \$178,000 plus interest for the benefit of the Delap Assembly of God Church for a loan issued by Marshall Islands Development Bank.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2019

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

##### Other Commitments, Continued

- f) On October 27, 2016, the Cabinet of RepMar authorized and approved a \$5,000,000 loan from the International Cooperation and Development Fund for the Home Energy Efficiency and Renewable Energy Projects. At September 30, 2019, drawdowns of \$1,000,000 have been made against this loan commitment.
- g) On August 9, 2019, the Cabinet of RepMar authorized and approved a \$6,158,000 loan from the International Cooperation and Development Fund for the 2020 Micronesian Games Track and Field Project. At September 30, 2019, no drawdowns have been made against this loan commitment.

#### (14) Subsequent Event

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended the containment and mitigation measures worldwide. On October 28, 2020, one confirmed case was identified in the Marshall Islands that was subsequently isolated and contained. On November 17, 2020, an additional three cases were identified and which were isolated and contained. As of December 31, 2020, no community transmission has been identified. RepMar has determined that should community transmission occur within the Marshall Islands, it may negatively impact RepMar's financial position. However, the effect of the pandemic on RepMar is uncertain. Therefore, while RepMar expects this matter to potentially have a negative impact on its financial position, the related financial impact cannot be reasonably estimated at this time.

#### (15) Restatement

Subsequent to the issuance of RepMar's 2018 financial statements, it was determined that nondepreciable capital assets of the governmental activities was overstated by \$1,665,392. As a result of this determination, nondepreciable capital assets of the governmental activities has been restated from the amount previously reported. A summary of the effects of such restatement of the governmental activities as of and for the year ended September 30, 2018 are as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>
As of September 30:		
Nondepreciable capital assets	\$ <u>9,132,516</u>	\$ <u>7,467,124</u>
Total assets	\$ <u>223,368,212</u>	\$ <u>221,702,820</u>
Net position:		
Net investment in capital assets	\$ <u>75,134,665</u>	\$ <u>73,469,273</u>
Total net position	\$ <u>154,988,313</u>	\$ <u>153,322,921</u>



**REPUBLIC OF THE MARSHALL ISLANDS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2019**

# REPUBLIC OF THE MARSHALL ISLANDS

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund (Fund 100100) Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis (see Note 1)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 34,892,942	\$ 34,892,942	\$ 34,188,126	\$ (704,816)
MI Marine Resources Authority	27,500,000	29,141,128	29,141,128	-
Ship registry	7,926,000	8,926,000	8,426,462	(499,538)
Taiwan grant	4,000,000	4,225,000	4,225,000	-
Fees and charges	-	-	53,573	53,573
Interest and dividends	4,793,215	4,793,215	130,300	(4,662,915)
Other	3,768,447	2,771,359	836,096	(1,935,263)
Total revenues	82,880,604	84,749,644	77,000,685	(7,748,959)
Expenditures:				
President and Cabinet	2,531,847	3,080,958	2,953,219	127,739
Office of the Chief Secretary	1,257,438	1,359,303	1,143,550	215,753
Special appropriations	17,841,818	17,844,812	16,662,087	1,182,725
Council of Iroij	616,610	614,842	600,891	13,951
Nitijela	2,950,362	2,943,192	2,648,971	294,221
Office of the Auditor-General	1,728,459	1,915,928	1,834,751	81,177
Foreign Affairs and Trade	5,328,995	5,299,130	4,773,053	526,077
Public Service Commission	738,216	734,794	657,467	77,327
Judiciary	1,372,585	354,122	294,600	59,522
Office of the Attorney General	2,120,000	2,116,995	1,644,287	472,708
Education, Sports and Training	12,090,647	8,017,386	8,019,373	(1,987)
Health and Human Services	5,418,302	5,443,302	5,940,436	(497,134)
Transportation, Communication and Information Technology	5,680,500	5,307,221	5,739,386	(432,165)
Natural Resources and Commerce	5,653,524	9,548,786	11,235,579	(1,686,793)
Culture and Internal Affairs	4,343,799	4,446,424	3,591,578	854,846
Justice, Immigration and Labor	4,001,066	3,995,351	3,541,140	454,211
Finance, Banking and Postal Services	4,187,508	4,257,120	4,077,874	179,246
Work, Infrastructure and Utilities	7,855,270	7,951,886	8,032,212	(80,326)
Environmental Protection Authority	400,047	400,047	417,923	(17,876)
Total expenditures	86,116,993	85,631,599	83,808,377	1,823,222
Deficiency of revenues under expenditures	(3,236,389)	(881,955)	(6,807,692)	(5,925,737)
Other financing sources(uses):				
Loan proceeds	-	3,904,330	4,904,330	1,000,000
Operating transfers in	-	971,088	2,865,257	1,894,169
Operating transfers out	(3,962,877)	(11,192,729)	(8,188,285)	3,004,444
Total other financing sources(uses), net	(3,962,877)	(6,317,311)	(418,698)	5,898,613
	(7,199,266)	(7,199,266)	(7,226,390)	(27,124)
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	7,199,266	7,199,266	7,302,072	102,806
Net change in fund balance	\$ -	\$ -	\$ 75,682	\$ 75,682

See accompanying notes to required supplementary information - budgetary reporting.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Required Supplementary Information - Budgetary Reporting September 30, 2019

#### (1) Budgetary Information

The Secretary of Finance, Banking and Postal Services 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 2019, Public Law No. 2018-78, was passed by the Nitijela on September 21, 2018. Formal budget integration is employed as a management control device during the year for all funds. The Cabinet has the authority to reprogram budgeted estimates in accordance with the Constitution. All annual appropriations lapse at fiscal year-end unless otherwise specified by law. Supplemental appropriations may occur throughout the year. Unexpended encumbrances at each fiscal year end are carried forward until they are expended or canceled without further legislative action. RepMar does not establish budgets for the operations of its other governmental funds.

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

#### (2) Reconciliation of Budgetary Schedule

	Net Change In Fund Balance	Reserve for Encumbrances
Budgetary basis - Fund 100100	\$ <u>75,682</u>	\$ <u>7,302,072</u>
GASB 54 Funds included within the General Fund:		
PSS Education Fund	(153,645)	-
Reimbursable Fund	16,062	10,918
Judiciary Fund	18,500	-
EPA Fund	2,923	-
Agricultural Supplies Fund	44,289	-
ADB Development Fund	<u>(108,210)</u>	<u>146,048</u>
	<u>(180,081)</u>	<u>156,966</u>
General Fund	\$ <u>(104,399)</u>	\$ <u>7,459,038</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**OTHER SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2019**

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Schedule of Expenditures by Account Governmental Funds Year Ended September 30, 2019

		Special Revenue	Permanent		
	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
Expenditures:					
Salaries and wages	\$ 23,005,190	\$ 23,096,020	\$ -	\$ 1,381,404	\$ 47,482,614
Grants and subsidies	24,608,562	15,268,178	-	2,501,153	42,377,893
Utilities	6,250,641	1,672,182	-	91,963	8,014,786
Contractual services	3,101,388	6,481,793	-	7,563,837	17,147,018
Capital outlay	2,365,709	3,583,645	-	156,204	6,105,558
Travel	2,490,616	1,611,512	-	1,308,583	5,410,711
Medical supplies	6,290	178,635	-	2,789,566	2,974,491
Principal repayment	3,242,001	-	-	-	3,242,001
Supplies and materials	565,824	1,269,533	-	207,919	2,043,276
Leased housing	2,293,022	59,975	-	71,250	2,424,247
Rentals	1,894,714	584,839	-	59,115	2,538,668
Food stuffs	1,969,933	682,304	-	51,080	2,703,317
Interest	602,484	-	-	-	602,484
Communications	827,840	409,111	-	116,810	1,353,761
POL	593,150	485,265	-	165,830	1,244,245
Allowances	1,366,066	10,940	-	44	1,377,050
Professional services	866,659	4,048,676	-	297,109	5,212,444
Printing and reproduction	83,760	111,072	-	23,148	217,980
Insurance	209,480	47,099	-	24,668	281,247
Freight	33,454	58,966	-	37,693	130,113
Other	4,512,308	6,803,537	-	570,989	11,886,834
	<u>\$ 80,889,091</u>	<u>\$ 66,463,282</u>	<u>\$ -</u>	<u>\$ 17,418,365</u>	<u>\$ 164,770,738</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

GENERAL FUND

September 30, 2019

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

## Statement of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund (Fund 100100) Year Ended September 30, 2019 (with comparative totals for the year ended September 30, 2018)

	2019	2018
Revenues:		
Taxes:		
Income	\$ 16,257,737	\$ 15,064,738
Import	7,311,957	6,550,249
Import - CMI	1,525,138	1,231,271
Gross revenue	7,696,026	7,202,228
Immovable property	702,622	709,100
Fuel	523,561	609,200
Penalties and interest	73,963	81,054
Other	97,122	107,661
	<u>34,188,126</u>	<u>31,555,501</u>
Fees and charges	53,573	101,531
Interest and dividends	130,300	88,686
Other:		
Taiwan grant	4,225,000	4,600,000
Ship registry	8,426,462	7,279,385
Contribution from MI Marine Resources Authority	29,141,128	29,440,214
Contribution from RMI Ports Authority	111,813	156,655
Other	724,283	385,229
	<u>42,628,686</u>	<u>41,861,483</u>
Total revenues	<u>77,000,685</u>	<u>73,607,201</u>
Expenditures:		
President and Cabinet:		
Office of the President	1,098,044	1,260,900
President and Ministers	667,086	564,328
Cabinet Operations	616,263	579,236
Red Cross	-	122,016
	<u>2,381,393</u>	<u>2,526,480</u>
Office of the Chief Secretary:		
Administration	625,480	426,659
Deputy Chief Secretary - Ebeye	91,025	86,868
Economic Policy, Planning and Statistics Office	389,310	477,638
Office of Environmental Planning and Policy Coordination	8,671	136,721
	<u>1,114,486</u>	<u>1,127,886</u>
Special appropriations:		
Marshall Islands Social Security Administration (MISSA) subsidy	2,314,747	2,976,000
Kwajalein Atoll Local Government (Solid Waste matching)	307,981	107,136
Capitol Building	(1,483)	153,561
National Election	161,195	99,199
Centralized Utility Billings - Majuro	906,443	950,263
Employee Pension Fund	112,943	-
Water Project	-	96,400
Ann's Palace pavement	-	60,938
General Fund Reserve	155,000	-
Centralized Utility Billings - Ebeye	33,131	50,157
Land leases	1,292,124	1,517,787
Majuro Landowners Electricity	3,800,200	3,766,453
Leased housing	116,834	132,744
Contingency Fund	288,111	124,868
International Subscriptions/Membership Fees	476,888	541,108
Prior Year Liabilities	1,731,818	289,128
ADB loan repayment	3,844,485	3,376,726
Majuro Resort, Inc. (Ebeye Wellness)	198,400	-
Air Marshall Islands, Inc. (Repayment Plan)	-	120,301
COMI Endowment Fund	99,200	99,200
KADA Operations	28,565	-
Kwajalein Atoll Local Government (MISSA payments)	594,702	650,106
	<u>16,461,284</u>	<u>15,112,075</u>
Council of Iroij:		
Administration	159,220	145,796
Members	402,777	376,685
	<u>561,997</u>	<u>522,481</u>

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## Statement of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund (Fund 100100), Continued Year Ended September 30, 2019 (with comparative totals for the year ended September 30, 2018)

	2019	2018
Expenditures, continued:		
Nitijela:		
Operations	785,200	960,948
General membership	1,420,859	1,112,895
Speaker's contingency	115,497	123,323
Committee	97,709	84,074
Legislative counsel	<u>111,321</u>	<u>113,480</u>
	<u>2,530,586</u>	<u>2,394,720</u>
Office of the Auditor-General:		
Operations	684,120	638,607
Single audit - local match	<u>421,761</u>	<u>519,885</u>
	<u>1,105,881</u>	<u>1,158,492</u>
Public Service Commission:		
Members	140,491	150,318
Administration	<u>511,420</u>	<u>508,442</u>
	<u>651,911</u>	<u>658,760</u>
Judiciary	-	92,256
Office of the Attorney General	<u>1,623,284</u>	<u>1,374,494</u>
Ministries:		
Education, Sports and Training	7,958,291	6,457,446
Health and Human Services	5,659,512	5,187,902
Transportation, Communication and Information Technology	5,705,868	6,188,847
Natural Resources and Commerce	8,036,816	4,932,141
Culture and Internal Affairs	3,401,920	3,647,295
Justice, Immigration and Labor	3,520,739	3,319,832
Finance, Banking and Postal Services	3,936,918	4,271,290
Foreign Affairs and Trade	4,681,048	4,241,203
Works, Infrastructure and Utilities	<u>6,767,072</u>	<u>6,147,834</u>
	<u>49,668,184</u>	<u>44,393,790</u>
Environmental Protection Authority	<u>407,299</u>	<u>161,056</u>
Total expenditures	<u>76,506,305</u>	<u>69,522,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>494,380</u>	<u>4,084,711</u>
Other financing sources:		
Loan proceeds:		
International Cooperation and Development Fund	1,000,000	-
Marshall Islands Development Bank	3,904,330	-
Operating transfers in:		
Section 211 (b)(1) Ebeye Special Needs Fund	500,000	-
Section 211 (e)(1) Disaster Assistance Fund	1,394,169	-
Ministry of Justice Fund	<u>971,088</u>	<u>799,061</u>
Total other financing sources	<u>7,769,587</u>	<u>799,061</u>
Other financing uses:		
Operating transfers out:		
Judiciary Fund	694,451	679,066
Marshall Islands Scholarship, Grant and Loan Board Fund	1,496,785	743,509
Marshall Islands Judiciary Fund	324,012	327,186
Marshall Islands Health Fund	1,400,000	-
Marshall Islands Public School System Fund	3,305,583	3,344,996
Supplemental Education Fund	-	814,800
Section 211 (a)(5) Environment Fund	4,577	-
Compact Trust Fund	250,000	-
Section 211 (d)(2) Infrastructure Maintenance Fund	468,617	-
Section 211 (e)(1) Disaster Assistance Fund	244,260	-
Nuclear Claims Tribunal	-	53,925
Total other financing uses	<u>8,188,285</u>	<u>5,963,482</u>
Net change in fund balance	75,682	(1,079,710)
Fund balance at the beginning of the year	<u>23,277,964</u>	<u>24,357,674</u>
Fund balance at the end of the year	<u>\$ 23,353,646</u>	<u>\$ 23,277,964</u>

See Accompanying Independent Auditors' Report.



# REPUBLIC OF THE MARSHALL ISLANDS

## Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund (Fund 100100) Year Ended September 30, 2019

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Revenues:				
Taxes:				
Income	\$ 16,025,836	\$ 16,025,836	\$ 16,257,737	\$ 231,901
Import	7,744,128	7,744,128	7,311,957	(432,171)
Import - CMI	1,333,000	1,333,000	1,525,138	192,138
Gross revenue	7,817,415	7,817,415	7,696,026	(121,389)
Immovable property	682,292	682,292	702,622	20,330
Fuel	1,126,000	1,126,000	523,561	(602,439)
Penalties and interest	77,815	77,815	73,963	(3,852)
Other	86,456	86,456	97,122	10,666
	<u>34,892,942</u>	<u>34,892,942</u>	<u>34,188,126</u>	<u>(704,816)</u>
Fees and charges	-	-	53,573	53,573
Interest and dividends	<u>4,793,215</u>	<u>4,793,215</u>	<u>130,300</u>	<u>(4,662,915)</u>
Other:				
Taiwan grant	4,000,000	4,225,000	4,225,000	-
Ship registry	7,926,000	8,926,000	8,426,462	(499,538)
MI Marine Resources Authority	27,500,000	29,141,128	29,141,128	-
RMI Ports Authority	-	-	111,813	111,813
Other	<u>3,768,447</u>	<u>2,771,359</u>	<u>724,283</u>	<u>(2,047,076)</u>
	<u>43,194,447</u>	<u>45,063,487</u>	<u>42,628,686</u>	<u>(2,434,801)</u>
Total revenues	<u>82,880,604</u>	<u>84,749,644</u>	<u>77,000,685</u>	<u>(7,748,959)</u>
Expenditures:				
President and Cabinet:				
Office of the President	1,265,071	1,732,823	1,644,186	88,637
President and Ministers	657,447	669,492	667,086	2,406
Cabinet Operations	<u>609,329</u>	<u>678,643</u>	<u>641,947</u>	<u>36,696</u>
	<u>2,531,847</u>	<u>3,080,958</u>	<u>2,953,219</u>	<u>127,739</u>
Office of the Chief Secretary:				
Administration	658,272	740,737	638,815	101,922
Deputy Chief Secretary - Ebeye	112,595	127,130	102,574	24,556
EPPSO	484,446	489,311	393,490	95,821
OEPPC	<u>2,125</u>	<u>2,125</u>	<u>8,671</u>	<u>(6,546)</u>
	<u>1,257,438</u>	<u>1,359,303</u>	<u>1,143,550</u>	<u>215,753</u>
Special appropriations:				
MISSA subsidy	2,298,067	2,298,067	2,314,747	(16,680)
Solid Waste Matching	307,980	307,980	307,981	(1)
Capital Building	40,625	40,625	39,142	1,483
Tobolar Capital and Maintenance	396,800	396,800	-	396,800
Employee Pension Fund	908,857	901,527	140,903	760,624
Outer Islands Local Government MISSA payments	401,760	401,760	594,702	(192,942)
National Election	2,250	2,250	2,250	-
General Fund reserve	543,795	543,795	185,000	358,795
Ebeye Wellness	198,400	198,400	198,400	-
KADA operations	39,680	39,680	28,565	11,115
Green Climate Fund Water Project	172,608	172,608	-	172,608
Traditional Leaders Meeting	1,170	1,170	-	1,170
Centralized Utility Billings - Majuro	992,000	992,000	906,443	85,557
Outer Islands Projects	260	260	260	-
Water Project	53,694	53,694	53,694	-
CMI Endowment Fund	99,200	99,200	99,200	-
Off Island Referral Program	-	-	-	-
Centralized Utility Billings - Ebeye	79,360	79,360	33,131	46,229
Land leases	1,405,835	1,405,835	1,292,124	113,711
Majuro Landowners Electricity	2,822,020	2,822,020	3,800,200	(978,180)
Leased housing	198,400	198,400	126,757	71,643
Contingency Fund	497,600	497,600	300,258	197,342
International Subscriptions/Membership Fees	464,847	464,847	476,888	(12,041)
Prior Year Liabilities	1,835,311	1,835,311	1,731,818	103,493
ADB loan repayment	3,799,757	3,830,400	3,844,485	(14,085)
Constitutional Convention	<u>281,542</u>	<u>261,223</u>	<u>185,139</u>	<u>76,084</u>
	<u>17,841,818</u>	<u>17,844,812</u>	<u>16,662,087</u>	<u>1,182,725</u>
Council of Iroij:				
Administration	177,135	199,520	194,649	4,871
Members	<u>439,475</u>	<u>415,322</u>	<u>406,242</u>	<u>9,080</u>
	<u>616,610</u>	<u>614,842</u>	<u>600,891</u>	<u>13,951</u>
Nitijela:				
Operations	965,494	1,008,533	825,739	182,794
General Membership	1,546,824	1,501,651	1,453,903	47,748
Speaker's Contingency	141,185	144,570	134,978	9,592
Committee	159,453	151,032	123,030	28,002
Legislative Counsel	<u>137,406</u>	<u>137,406</u>	<u>111,321</u>	<u>26,085</u>
	<u>2,950,362</u>	<u>2,943,192</u>	<u>2,648,971</u>	<u>294,221</u>

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund (Fund 100100) Year Ended September 30, 2019

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, Continued:				
Office of the Auditor-General:				
Operations	747,332	814,301	738,124	76,177
Single audit	981,127	1,101,627	1,096,627	5,000
	<u>1,728,459</u>	<u>1,915,928</u>	<u>1,834,751</u>	<u>81,177</u>
Foreign Affairs and Trade:				
Administration	1,981,909	1,985,046	1,880,557	104,489
Washington D.C. Embassy	739,957	674,914	646,796	28,118
RMI-USaka Office	114,158	107,419	87,155	20,264
Honolulu Consulate	266,928	275,019	257,806	17,213
Arkansas Consulate	192,373	193,924	181,794	12,130
United Nations Mission - New York	488,951	538,172	421,188	116,984
Japan Embassy - Tokyo	523,373	564,139	501,672	62,467
ROC Embassy - Taipei	396,263	396,263	383,576	12,687
Fiji Embassy - Suva	431,494	411,411	326,707	84,704
Korea Embassy	193,589	152,823	85,802	67,021
	<u>5,328,995</u>	<u>5,299,130</u>	<u>4,773,053</u>	<u>526,077</u>
Public Service Commission:				
Members	176,299	136,658	140,991	(4,333)
Administration	561,917	598,136	516,476	81,660
	<u>738,216</u>	<u>734,794</u>	<u>657,467</u>	<u>77,327</u>
Judiciary:				
General Courts	1,110,328	329,540	294,600	34,940
Traditional Rights Court	142,712	1,694	-	1,694
Community Court	104,096	22,888	-	22,888
Judicial Service Commission	15,449	-	-	-
	<u>1,372,585</u>	<u>354,122</u>	<u>294,600</u>	<u>59,522</u>
Office of the Attorney General:				
Attorney General Office	1,071,578	1,085,953	692,034	393,919
Immigration - Majuro	699,788	682,408	616,945	65,463
Immigration - Ebeye	348,634	348,634	335,308	13,326
	<u>2,120,000</u>	<u>2,116,995</u>	<u>1,644,287</u>	<u>472,708</u>
Education, Sports and Training:				
College of the Marshall Islands	2,565,203	2,565,203	2,565,202	1
National Training Council	91,762	91,762	90,127	1,635
RMI/USP Joint Project	595,200	595,200	595,200	-
Scholarship Board	764,678	-	-	-
Administration	3,399,838	1,387,077	1,360,268	26,809
Policy and Planning	252,225	252,225	217,104	35,121
Elementary Support Services	603,731	512,933	398,528	114,405
Contracted Teachers	805,335	801,028	1,107,881	(306,853)
Secondary Education and Support Services	94,034	73,360	45,389	27,971
Marshall Islands High School	-	-	329	(329)
Aid to Private Schools	496,000	-	-	-
Property and Maintenance	333,620	326,075	319,576	6,499
PSS Teachers Certification Program	2,089,021	1,412,523	1,319,769	92,754
	<u>12,090,647</u>	<u>8,017,386</u>	<u>8,019,373</u>	<u>(1,987)</u>
Health and Human Services:				
Office of the Secretary	2,866,119	2,849,119	2,987,627	(138,508)
Health Planning and Statistics	152,785	152,785	99,439	53,346
Majuro Hospital Medical Services	2,000,065	2,042,065	2,006,097	35,968
Hospital Capital Account	197,658	197,658	197,658	-
Primary Health Care	130,380	130,380	108,054	22,326
Public Health Admin	-	-	21,070	(21,070)
Outer Island Dispensaries	11,089	11,089	-	11,089
Majuro Dental Services	-	-	2,578	(2,578)
Kwajalein Atoll Health Services	60,206	60,206	517,913	(457,707)
	<u>5,418,302</u>	<u>5,443,302</u>	<u>5,940,436</u>	<u>(497,134)</u>
Transportation, Communication and Information Technology:				
Office of the Secretary	5,336,573	4,963,294	5,524,012	(560,718)
Director of Civil Aviation	343,927	343,927	215,374	128,553
	<u>5,680,500</u>	<u>5,307,221</u>	<u>5,739,386</u>	<u>(432,165)</u>
Natural Resources and Commerce:				
Administration	3,854,495	7,765,681	9,762,479	(1,996,798)
Agro-Forestry	818,472	785,198	542,815	242,383
Trade and Investment	186,957	199,307	131,685	67,622
Office of Commerce and Investment	793,600	798,600	798,600	-
	<u>5,653,524</u>	<u>9,548,786</u>	<u>11,235,579</u>	<u>(1,686,793)</u>
Culture and Internal Affairs:				
Administration	1,934,747	1,704,375	1,579,678	124,697
Alele Corporation	222,126	215,126	211,752	3,374
Land and Surveys	109,502	97,502	23,477	74,025
Local Government Affairs	1,045,138	1,541,110	1,089,219	451,891

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund (Fund 100100) Year Ended September 30, 2019

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, Continued:				
Culture and Internal Affairs, Continued:				
Community Development	50,590	36,760	28,351	8,409
Youth Services Bureau	44,509	37,339	29,953	7,386
Gender and Development	47,065	30,065	28,415	1,650
Peace Corps Japan	3,150	3,150	3,150	-
Electoral Administration	343,025	298,025	177,806	120,219
Elections	652	652	2,233	(1,581)
V7AB Radio Division	345,467	305,492	263,356	42,136
Registrar Office	155,232	134,232	113,853	20,379
Central Adoption Administration	42,596	42,596	40,335	2,261
	<u>4,343,799</u>	<u>4,446,424</u>	<u>3,591,578</u>	<u>854,846</u>
Justice, Immigration and Labor:				
Public Defender	244,773	241,168	224,756	16,412
Public Safety - Majuro	2,361,837	2,362,337	2,090,814	271,523
Public Safety - Ebeye	558,974	558,974	496,837	62,137
Sea Patrol	721,075	718,465	614,326	104,139
Land Registry Authority	114,407	114,407	114,407	-
	<u>4,001,066</u>	<u>3,995,351</u>	<u>3,541,140</u>	<u>454,211</u>
Finance, Banking and Postal Services:				
Office of the Secretary	885,792	1,149,417	900,993	248,424
Accounting and Administration	732,870	764,785	687,694	77,091
Revenue Division - Majuro	379,422	364,987	624,348	(259,361)
Customs Division	316,553	333,403	328,624	4,779
Treasury Division	83,116	85,521	80,656	4,865
Budget and Procurement	542,379	377,325	353,271	24,054
Procurement and Supply Division	331,881	310,549	283,711	26,838
Ebeye - Finance	221,305	191,286	170,867	20,419
Ebeye - Revenue Collections	-	-	336	(336)
Ebeye Revenue/Custom Office	179,403	166,129	142,745	23,384
Banking Commission	514,787	513,718	504,629	9,089
	<u>4,187,508</u>	<u>4,257,120</u>	<u>4,077,874</u>	<u>179,246</u>
Work, Infrastructure and Utilities:				
Administration	6,229,130	6,355,815	6,487,786	(131,971)
CGMA	1,552,988	1,522,919	1,499,831	23,088
OI Projects	2,104	2,104	1,402	702
Project Management Unit	71,048	71,048	43,193	27,855
	<u>7,855,270</u>	<u>7,951,886</u>	<u>8,032,212</u>	<u>(80,326)</u>
Environment:				
Ministry Office	400,047	400,047	394,657	5,390
Environmental Protection Authority	-	-	23,266	(23,266)
	<u>400,047</u>	<u>400,047</u>	<u>417,923</u>	<u>(17,876)</u>
Total expenditures	<u>86,116,993</u>	<u>85,631,599</u>	<u>83,808,377</u>	<u>1,823,222</u>
	<u>(3,236,389)</u>	<u>(881,955)</u>	<u>(6,807,692)</u>	<u>(5,925,737)</u>
Other financing sources (uses):				
Loan proceeds:				
International Cooperation and Development Fund	-	-	1,000,000	1,000,000
Marshall Islands Development Bank	-	3,904,330	3,904,330	-
	<u>-</u>	<u>3,904,330</u>	<u>4,904,330</u>	<u>1,000,000</u>
Operating transfers in:				
Section 211 (b)(1) Ebeye Special Needs Fund	-	-	500,000	500,000
Section 211 (e)(1) Disaster Assistance Fund	-	-	1,394,169	1,394,169
Ministry of Justice Fund	-	971,088	971,088	-
	<u>-</u>	<u>971,088</u>	<u>2,865,257</u>	<u>1,894,169</u>
Operating transfers out:				
Judiciary Fund	-	694,451	694,451	-
MI Scholarship Fund	-	1,505,806	1,496,785	9,021
MI Judiciary Fund	-	324,012	324,012	-
MI Health Fund	-	1,400,000	1,400,000	-
MI Public School System Fund	-	3,305,583	3,305,583	-
Environment Fund	-	-	4,577	(4,577)
Compact Trust Fund	3,250,000	3,250,000	250,000	3,000,000
Infrastructure Maintenance Fund	468,617	468,617	468,617	-
Disaster Assistance Fund	244,260	244,260	244,260	-
	<u>3,962,877</u>	<u>11,192,729</u>	<u>8,188,285</u>	<u>3,004,444</u>
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes	<u>7,199,266</u>	<u>7,199,266</u>	<u>7,302,072</u>	<u>102,806</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,682</u>	<u>\$ 75,682</u>

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

September 30, 2019

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, 2019, follows:

#### Public Works Fund

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

#### Land Registration Authority Fund

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

#### Labor (General) Fund

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

#### Labor (Bond) Fund

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

#### Ministry of Justice Fund

This fund accounts for specific operations of both the Department of Public Safety and Ministry of Justice, Immigration and Labor. 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.

#### Recycling Fund

This fund accounts for the collection of all fees and charges levied under the Styrofoam Cups and Plates, and Plastic Products Prohibition, and Container Deposit Act, 2016 (Public Law No. 2016-17) as administered by the RMI Environmental Protection Authority.

#### Resident Workers Training Account Fund

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

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

September 30, 2019

#### Sea Patrol Fund

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

#### Transportation Services Fund

This fund was established under Public Law No. 2001-38 and accounts for all charges, fees and other monies collected or generated by the Ministry of Transportation, Communication and Information Technology 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 Culture and 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 Culture and Internal Affairs through Radio V7AB, the Lands and Survey Division, the ID Card Section, the Sports and Recreation Division, and any other funds generated by the Ministry for a specific purpose.

#### Four-Atoll Medical Fund

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

#### Marshall Islands Scholarship Grant and Loan Board

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

#### Marshall Islands Judiciary Fund

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

#### Health Care Revenue Fund

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

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2019

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.

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Balance Sheet September 30, 2019

	200105	200224	200318	200319	200332	200333	200334	200340	200520
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Recycling	Resident Workers Training Account	Sea Patrol
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, net:									
Taxes	-	-	-	-	-	-	-	174,333	-
General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	810	-
Due from other funds	417,874	18,118	408,450	177,345	326,762	-	43,265	1,010,927	5,868
Advances	100	-	1,204	-	15,270	-	-	(1,804)	-
<b>Total assets</b>	<b>\$ 417,974</b>	<b>\$ 18,118</b>	<b>\$ 409,654</b>	<b>\$ 177,345</b>	<b>\$ 342,032</b>	<b>\$ -</b>	<b>\$ 43,265</b>	<b>\$ 1,184,266</b>	<b>\$ 5,868</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 51,830	\$ -	\$ -	\$ -	\$ 289,883	\$ -	\$ 26,536	\$ 496,350	\$ -
Medical claims payable	-	-	-	-	-	-	-	-	-
Other liabilities and accruals	-	-	-	177,345	-	-	-	5,483	-
<b>Total liabilities</b>	<b>51,830</b>	<b>-</b>	<b>-</b>	<b>177,345</b>	<b>289,883</b>	<b>-</b>	<b>26,536</b>	<b>501,833</b>	<b>-</b>
Fund balances:									
Restricted	-	-	-	-	-	-	-	-	-
Committed	366,144	18,118	409,654	-	52,149	-	16,729	682,433	5,868
<b>Total fund balances</b>	<b>366,144</b>	<b>18,118</b>	<b>409,654</b>	<b>-</b>	<b>52,149</b>	<b>-</b>	<b>16,729</b>	<b>682,433</b>	<b>5,868</b>
<b>Total liabilities and fund balances</b>	<b>\$ 417,974</b>	<b>\$ 18,118</b>	<b>\$ 409,654</b>	<b>\$ 177,345</b>	<b>\$ 342,032</b>	<b>\$ -</b>	<b>\$ 43,265</b>	<b>\$ 1,184,266</b>	<b>\$ 5,868</b>

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Balance Sheet, Continued September 30, 2019

	200525	200527	200528	300612						
	Transportation Services	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Elimination	Total
<u>ASSETS</u>										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,091,701	\$ 530,445	\$ 2,011,718	\$ 252,138	\$ -	\$ 3,886,002
Receivables, net:										
Taxes	-	-	-	-	-	-	-	-	-	174,333
General	-	-	-	483,845	-	-	-	2,356,027	-	2,839,872
Other	-	-	-	-	1,755	17,452	59,396	-	-	79,413
Due from other funds	34,394	391	172,522	97,635	-	-	-	1,664,543	-	4,378,094
Advances	-	-	6,317	-	-	-	119,168	350,000	-	490,255
Total assets	<u>\$ 34,394</u>	<u>\$ 391</u>	<u>\$ 178,839</u>	<u>\$ 581,480</u>	<u>\$ 1,093,456</u>	<u>\$ 547,897</u>	<u>\$ 2,190,282</u>	<u>\$ 4,622,708</u>	<u>\$ -</u>	<u>\$ 11,847,969</u>
<u>LIABILITIES AND FUND BALANCES</u>										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ 2,443	\$ -	\$ 3,636	\$ 18,392	\$ 746,835	\$ 217,337	\$ -	\$ 1,853,242
Medical claims payable	-	-	-	-	-	-	-	1,552,877	-	1,552,877
Other liabilities and accruals	-	-	-	-	-	31,215	25,015	-	-	239,058
Total liabilities	<u>-</u>	<u>-</u>	<u>2,443</u>	<u>-</u>	<u>3,636</u>	<u>49,607</u>	<u>771,850</u>	<u>1,770,214</u>	<u>-</u>	<u>3,645,177</u>
Fund balances:										
Restricted	-	-	-	581,480	438,172	-	-	-	-	1,019,652
Committed	34,394	391	176,396	-	651,648	498,290	1,418,432	2,852,494	-	7,183,140
Total fund balances	<u>34,394</u>	<u>391</u>	<u>176,396</u>	<u>581,480</u>	<u>1,089,820</u>	<u>498,290</u>	<u>1,418,432</u>	<u>2,852,494</u>	<u>-</u>	<u>8,202,792</u>
Total liabilities and fund balances	<u>\$ 34,394</u>	<u>\$ 391</u>	<u>\$ 178,839</u>	<u>\$ 581,480</u>	<u>\$ 1,093,456</u>	<u>\$ 547,897</u>	<u>\$ 2,190,282</u>	<u>\$ 4,622,708</u>	<u>\$ -</u>	<u>\$ 11,847,969</u>

See Accompanying Independent Auditors' Report.



# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Statement of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2019

	200105	200224	200318	200319	200332	200333	200334	200340	200520
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Recycling	Resident Workers Training Account	Sea Patrol
Revenues:									
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	297,763	-	100,065	-	1,343,197	-	840,380	706,383	-
Interest	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	27,890	-	-	-	-
Total revenues	297,763	-	100,065	-	1,371,087	-	840,380	706,383	-
Expenditures by Function:									
Current:									
Judiciary	-	-	-	-	-	-	-	-	-
Ministries:									
Education, Sports and Training	-	-	-	-	-	-	-	523,635	-
Health and Human Services	-	-	-	-	-	-	-	-	-
Culture and Internal Affairs	-	-	-	-	-	-	-	-	-
Justice, Immigration and Labor	-	-	-	-	347,365	-	-	-	-
Finance, Banking and Postal Services	-	-	-	-	-	-	959,620	-	-
Works, Infrastructure and Utilities	156,567	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-
Total expenditures	156,567	-	-	-	347,365	-	959,620	523,635	-
Excess (deficiency) of revenues over (under) expenditures	141,196	-	100,065	-	1,023,722	-	(119,240)	182,748	-
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(971,088)	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	(971,088)	-	-	-	-
Net change in fund balances (deficits)	141,196	-	100,065	-	52,634	-	(119,240)	182,748	-
Fund balances (deficits) at the beginning of the year	224,948	18,118	309,589	-	(485)	-	135,969	499,685	5,868
Fund balances at the end of the year	\$ 366,144	\$ 18,118	\$ 409,654	\$ -	\$ 52,149	\$ -	\$ 16,729	\$ 682,433	\$ 5,868

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Statement of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficits), Continued Year Ended September 30, 2019

	200525	200527	200528	300612						
	Transportation Services	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Elimination	Total
Revenues:										
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 373,862	\$ -	\$ -	\$ 373,862
Fees and charges	1,870	-	64,573	-	-	114,910	431,863	8,845,790	-	12,746,794
Interest	-	-	-	-	20,857	2,522	-	-	-	23,379
Sales	-	-	48	-	-	16,367	95,561	223,319	-	363,185
Total revenues	1,870	-	64,621	-	20,857	133,799	901,286	9,069,109	-	13,507,220
Expenditures by Function:										
Current:										
Judiciary	-	-	-	-	-	1,126,450	-	-	-	1,126,450
Ministries:										
Education, Sports and Training	-	-	-	-	2,082,550	-	-	-	-	2,606,185
Health and Human Services	-	-	-	-	-	-	3,347,384	7,258,796	-	10,606,180
Culture and Internal Affairs	-	-	32,186	-	-	-	-	-	-	32,186
Justice, Immigration and Labor	-	-	-	-	-	-	-	-	-	347,365
Finance, Banking and Postal Services	-	-	-	-	-	-	-	-	-	959,620
Works, Infrastructure and Utilities	-	-	-	-	-	-	-	-	-	156,567
Nuclear claims related	-	-	-	1,583,812	-	-	-	-	-	1,583,812
Total expenditures	-	-	32,186	1,583,812	2,082,550	1,126,450	3,347,384	7,258,796	-	17,418,365
Excess (deficiency) of revenues over (under) expenditures	1,870	-	32,435	(1,583,812)	(2,061,693)	(992,651)	(2,446,098)	1,810,313	-	(3,911,145)
Other financing sources (uses):										
Operating transfers in	-	-	-	1,890,864	2,288,987	1,018,463	2,521,446	1,400,000	(2,521,446)	6,598,314
Operating transfers out	-	-	-	-	-	-	-	(2,521,446)	2,521,446	(971,088)
Total other financing sources (uses), net	-	-	-	1,890,864	2,288,987	1,018,463	2,521,446	(1,121,446)	-	5,627,226
Net change in fund balances (deficits)	1,870	-	32,435	307,052	227,294	25,812	75,348	688,867	-	1,716,081
Fund balances (deficits) at the beginning of the year	32,524	391	143,961	274,428	862,526	472,478	1,343,084	2,163,627	-	6,486,711
Fund balances at the end of the year	\$ 34,394	\$ 391	\$ 176,396	\$ 581,480	\$ 1,089,820	\$ 498,290	\$ 1,418,432	\$ 2,852,494	\$ -	\$ 8,202,792

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Statement of Revenues, Expenditures By Account, and Changes in Fund Balances (Deficits) Year Ended September 30, 2019

	200105	200224	200318	200319	200332	200333	200334	200340	200520
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Recycling	Resident Workers Training Account	Sea Patrol
Revenues:									
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	297,763	-	100,065	-	1,343,197	-	840,380	706,383	-
Interest	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	27,890	-	-	-	-
Total revenues	297,763	-	100,065	-	1,371,087	-	840,380	706,383	-
Expenditures by Account:									
Grants and subsidies	-	-	-	-	-	-	-	393,939	-
Salaries and wages	-	-	-	-	-	-	-	118,860	-
Medical supplies	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	959,620	-	-
Capital outlay	67,478	-	-	-	59,081	-	-	-	-
Travel	7,454	-	-	-	77,381	-	-	-	-
Food stuffs	10,950	-	-	-	6,811	-	-	-	-
Supplies and materials	62	-	-	-	74,470	-	-	-	-
POL	64,726	-	-	-	68,718	-	-	-	-
Allowances	44	-	-	-	-	-	-	-	-
Rentals	5,853	-	-	-	-	-	-	10,836	-
Communications	-	-	-	-	18,711	-	-	-	-
Insurance	-	-	-	-	4,406	-	-	-	-
Utilities	-	-	-	-	1,058	-	-	-	-
Leased housing	-	-	-	-	-	-	-	-	-
Freight	-	-	-	-	6,968	-	-	-	-
Professional services	-	-	-	-	-	-	-	-	-
Printing and reproduction	-	-	-	-	3,046	-	-	-	-
Other	-	-	-	-	26,715	-	-	-	-
Total expenditures	156,567	-	-	-	347,365	-	959,620	523,635	-
Excess (deficiency) of revenues over (under) expenditures	141,196	-	100,065	-	1,023,722	-	(119,240)	182,748	-
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(971,088)	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	(971,088)	-	-	-	-
Net change in fund balances (deficits)	141,196	-	100,065	-	52,634	-	(119,240)	182,748	-
Fund balances (deficits) at the beginning of the year	224,948	18,118	309,589	-	(485)	-	135,969	499,685	5,868
Fund balances at the end of the year	\$ 366,144	\$ 18,118	\$ 409,654	\$ -	\$ 52,149	\$ -	\$ 16,729	\$ 682,433	\$ 5,868

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Statement of Revenues, Expenditures By Account, and Changes in Fund Balances (Deficits), Continued Year Ended September 30, 2019

	200525	200527	200528	300612						
	Transportation Services	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Elimination	Total
Revenues:										
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 373,862	\$ -	\$ -	\$ 373,862
Fees and charges	1,870	-	64,573	-	-	114,910	431,863	8,845,790	-	12,746,794
Interest	-	-	-	-	20,857	2,522	-	-	-	23,379
Sales	-	-	48	-	-	16,367	95,561	223,319	-	363,185
Total revenues	<u>1,870</u>	<u>-</u>	<u>64,621</u>	<u>-</u>	<u>20,857</u>	<u>133,799</u>	<u>901,286</u>	<u>9,069,109</u>	<u>-</u>	<u>13,507,220</u>
Expenditures by Account:										
Grants and subsidies	-	-	-	-	1,831,495	-	140,339	135,380	-	2,501,153
Salaries and wages	-	-	-	-	115,877	694,451	176,567	275,649	-	1,381,404
Medical supplies	-	-	-	-	-	-	2,458,861	330,705	-	2,789,566
Contractual services	-	-	12,425	1,583,812	-	-	-	5,007,980	-	7,563,837
Capital outlay	-	-	-	-	6,590	-	10,352	12,703	-	156,204
Travel	-	-	-	-	-	65,350	91,146	1,067,252	-	1,308,583
Food stuffs	-	-	-	-	-	5,263	28,056	-	-	51,080
Supplies and materials	-	-	2,265	-	11,128	76,144	33,546	10,304	-	207,919
POL	-	-	-	-	2,150	12,736	9,141	8,359	-	165,830
Allowances	-	-	-	-	-	-	-	-	-	44
Rentals	-	-	-	-	15,840	5,716	20,870	-	-	59,115
Communications	-	-	-	-	28,902	46,629	14,965	7,603	-	116,810
Insurance	-	-	-	-	-	4,861	-	15,401	-	24,668
Utilities	-	-	-	-	-	39,915	-	50,990	-	91,963
Leased housing	-	-	-	-	-	71,250	-	-	-	71,250
Freight	-	-	-	-	-	1,009	29,716	-	-	37,693
Professional services	-	-	-	-	-	87,243	9,866	200,000	-	297,109
Printing and reproduction	-	-	-	-	3,743	-	16,359	-	-	23,148
Other	-	-	17,496	-	66,825	15,883	307,600	136,470	-	570,989
Total expenditures	<u>-</u>	<u>-</u>	<u>32,186</u>	<u>1,583,812</u>	<u>2,082,550</u>	<u>1,126,450</u>	<u>3,347,384</u>	<u>7,258,796</u>	<u>-</u>	<u>17,418,365</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,870</u>	<u>-</u>	<u>32,435</u>	<u>(1,583,812)</u>	<u>(2,061,693)</u>	<u>(992,651)</u>	<u>(2,446,098)</u>	<u>1,810,313</u>	<u>-</u>	<u>(3,911,145)</u>
Other financing sources (uses):										
Operating transfers in	-	-	-	1,890,864	2,288,987	1,018,463	2,521,446	1,400,000	(2,521,446)	6,598,314
Operating transfers out	-	-	-	-	-	-	-	(2,521,446)	2,521,446	(971,088)
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,890,864</u>	<u>2,288,987</u>	<u>1,018,463</u>	<u>2,521,446</u>	<u>(1,121,446)</u>	<u>-</u>	<u>5,627,226</u>
Net change in fund balances (deficits)	<u>1,870</u>	<u>-</u>	<u>32,435</u>	<u>307,052</u>	<u>227,294</u>	<u>25,812</u>	<u>75,348</u>	<u>688,867</u>	<u>-</u>	<u>1,716,081</u>
Fund balances (deficits) at the beginning of the year	<u>32,524</u>	<u>391</u>	<u>143,961</u>	<u>274,428</u>	<u>862,526</u>	<u>472,478</u>	<u>1,343,084</u>	<u>2,163,627</u>	<u>-</u>	<u>6,486,711</u>
Fund balances at the end of the year	<u>\$ 34,394</u>	<u>\$ 391</u>	<u>\$ 176,396</u>	<u>\$ 581,480</u>	<u>\$ 1,089,820</u>	<u>\$ 498,290</u>	<u>\$ 1,418,432</u>	<u>\$ 2,852,494</u>	<u>\$ -</u>	<u>\$ 8,202,792</u>

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **FIDUCIARY FUNDS - PRIVATE PURPOSE TRUSTS**

September 30, 2019

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, 2019, 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.

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Statement of Fiduciary Net Position Fiduciary Funds - Private Purpose Trusts September 30, 2019

DILOG Fund Number		350610	510610	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,595,599	\$ -	\$ -	\$ 1,595,599
Time certificate of deposit	2,000,000	-	-	2,000,000
Receivables, net:				
Contributions	3,486,560	-	-	3,486,560
Other	287,815	-	-	287,815
Investments	77,472,635	-	-	77,472,635
Due from other funds	-	421,658	479,813	901,471
Capital assets, net of accumulated depreciation	155,179	-	-	155,179
Total assets	<u>84,997,788</u>	<u>421,658</u>	<u>479,813</u>	<u>85,899,259</u>
<u>LIABILITIES</u>				
Accounts payable	63,641	-	162,000	225,641
Other liabilities and accruals	115,630	-	-	115,630
Due to other funds	1,664,543	-	-	1,664,543
Total liabilities	<u>1,843,814</u>	<u>-</u>	<u>162,000</u>	<u>2,005,814</u>
<u>NET POSITION</u>				
Restricted for:				
Social security benefits	83,153,974	-	-	83,153,974
Land use distributions	-	421,658	317,813	739,471
Total net position	<u>\$ 83,153,974</u>	<u>\$ 421,658</u>	<u>\$ 317,813</u>	<u>\$ 83,893,445</u>

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds - Private Purpose Trusts Year Ended September 30, 2019

DILOG Fund Number		350610	510610	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Total
Additions:				
Contributions:				
Private employees	\$ 13,546,725	\$ -	\$ -	\$ 13,546,725
Government employees	6,608,620	-	-	6,608,620
Penalties and interest	<u>796,180</u>	<u>-</u>	<u>-</u>	<u>796,180</u>
Total contributions	<u>20,951,525</u>	<u>-</u>	<u>-</u>	<u>20,951,525</u>
Investment earnings:				
Net change in the fair value of investments	14,417	-	-	14,417
Interest and dividends	<u>2,327,687</u>	<u>-</u>	<u>-</u>	<u>2,327,687</u>
Total investment earnings	2,342,104	-	-	2,342,104
Less investment expense	<u>136,251</u>	<u>-</u>	<u>-</u>	<u>136,251</u>
Net investment earnings	<u>2,205,853</u>	<u>-</u>	<u>-</u>	<u>2,205,853</u>
Other:				
Compact funding	-	-	21,983,400	21,983,400
Transfer in	2,314,747	-	-	2,314,747
Other	<u>357,788</u>	<u>-</u>	<u>-</u>	<u>357,788</u>
	<u>2,672,535</u>	<u>-</u>	<u>21,983,400</u>	<u>24,655,935</u>
Total additions	<u>25,829,913</u>	<u>-</u>	<u>21,983,400</u>	<u>47,813,313</u>
Deductions:				
Land use distributions	-	-	21,953,827	21,953,827
Benefits	20,835,292	-	-	20,835,292
Administrative expenses	<u>1,106,091</u>	<u>-</u>	<u>-</u>	<u>1,106,091</u>
Total deductions	<u>21,941,383</u>	<u>-</u>	<u>21,953,827</u>	<u>43,895,210</u>
Change in net position held in trust for:				
Social security benefits	3,888,530	-	-	3,888,530
Land use distributions	-	-	29,573	29,573
Net position at the beginning of the year	<u>79,265,444</u>	<u>421,658</u>	<u>288,240</u>	<u>79,975,342</u>
Net position at the end of the year	<u>\$ 83,153,974</u>	<u>\$ 421,658</u>	<u>\$ 317,813</u>	<u>\$ 83,893,445</u>

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **FIDUCIARY FUNDS - AGENCY**

September 30, 2019

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. A brief discussion of RepMar's Agency Funds as of September 30, 2019, follows:

#### **Unclaimed Property Fund**

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

See Accompanying Independent Auditors' Report.



**REPUBLIC OF THE MARSHALL ISLANDS**

Statement of Changes in Assets and Liabilities  
Fiduciary Funds - Agency  
September 30, 2019

	Balance October 1, 2018	Additions	Deductions	Balance September 30, 2019
<u>ASSETS</u>				
Due from other funds	\$ 164,484	\$ -	\$ -	\$ 164,484
Total assets	<u>\$ 164,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,484</u>
<u>LIABILITIES</u>				
Other liabilities and accruals	\$ 164,484	\$ -	\$ -	\$ 164,484
Total liabilities	<u>\$ 164,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,484</u>

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **NONMAJOR COMPONENT UNITS**

September 30, 2019

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, 2019, follows:

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

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

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

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

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

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

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

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

#### National Environmental Protection Authority (EPA)

EPA was created by the National Environmental Protection Authority Act of 1984 (Public Law No, 1984-31, the Act). EPA began operations as a statutory corporation on December 19, 1984, in accordance with the Act. The objectives of EPA are to preserve and improve the quality of the environment of the Marshall Islands. EPA is governed by a five-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to EPA through legislative appropriations.

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **NONMAJOR COMPONENT UNITS**

September 30, 2019

#### Office of Commerce, Investment and Tourism (OCIT)

OCIT, formerly known as the Office of Commerce and Investment (OCI), was established pursuant to the Office of Commerce, Investment and Tourism (Amendment) Act 2018 (Public Law No. 2018-57), which amended the OCI Act of 2013 (Public Law 2013-21). OCI began operations as a statutory corporation on November 25, 2013 upon receiving its first operational budget. The objectives of OCI were to: (1) to investigate, study, develop and implement social and economic development programs and projects, alone or in conjunction with other governmental, private organizations, or agencies, for the betterment of the economic and social conditions of the inhabitants of the Republic; (2) encourage and develop, and manage, businesses of economic or social importance to the Republic, such as tourism, poultry farming and piggeries; and (3) conduct, on behalf of RepMar, such business enterprises as the RepMar Cabinet directs, on such terms and conditions as were agreed to between OCI and the RepMar Cabinet; provided, however, in all decisions of the Board or the RepMar Cabinet, the protection of existing enterprises shall be given highest consideration. OCIT is governed by a seven-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to OCIT through legislative appropriations.

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR COMPONENT UNITS

### Combining Statement of Net Position September 30, 2019

	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	National Environmental Protection Authority	Office of Commerce, Investment and Tourism	Total
<u>ASSETS</u>							
Cash and cash equivalents	\$ 47,605	\$ 448,007	\$ 146,283	\$ 758,135	\$ 464,390	\$ 75,640	\$ 1,940,060
Receivables, net	79,884	521,846	179,326	36,821	21,089	26,556	865,522
Inventories	-	26,056	380,525	19,288	-	-	425,869
Other assets	1,500	32,181	146,062	3,251	-	5,088	188,082
Capital assets:							
Nondepreciable capital assets	58,211	1,704	-	-	-	-	59,915
Other capital assets, net of accumulated depreciation	540,481	1,047,637	1,497,649	92,713	124,181	69,655	3,372,316
Total assets	727,681	2,077,431	2,349,845	910,208	609,660	176,939	6,851,764
<u>LIABILITIES</u>							
Accounts payable	70,022	859,272	3,145,367	37,808	7,558	45,072	4,165,099
Other liabilities and accruals	59,828	607,825	51,868	37,271	17,732	73,034	847,558
Unearned revenue	-	198,400	62,921	24,061	30,087	-	315,469
Total liabilities	129,850	1,665,497	3,260,156	99,140	55,377	118,106	5,328,126
<u>NET POSITION</u>							
Net investment in capital assets	598,692	1,049,341	1,497,649	92,713	124,181	69,655	3,432,231
Restricted	-	-	165,261	-	123,523	-	288,784
Unrestricted	(861)	(637,407)	(2,573,221)	718,355	306,579	(10,822)	(2,197,377)
Total net position	\$ 597,831	\$ 411,934	\$ (910,311)	\$ 811,068	\$ 554,283	\$ 58,833	\$ 1,523,638

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR COMPONENT UNITS

### Combining Statement of Revenues, Expenses, and Changes in Net Position Year Ended September 30, 2019

	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	National Environmental Protection Authority	Office of Commerce, Investment and Tourism	Total
Expenses	<u>\$ 2,761,148</u>	<u>\$ 4,255,458</u>	<u>\$ 1,742,812</u>	<u>\$ 709,051</u>	<u>\$ 887,724</u>	<u>\$ 928,388</u>	<u>\$ 11,284,581</u>
Program revenues:							
Charges for services	1,134,082	4,146,032	1,305,003	520,174	143,705	14,239	7,263,235
Operating grants and contributions	-	-	-	-	221,781	58,369	280,150
Capital grants and contributions	-	-	111,474	-	-	-	111,474
Total program revenues	<u>1,134,082</u>	<u>4,146,032</u>	<u>1,416,477</u>	<u>520,174</u>	<u>365,486</u>	<u>72,608</u>	<u>7,654,859</u>
Net program revenues (expenses)	<u>(1,627,066)</u>	<u>(109,426)</u>	<u>(326,335)</u>	<u>(188,877)</u>	<u>(522,238)</u>	<u>(855,780)</u>	<u>(3,629,722)</u>
General revenues:							
Payments from RepMar	400,426	-	-	238,080	368,653	835,000	1,842,159
Other	-	4,500	-	-	3,000	-	7,500
Total general revenues	<u>400,426</u>	<u>4,500</u>	<u>-</u>	<u>238,080</u>	<u>371,653</u>	<u>835,000</u>	<u>1,849,659</u>
Change in net position	<u>(1,226,640)</u>	<u>(104,926)</u>	<u>(326,335)</u>	<u>49,203</u>	<u>(150,585)</u>	<u>(20,780)</u>	<u>(1,780,063)</u>
Net position at the beginning of the year	<u>1,824,471</u>	<u>516,860</u>	<u>(583,976)</u>	<u>761,865</u>	<u>704,868</u>	<u>79,613</u>	<u>3,303,701</u>
Net position at the end of the year	<u>\$ 597,831</u>	<u>\$ 411,934</u>	<u>\$ (910,311)</u>	<u>\$ 811,068</u>	<u>\$ 554,283</u>	<u>\$ 58,833</u>	<u>\$ 1,523,638</u>

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **GRANTS ASSISTANCE FUND**

September 30, 2019

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, 2019, follows:

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

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

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

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

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

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

#### Section 213 Audit Fund

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

#### U.S. Federal Grants Fund

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

#### European Union Grants Fund

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

#### World Bank Fund

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

#### Other Direct Assistance Fund

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

#### Republic of China Projects Fund

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

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**GRANTS ASSISTANCE FUND**

September 30, 2019

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, 2019

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700200	700360	700370		
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	World Bank	Other Direct Assistance	Republic of China Projects	Compact Sector	Total
<b>ASSETS</b>											
Receivables:											
Federal agencies	\$ -	\$ -	\$ -	\$ 1,168,182	\$ 3,314,087	\$ -	\$ -	\$ -	\$ -	\$ 11,491,006	\$ 15,973,275
General	-	-	-	-	-	-	8,959	(133,995)	4,000,000	-	3,874,964
Due from other funds	40,380	690	1,593	-	-	357,059	1,649,467	33,345	3,802,114	5,689,552	11,574,200
Advances	-	-	-	-	223,928	8,321	32,426	3,179	37,023	141,129	446,006
Total assets	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 1,168,182</u>	<u>\$ 3,538,015</u>	<u>\$ 365,380</u>	<u>\$ 1,690,852</u>	<u>\$ (97,471)</u>	<u>\$ 7,839,137</u>	<u>\$ 17,321,687</u>	<u>\$ 31,868,445</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ 58,337	\$ 334,687	\$ 14,331	\$ 110,856	\$ 16,881	\$ 1,174,677	\$ 1,583,991	\$ 3,293,760
Other liabilities and accruals	-	-	-	-	161,824	5,429	-	3,462	45,969	810,575	1,027,259
Payable to federal agencies	-	-	-	-	-	-	-	-	-	1,366,585	1,366,585
Retention payable	-	-	-	-	-	-	-	70,000	189,368	1,070,986	1,330,354
Due to other funds	-	-	-	1,109,845	3,083,548	-	-	-	-	7,252,796	11,446,189
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,168,182</u>	<u>3,580,059</u>	<u>19,760</u>	<u>110,856</u>	<u>90,343</u>	<u>1,410,014</u>	<u>12,084,933</u>	<u>18,464,147</u>
Fund balances:											
Restricted	40,380	690	1,593	-	-	345,620	1,579,996	-	-	5,236,754	7,205,033
Committed	-	-	-	-	-	-	-	-	6,429,123	-	6,429,123
Unassigned (deficits)	-	-	-	-	(42,044)	-	-	(187,814)	-	-	(229,858)
Total fund balances (deficits)	<u>40,380</u>	<u>690</u>	<u>1,593</u>	<u>-</u>	<u>(42,044)</u>	<u>345,620</u>	<u>1,579,996</u>	<u>(187,814)</u>	<u>6,429,123</u>	<u>5,236,754</u>	<u>13,404,298</u>
Total liabilities and fund balances	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 1,168,182</u>	<u>\$ 3,538,015</u>	<u>\$ 365,380</u>	<u>\$ 1,690,852</u>	<u>\$ (97,471)</u>	<u>\$ 7,839,137</u>	<u>\$ 17,321,687</u>	<u>\$ 31,868,445</u>

See Accompanying Independent Auditors' Report.



# REPUBLIC OF THE MARSHALL ISLANDS

## GRANTS ASSISTANCE FUND Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2019

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700200	700360	700370			
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	World Bank	Other Direct Assistance	Republic of China Projects	Compact Sector	Elimination	Total
Revenues:												
Federal and other grants	\$ -	\$ -	\$ -	\$ 421,761	\$ 11,264,346	\$ 275,611	\$ 4,924,964	\$ 202,373	\$ 8,260,000	\$ 41,587,111	\$ -	\$ 66,936,166
Expenditures by Function:												
Current:												
President and Cabinet	-	-	-	-	-	-	-	-	184,551	-	-	184,551
Office of the Chief Secretary	-	-	-	-	507,404	-	-	108,221	637,500	-	-	1,253,125
Special appropriations	-	-	-	-	-	-	-	-	-	2,070,807	-	2,070,807
Office of the Auditor-General	-	-	-	421,761	12,655	-	-	-	-	-	-	434,416
Ministries:												
Education, Sports and Training	-	-	-	-	1,820,501	-	-	-	-	20,015,983	-	21,836,484
Health and Human Services	-	-	-	-	6,101,113	-	-	-	486,708	10,215,849	-	16,803,670
Natural Resources and Commerce	-	-	-	-	-	2,572	-	14,601	2,007,005	-	-	2,024,178
Culture and Internal Affairs	-	-	-	-	147,319	-	-	10,246	1,619,792	-	-	1,777,357
Justice, Immigration and Labor	-	-	-	-	-	-	-	-	902,720	-	-	902,720
Finance, Banking and Postal Services	-	-	-	-	789,256	41,253	3,986,535	9,530	208,772	2,944,666	-	7,980,012
Foreign Affairs and Trade	-	-	-	-	-	-	-	168,804	121,135	-	-	289,939
Works, Infrastructure and												
Utilities	-	-	-	-	-	-	-	-	-	487,752	-	487,752
Environmental Protection Authority	-	-	-	-	-	1,693,353	-	10,326	2,412	198,107	-	1,904,198
Capital outlay	-	-	-	-	-	-	-	-	2,629,380	5,884,693	-	8,514,073
Total expenditures	-	-	-	421,761	9,378,248	1,737,178	3,986,535	321,728	8,799,975	41,817,857	-	66,463,282
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,886,098	(1,461,567)	938,429	(119,355)	(539,975)	(230,746)	-	472,884
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	200,000	-	717,454	(200,000)	717,454
Operating transfers out	-	-	-	-	(1,890,864)	-	-	-	-	(2,886,371)	200,000	(4,577,235)
Total other financing sources (uses), net	-	-	-	-	(1,890,864)	-	-	200,000	-	(2,168,917)	-	(3,859,781)
Net change in fund balances (deficits)	-	-	-	-	(4,766)	(1,461,567)	938,429	80,645	(539,975)	(2,399,663)	-	(3,386,897)
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(37,278)	1,807,187	641,567	(268,459)	6,969,098	7,636,417	-	16,791,195
Fund balances (deficits) at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (42,044)	\$ 345,620	\$ 1,579,996	\$ (187,814)	\$ 6,429,123	\$ 5,236,754	\$ -	\$ 13,404,298

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## GRANTS ASSISTANCE FUND Combining Statement of Revenues, Expenditures by Account, and Changes in Fund Balances (Deficits) Year Ended September 30, 2019

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700200	700360	700370			
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	World Bank	Other Direct Assistance	Republic of China Projects	Compact Sector	Elimination	Total
Revenues:												
Federal and other grants	\$ -	\$ -	\$ -	\$ 421,761	\$ 11,264,346	\$ 275,611	\$ 4,924,964	\$ 202,373	\$ 8,260,000	\$ 41,587,111	\$ -	\$ 66,936,166
Expenditures by Account:												
Salaries and wages	-	-	-	-	4,006,887	108,317	-	55,789	223,544	18,701,483	-	23,096,020
Capital outlay	-	-	-	-	236,888	35,843	73,632	9,828	63,518	3,163,936	-	3,583,645
Grants and subsidies	-	-	-	-	737,373	1,500,254	-	-	5,275,652	7,754,899	-	15,268,178
Utilities	-	-	-	-	76,002	413	-	-	314	1,595,453	-	1,672,182
Leased housing	-	-	-	-	9,000	-	-	-	-	50,975	-	59,975
Supplies and materials	-	-	-	-	262,035	8,418	17,894	753	49,250	931,183	-	1,269,533
Contractual services	-	-	-	-	2,264,132	8,642	194,978	22,690	2,264,638	1,726,713	-	6,481,793
Travel	-	-	-	-	695,626	41,229	86,149	209,085	116,376	463,047	-	1,611,512
Food stuffs	-	-	-	-	97,644	12,242	24,053	7,036	55,481	485,848	-	682,304
Professional services	-	-	-	421,761	42,002	7,500	3,559,913	12,000	-	5,500	-	4,048,676
Allowances	-	-	-	-	-	1,500	2,160	-	-	7,280	-	10,940
Medical supplies	-	-	-	-	170,179	-	-	-	-	8,456	-	178,635
Communications	-	-	-	-	222,180	1,430	13,043	1,790	9,500	161,168	-	409,111
POL	-	-	-	-	124,480	2,281	1,356	924	38,686	317,538	-	485,265
Rentals	-	-	-	-	99,439	7,794	7,758	-	47,380	422,468	-	584,839
Freight	-	-	-	-	2,740	66	259	-	-	55,901	-	58,966
Printing and reproduction	-	-	-	-	62,082	748	10,620	831	2,775	34,016	-	111,072
Insurance	-	-	-	-	4,246	-	1,143	-	-	41,710	-	47,099
Other	-	-	-	-	265,313	501	(6,423)	1,002	652,861	5,890,283	-	6,803,537
Total expenditures	-	-	-	421,761	9,378,248	1,737,178	3,986,535	321,728	8,799,975	41,817,857	-	66,463,282
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,886,098	(1,461,567)	938,429	(119,355)	(539,975)	(230,746)	-	472,884
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	200,000	-	717,454	(200,000)	717,454
Operating transfers out	-	-	-	-	(1,890,864)	-	-	-	-	(2,886,371)	200,000	(4,577,235)
Total other financing sources (uses), net	-	-	-	-	(1,890,864)	-	-	200,000	-	(2,168,917)	-	(3,859,781)
Net change in fund balances (deficits)	-	-	-	-	(4,766)	(1,461,567)	938,429	80,645	(539,975)	(2,399,663)	-	(3,386,897)
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(37,278)	1,807,187	641,567	(268,459)	6,969,098	7,636,417	-	16,791,195
Fund balances (deficits) at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (42,044)	\$ 345,620	\$ 1,579,996	\$ (187,814)	\$ 6,429,123	\$ 5,236,754	\$ -	\$ 13,404,298

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND**

September 30, 2019

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

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

#### Supplemental Education Fund

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

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

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

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

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

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

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

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

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

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

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

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND**

September 30, 2019

#### Section 211(b)(3) 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, 2019

<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
<u><b>ASSETS</b></u>												
Receivables:												
Federal agencies	\$ -	\$ 844,278	\$ 541,892	\$ -	\$ -	\$ 1,314,428	\$ 806,000	\$ -	\$ 7,456,417	\$ 527,991	\$ -	\$ 11,491,006
Due from other funds	755,773	-	645,603	163,374	-	-	-	212,858	-	467,905	3,444,039	5,689,552
Advances	5,039	38,574	3,375	-	-	74,956	9,984	2,888	9,284	(2,971)	-	141,129
Total assets	<u>\$ 760,812</u>	<u>\$ 882,852</u>	<u>\$ 1,190,870</u>	<u>\$ 163,374</u>	<u>\$ -</u>	<u>\$ 1,389,384</u>	<u>\$ 815,984</u>	<u>\$ 215,746</u>	<u>\$ 7,465,701</u>	<u>\$ 992,925</u>	<u>\$ 3,444,039</u>	<u>\$ 17,321,687</u>
<u><b>LIABILITIES AND FUND BALANCES</b></u>												
Liabilities:												
Accounts payable	\$ 32,123	\$ 99,947	\$ 182,183	\$ -	\$ -	\$ 325,265	\$ 117,756	\$ 1,337	\$ 740,176	\$ 85,204	\$ -	\$ 1,583,991
Other liabilities and accruals	320,364	100,873	259,157	-	-	98,840	10,581	7,051	13,709	-	-	810,575
Payable to federal agencies	131,153	-	507,544	-	-	253,649	438,226	36,013	-	-	-	1,366,585
Retention payable	-	-	-	-	-	75,922	58,339	-	613,398	323,327	-	1,070,986
Due to other funds	-	682,032	-	-	-	284,339	191,082	-	6,095,343	-	-	7,252,796
Total liabilities	<u>483,640</u>	<u>882,852</u>	<u>948,884</u>	<u>-</u>	<u>-</u>	<u>1,038,015</u>	<u>815,984</u>	<u>44,401</u>	<u>7,462,626</u>	<u>408,531</u>	<u>-</u>	<u>12,084,933</u>
Fund balances:												
Restricted	<u>277,172</u>	<u>-</u>	<u>241,986</u>	<u>163,374</u>	<u>-</u>	<u>351,369</u>	<u>-</u>	<u>171,345</u>	<u>3,075</u>	<u>584,394</u>	<u>3,444,039</u>	<u>5,236,754</u>
Total liabilities and fund balances	<u>\$ 760,812</u>	<u>\$ 882,852</u>	<u>\$ 1,190,870</u>	<u>\$ 163,374</u>	<u>\$ -</u>	<u>\$ 1,389,384</u>	<u>\$ 815,984</u>	<u>\$ 215,746</u>	<u>\$ 7,465,701</u>	<u>\$ 992,925</u>	<u>\$ 3,444,039</u>	<u>\$ 17,321,687</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**COMPACT OF FREE ASSOCIATION SECTOR GRANTS**  
**Combining Statement of Revenues, Expenditures by Function,**  
**and Changes in Fund Balances (Deficits)**  
**Year Ended September 30, 2019**

<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
Revenues:												
Compact funding	\$ 10,852,297	\$ 5,342,289	\$ 6,925,694	\$ -	\$ -	\$ 8,023,513	\$ 2,944,666	\$ 208,247	\$ 4,616,823	\$ 2,429,322	\$ 244,260	\$ 41,587,111
Expenditures by Function:												
Current:												
Special appropriations	-	-	-	-	-	1,312,693	-	-	758,114	-	-	2,070,807
Ministries:												
Education, Sports and Training	10,125,330	5,342,289	-	-	-	2,353,281	-	-	500,000	1,695,083	-	20,015,983
Health and Human Services	-	-	7,132,704	-	-	2,011,031	-	-	-	1,072,114	-	10,215,849
Finance, Banking and Postal Services	-	-	-	-	-	-	2,944,666	-	-	-	-	2,944,666
Works, Infrastructure and Utilities	-	-	-	-	-	487,752	-	-	-	-	-	487,752
Environmental Protection Authority	-	-	-	-	-	-	-	198,107	-	-	-	198,107
Capital outlay	-	-	-	-	-	1,141,697	-	-	3,365,153	1,377,843	-	5,884,693
Total expenditures	10,125,330	5,342,289	7,132,704	-	-	7,306,454	2,944,666	198,107	4,623,267	4,145,040	-	41,817,857
Excess (deficiency) of revenues over (under) expenditures	726,967	-	(207,010)	-	-	717,059	-	10,140	(6,444)	(1,715,718)	244,260	(230,746)
Other financing sources (uses):												
Operating transfers in	-	-	-	-	4,577	-	-	-	-	468,617	244,260	717,454
Operating transfers out	(592,202)	-	-	-	-	(700,000)	-	-	-	-	(1,594,169)	(2,886,371)
Total other financing sources (uses), net	(592,202)	-	-	-	4,577	(700,000)	-	-	-	468,617	(1,349,909)	(2,168,917)
Net change in fund balances (deficits)	134,765	-	(207,010)	-	4,577	17,059	-	10,140	(6,444)	(1,247,101)	(1,105,649)	(2,399,663)
Fund balances (deficits) at the beginning of the year	142,407	-	448,996	163,374	(4,577)	334,310	-	161,205	9,519	1,831,495	4,549,688	7,636,417
Fund balances at the end of the year	\$ 277,172	\$ -	\$ 241,986	\$ 163,374	\$ -	\$ 351,369	\$ -	\$ 171,345	\$ 3,075	\$ 584,394	\$ 3,444,039	\$ 5,236,754

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**COMPACT OF FREE ASSOCIATION SECTOR GRANTS**  
**Combining Statement of Revenues, Expenditures by Account,**  
**and Changes in Fund Balances (Deficits)**  
**Year Ended September 30, 2019**

<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)	Supplemental Education	Section 211(a)(2)	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Total
Revenues:												
Compact funding	\$ 10,852,297	\$ 5,342,289	\$ 6,925,694	\$ -	\$ -	\$ 8,023,513	\$ 2,944,666	\$ 208,247	\$ 4,616,823	\$ 2,429,322	\$ 244,260	\$ 41,587,111
Expenditures by Account:												
Salaries and wages	7,829,605	2,428,800	5,957,215	-	-	1,829,078	113,340	180,148	363,297	-	-	18,701,483
Capital outlay	26,903	240,489	47,418	-	-	416,833	-	2,837	2,408,676	20,780	-	3,163,936
Grants and subsidies	1,282,003	288,325	59,000	-	-	1,787,075	2,695,082	-	1,643,414	-	-	7,754,899
Utilities	359,018	203,302	313,471	-	-	719,662	-	-	-	-	-	1,595,453
Leased housing	-	-	-	-	-	-	9,900	-	41,075	-	-	50,975
Supplies and materials	40,403	510,201	89,790	-	-	238,754	-	900	5,847	45,288	-	931,183
Contractual services	46,000	941,393	255,368	-	-	377,588	-	-	106,364	-	-	1,726,713
Travel	115,977	78,679	52,474	-	-	152,758	12,237	14,222	36,700	-	-	463,047
Food stuffs	213,144	21,161	128,075	-	-	123,468	-	-	-	-	-	485,848
Professional services	-	-	-	-	-	5,500	-	-	-	-	-	5,500
Allowances	-	7,280	-	-	-	-	-	-	-	-	-	7,280
Medical supplies	-	-	1,524	-	-	6,932	-	-	-	-	-	8,456
Communications	34,313	22,117	15,996	-	-	87,086	-	-	1,656	-	-	161,168
POL	82,797	22,217	107,739	-	-	96,368	-	-	8,417	-	-	317,538
Rentals	12,525	7,293	30,000	-	-	372,650	-	-	-	-	-	422,468
Freight	11,834	26,626	-	-	-	17,441	-	-	-	-	-	55,901
Printing and reproduction	8,008	1,500	14,486	-	-	10,022	-	-	-	-	-	34,016
Insurance	36,779	-	3,220	-	-	380	-	-	1,331	-	-	41,710
Other	26,021	542,906	56,928	-	-	1,064,859	114,107	-	6,490	4,078,972	-	5,890,283
Total expenditures	10,125,330	5,342,289	7,132,704	-	-	7,306,454	2,944,666	198,107	4,623,267	4,145,040	-	41,817,857
Excess (deficiency) of revenues over (under) expenditures	726,967	-	(207,010)	-	-	717,059	-	10,140	(6,444)	(1,715,718)	244,260	(230,746)
Other financing sources (uses):												
Operating transfers in	-	-	-	-	4,577	-	-	-	-	468,617	244,260	717,454
Operating transfers out	(592,202)	-	-	-	-	(700,000)	-	-	-	-	(1,594,169)	(2,886,371)
Total other financing sources (uses), net	(592,202)	-	-	-	4,577	(700,000)	-	-	-	468,617	(1,349,909)	(2,168,917)
Net change in fund balances (deficits)	134,765	-	(207,010)	-	4,577	17,059	-	10,140	(6,444)	(1,247,101)	(1,105,649)	(2,399,663)
Fund balances (deficits) at the beginning of the year	142,407	-	448,996	163,374	(4,577)	334,310	-	161,205	9,519	1,831,495	4,549,688	7,636,417
Fund balances at the end of the year	\$ 277,172	\$ -	\$ 241,986	\$ 163,374	\$ -	\$ 351,369	\$ -	\$ 171,345	\$ 3,075	\$ 584,394	\$ 3,444,039	\$ 5,236,754

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **GENERAL FUND**

September 30, 2019

#### Education Fund

This fund was established under Public Law No. 2013-23 to account for and administer monies collected and paid under the provisions of the Marshall Islands Public School System Act 2013 and any appropriations made by the Nitijela for related purposes.

#### Reimbursable Fund

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

#### Changed Circumstances Fund

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

#### Judiciary Fund

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

#### Alternative Energy Fund

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

#### EPA Fund

This fund accounts for all financial transactions related to RepMar's Environmental Protection Authority Fund prior to the creation of the separate statutory body under Public Law No. 1984-31.

#### Agricultural Supplies Fund

This fund was established under Public Law No. 1979-18 to account for and administer monies collected and paid under the provisions of the Agricultural Supplies Account Act 1979 and any appropriations made by the Nitijela for related purposes.

#### Postal Service Fund

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

See Accompanying Independent Auditors' Report.



## **REPUBLIC OF THE MARSHALL ISLANDS**

### **GENERAL FUND**

September 30, 2019

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

#### Treasury Fund

This fund accounts for cash account balances centrally maintained by RepMar within the Ministry of Finance, Banking, and Postal Services for the government as a whole unless otherwise required by law to be maintained outside of the treasury.

#### Payroll Revolving Fund

This fund accounts for all accounts associated with the payment of compensation to employees and officers of RepMar and distributions of all amounts withheld therefrom pursuant to law and amounts authorized by employees to be withheld.

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## GENERAL FUND

### Combining Balance Sheet September 30, 2019

	100100		200090		200317		200330		200335		200337		200507		200515		300400		300600		800405		950000		960000		
					Changed				Alternative				Agricultural		Postal				Local		ADB				Payroll		
	General	Education	Reimbursable		Circumstances	Judiciary			Energy	EPA			Supplies		Service		MIDA		Government		Projects		Treasury		Revolving	Elimination	Total
<u>ASSETS</u>																											
Cash and cash equivalents	\$ -	\$ 234,441	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,268	\$ 8,283,888	\$ -	\$ 8,283,888	\$ -	\$ -	\$ -	\$ 8,540,597
Receivables, net:																											
Taxes	3,074,436	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,074,436
Federal agencies	16,771	-	344,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	361,393
General	664,019	-	8,508	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	153,734	-	(1,566)	-	-	-	-	824,695
Due from other funds	13,829,258	-	-	-	54,458	390,645	-	444	-	-	-	-	44,289	-	-	-	-	-	14,251	-	-	-	12,336,886	18,158	(15,242,200)	-	11,446,189
Due from component units	7,215,130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,215,130
Advances	474,815	-	11,559	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	598	-	(62,126)	-	-	-	-	424,846
Other assets	2,990,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,990,250
Restricted assets:																											
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,893,436	-	-	-	-	10,893,436
Total assets	\$ 28,264,679	\$ 234,441	\$ 364,689	\$ 54,458	\$ 390,645	\$ 444	\$ -	\$ -	\$ 44,289	\$ -	\$ -	\$ -	\$ 44,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,251	\$ 176,600	\$ 176,600	\$ 31,450,518	\$ 31,450,518	\$ 18,158	\$ (15,242,200)	\$ (15,242,200)	\$ 45,770,972
<u>LIABILITIES AND FUND BALANCE (DEFICIT)</u>																											
Liabilities:																											
Accounts payable	\$ 1,745,244	\$ 161,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,871	\$ 63,871	\$ 1,745,309	\$ 1,745,309	\$ -	\$ -	\$ -	\$ 3,715,499
Other liabilities and accruals	1,837,996	-	20,056	-	-	-	28	2,723	-	-	-	-	-	-	-	-	-	-	-	-	4,306	-	-	18,158	-	-	1,883,267
Retention payable	403,231	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	403,231
Due to component units	551,741	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	551,741
Unearned revenue	372,821	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	372,821
Due to other funds	-	-	505,265	-	-	-	-	44,206	-	-	-	-	-	-	658	-	-	-	-	-	340,568	-	29,705,209	-	-	(15,242,200)	15,353,706
Total liabilities	4,911,033	161,075	525,321	-	-	-	28	46,929	-	-	-	-	-	-	658	-	-	-	-	-	408,745	-	31,450,518	18,158	(15,242,200)	(15,242,200)	22,280,265
Fund balance:																											
Nonspendable	10,205,380	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,205,380
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,967,131	-	-	-	-	3,967,131
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,251	-	-	-	-	-	-	-	14,251
Unassigned (deficits)	13,148,266	73,366	(160,632)	54,458	390,645	416	(46,929)	44,289	416	(46,929)	-	-	44,289	(658)	-	-	-	-	-	-	(232,145)	(232,145)	(3,967,131)	-	-	-	9,303,945
Total fund balance (deficits)	23,353,646	73,366	(160,632)	54,458	390,645	416	(46,929)	44,289	416	(46,929)	-	-	44,289	(658)	-	-	-	-	14,251	-	(232,145)	(232,145)	-	-	-	-	23,490,707
Total liabilities and fund balance	\$ 28,264,679	\$ 234,441	\$ 364,689	\$ 54,458	\$ 390,645	\$ 444	\$ -	\$ 44,289	\$ 444	\$ -	\$ -	\$ -	\$ 44,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,251	\$ 176,600	\$ 176,600	\$ 31,450,518	\$ 31,450,518	\$ 18,158	\$ (15,242,200)	\$ (15,242,200)	\$ 45,770,972

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## GENERAL FUND

### Combining Statement of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2019

	100100		200090		200317		200330		200335		200337		200507		200515		300400		300600		800405		950000		960000		
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Agricultural Supplies	Postal Service	MIDA	Local Government	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total											
Revenues:																											
Taxes	\$ 34,188,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,188,126											
Federal and other grants	4,225,000	-	-	-	-	-	43,039	-	-	-	-	614,181	-	-	-	4,882,220											
Ship registry	8,426,462	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,426,462											
Interest and dividends	130,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130,300											
Fees and charges	53,573	-	177,113	-	18,500	-	-	-	-	-	-	-	-	-	-	249,186											
Contributions from component units	29,252,941	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,252,941											
Other	724,283	-	-	-	-	-	-	44,289	-	-	-	-	-	-	-	768,572											
Total revenues	77,000,685	-	177,113	-	18,500	-	43,039	44,289	-	-	-	614,181	-	-	-	77,897,807											
Expenditures by Function:																											
Current:																											
President and Cabinet	2,381,393	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,381,393											
Office of the Chief Secretary	1,114,486	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,114,486											
Special appropriations	16,461,284	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,844,485)	12,616,799											
Council of Iroij	561,997	-	-	-	-	-	-	-	-	-	-	-	-	-	-	561,997											
Nitijela	2,530,586	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,530,586											
Office of the Auditor-General	1,105,881	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,105,881											
Public Service Commission	651,911	-	-	-	-	-	-	-	-	-	-	-	-	-	-	651,911											
Office of the Attorney General	1,623,284	-	62,628	-	-	-	-	-	-	-	-	-	-	-	-	1,685,912											
Ministries:																											
Education, Sports and Training	7,958,291	3,459,228	-	-	-	-	-	-	-	-	-	-	-	-	-	11,417,519											
Health and Human Services	5,659,512	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,659,512											
Transportation, Communication and Information Technology	5,705,868	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,705,868											
Natural Resources and Commerce	8,036,816	-	20,811	-	-	-	-	-	-	-	-	-	-	-	-	8,057,627											
Culture and Internal Affairs	3,401,920	-	-	-	-	-	-	-	-	-	-	67,602	-	-	-	3,469,522											
Justice, Immigration and Labor	3,520,739	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,520,739											
Finance, Banking and Postal Services	3,936,918	-	77,612	-	-	-	-	-	-	-	-	654,789	-	-	-	4,669,319											
Foreign Affairs and Trade	4,681,048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,681,048											
Works, Infrastructure and Utilities	6,767,072	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,767,072											
Environmental Protection Authority	407,299	-	-	-	-	-	40,116	-	-	-	-	-	-	-	-	447,415											
Debt service:																											
Principal repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,242,001	3,242,001											
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	602,484	602,484											
Total expenditures	76,506,305	3,459,228	161,051	-	-	-	40,116	-	-	-	-	722,391	-	-	-	80,889,091											
Excess (deficiency) of revenues over (under) expenditures	494,380	(3,459,228)	16,062	-	18,500	-	2,923	44,289	-	-	-	(108,210)	-	-	-	(2,991,284)											
Other financing sources (uses):																											
Loan proceeds	4,904,330	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,904,330											
Operating transfers in	2,865,257	3,305,583	-	-	694,451	-	-	-	-	-	-	-	-	-	(4,000,034)	2,865,257											
Operating transfers out	(8,188,285)	-	-	-	(694,451)	-	-	-	-	-	-	-	-	-	4,000,034	(4,882,702)											
Total other financing sources (uses), net	(418,698)	3,305,583	-	-	-	-	-	-	-	-	-	-	-	-	-	2,886,885											
Net change in fund balances (deficits)	75,682	(153,645)	16,062	-	18,500	-	2,923	44,289	-	-	-	(108,210)	-	-	-	(104,399)											
Fund balances (deficits) at the beginning of the year	23,277,964	227,011	(176,694)	54,458	372,145	416	(49,852)	-	(658)	-	14,251	(123,935)	-	-	-	23,595,106											
Fund balances (deficits) at the end of the year	\$ 23,353,646	\$ 73,366	\$ (160,632)	\$ 54,458	\$ 390,645	\$ 416	\$ (46,929)	\$ 44,289	\$ (658)	\$ -	\$ 14,251	\$ (232,145)	\$ -	\$ -	\$ -	\$ 23,490,707											

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## GENERAL FUND

### Combining Schedule of Expenditures By Account Year Ended September 30, 2019

	100100		200090	200317	200330	200335	200337	200507	200515	300400	300600	800405	
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Agricultural Supplies	Postal Service	MIDA	Local Government	ADB Development Projects	Total
Expenditures by Account:													
Salaries and wages	\$ 22,804,023	\$ -	\$ 161,051	\$ -	\$ -	\$ -	\$ 40,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,005,190
Capital outlay	2,232,493	126,543	-	-	-	-	-	-	-	-	-	6,673	2,365,709
Grants and subsidies	23,997,477	543,483	-	-	-	-	-	-	-	-	-	67,602	24,608,562
Medical supplies	6,290	-	-	-	-	-	-	-	-	-	-	-	6,290
Contractual services	2,345,932	150,634	-	-	-	-	-	-	-	-	-	604,822	3,101,388
Travel	2,357,379	131,891	-	-	-	-	-	-	-	-	-	1,346	2,490,616
Utilities	6,197,299	53,342	-	-	-	-	-	-	-	-	-	-	6,250,641
Supplies and materials	513,303	51,452	-	-	-	-	-	-	-	-	-	1,069	565,824
Leased housing	1,748,945	544,077	-	-	-	-	-	-	-	-	-	-	2,293,022
POL	579,126	14,024	-	-	-	-	-	-	-	-	-	-	593,150
Rentals	1,892,914	1,800	-	-	-	-	-	-	-	-	-	-	1,894,714
Food stuffs	682,936	1,286,997	-	-	-	-	-	-	-	-	-	-	1,969,933
Professional services	862,159	-	-	-	-	-	-	-	-	-	-	4,500	866,659
Principal repayment	3,242,001	-	-	-	-	-	-	-	-	-	-	-	3,242,001
Interest	602,484	-	-	-	-	-	-	-	-	-	-	-	602,484
Allowances	1,283,417	82,649	-	-	-	-	-	-	-	-	-	-	1,366,066
Communications	818,608	9,232	-	-	-	-	-	-	-	-	-	-	827,840
Freight	33,294	160	-	-	-	-	-	-	-	-	-	-	33,454
Printing and reproduction	83,760	-	-	-	-	-	-	-	-	-	-	-	83,760
Insurance	209,480	-	-	-	-	-	-	-	-	-	-	-	209,480
Other	4,012,985	462,944	-	-	-	-	-	-	-	-	-	36,379	4,512,308
Total expenditures	\$ 76,506,305	\$ 3,459,228	\$ 161,051	\$ -	\$ -	\$ -	\$ 40,116	\$ -	\$ -	\$ -	\$ -	\$ 722,391	\$ 80,889,091

See Accompanying Independent Auditors' Report.