MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Years Ended September 30, 2014 and 2013
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Islands Marine Resources Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands, which comprise the statements of net position as of September 30, 2014 and 2013, and the related of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marshall Islands Marine Resources Authority as of September 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2015, on our consideration of MIMRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MIMRA's internal control over financial reporting and compliance.

Deloitte + Touche LLP

July 29, 2015

This section of the Marshall Islands Marine Resources Authority (MIMRA) annual financial report presents our discussion and analysis of MIMRA's financial performance for the fiscal year ending September 30, 2014. Please read it and verify any clarification to the financial statements, which follow this section. The below table summarizes the financial condition and operations of MIMRA for fiscal years 2014, 2013 and 2012.

Statements of Net Position

	2014	2013	% Change	2012
ASSETS:				
Current and other assets	$ 19,662,248	$ 12,627,881	56%	$ 7,968,672
Capital assets	206,048	244,364	(16%)	194,231
Investment in Stock	980,000	-	100%	-
Investment in JV	4,550,922	5,240,001	(13%)	4,195,986
Total assets	$ 25,399,218	$ 18,112,246	40%	$ 12,358,889
LIABILITIES:				
Current liabilities	735,196	362,138	103%	246,525
NET POSITION:				
Net investment in capital assets	206,048	244,364	(16%)	194,231
Unrestricted	24,457,974	17,505,744	40%	11,918,133
Total net position	24,664,022	17,750,108	39%	12,112,364
	$ 25,399,218	$ 18,112,246	40%	$ 12,358,889

Statements of Revenue, Expenses and Changes in Net Position

	2014	2013	% Change	2012
OPERATING:				
Operating revenues	$ 19,815,209	$ 11,641,057	70%	$ 8,385,782
Operating expenses	2,682,326	2,379,051	13%	2,185,428
Operating income	17,132,883	9,262,006	85%	6,200,354
NON-OPERATING:				
Non-operating revenues	1,355,891	3,118,299	(57%)	2,121,176
Non-operating expenses	11,574,860	6,742,561	72%	6,165,000
Net non-operating revenues (expenses)	(10,218,969)	(3,624,262)	182%	(4,043,824)
Changes in net position	6,913,914	5,637,744	23%	2,156,530
Net position at beginning of year	17,750,108	12,112,364	47%	9,955,834
Net position at end of year	$ 24,664,022	$ 17,750,108	39%	$ 12,112,364

Overall analysis

In FY 2014, operating revenue increased by $8,174,152 or 70% compared with FY2013; however, for FY2013, operating revenues increased by $3,255,275 or 39% compare to FY2012. For FY2014, all revenue generated has increased during the current year with the exception of fishing violation fines. Fishing rights (income from Japan Bilateral, US Treaty & FSM Arrangement) increased by $904,768 or 36%; licensing and registration fees increased by $223,349 or 20%; transshipment fees increased by $134,000 or 32%; observer's fee increased by $300,638 or 115% compared with FY2013, and, as mentioned, only fishing violation fines decreased by $45,000 or 5% compared with FY 2013. An additional income generated is the boat chartering fee, which contributed $700,000 during the current year.

On the other hand, MIMRA was able to collect fishing fines during FY2014 for violations in the access agreement amounting to $825,000, lower compared with $870,000 in FY2013. Fishing day sales (VDS) boosted total revenue generated by MIMRA during the current year in the amount of $12,171,596, from $7,746,478 in FY2013, an increase of 57% compared to the more than 100% increase in FY2013 versus FY2012.

Total fishing vessels (purse seiners, carriers and bunker vessels) transshipped in the RMI port during the current year is 531 boats, which is 135 boats more than in FY2013 with 396 boats and higher than FY2012 which had 282 boats.

For the current year, Korea registered 29 boats (FY2013: 28 boats); Taiwan 29 boats (FY2013: 6 boats); China 7 boats (FY2013: 6 boats); New Zealand 3 boats (FY2013: 0 boats) and Shanghai Kaichuang (China) 6 boats (FY2013: 0 boats). The above also purchased fishing days from MIMRA for 1,147 days amounting to $6,221,000. Domestic companies like Koo's Fishing (***4 boats)***, Marshall Islands Fishing Corporation (MIFCO) (***1 boat)***, Central Pacific Fishing (***2 boats)*** and Pan Pacific (***3 boats)*** had the same number of boats registered as in FY 2013. Domestic-based companies also bought fishing days from MIMRA as follows: Central Pacific Fisheries - 251.59 days for $628,975; Koo's Fishing Limited - 516.09 days for $1,290,225; Marshall Islands Fishing Corporation (MIFCO) - 130.59 days for $326,475; and Pan Pacific Fisheries (RMI), Inc. - 249 days for $622,500. The above made a significant impact on the overall revenue picture of MIMRA for the current year. Another domestic-based company, the Marshall Islands Fishing Venture (MIFV), registered long lines boats with the same rates as in previous years. Overall, operating revenue for FY2014 increased by 70% or $19,815,209 compared to $11,641,057 in FY2013 and exceeded estimated revenues by $11,052,909 against the budgeted collection of $8,762,300 for FY2014.

As mentioned above all revenues generated from VDS Fishing days, fishing rights, licensing/registration fees, observers fees, transshipments and other revenue generated increased a total of 70%, which includes boat chartering fee of $700,000. Only fishing fines collection has decreased by $45,000.

For FY2014, operating expenses increased by $303,275 or 13% compared with FY2013. The increase is within the budgeted 15% increase in operating expenses. This is 4% higher than the increase in operating expenses of 9% in the last 3 years (FY 2013, FY2012 and FY2011).

Even with the increase in expenses, the operation still resulted in a much higher operating income of $17,132,883 during the current FY2014 compared to the operating income for FY2013 amounting to $9,262,006 or an increase of $7,870,877 or 85%. Net non-operating expenses of $10,218,969 decreased the results of operation of MIMRA for FY2014. Changes in net position for FY2014 is $1,276,170, lower than the change in FY2013, which was $3,481,214 compared with FY012.

MIMRA's financial condition as shown on the change in net position at end of year shows an overall increase of 23% compared to FY2013. The change during the current year is 138% lower compared to FY2012.

Management's Discussion and Analysis for the year ended September 30, 2013 is set forth in MIMRA's report on the audit of financial statements, which is dated September 17, 2014. That Management's Discussion and Analysis explains the major factors impacting the 2013 financial statements and can be obtained from MIMRA's Administrator via the contact information in page 9.

Fund Analysis

At the end of FY2014, MIMRA's combined fund (Savings and Current Account) amounting to $13,529,689, which was a 51% increase compared to the balances of $8,952,674 at the end of FY2013. The major reason for the increase in the cash balances is due to the highest collection made from all the revenue generation which is equivalent to 70% of the revenue MIMRA generated in FY2014. Equity earnings from the joint venture amounting to $1,150,490, grants amounting to $14,000 and interest income amounting to $188,181 also added to the overall funds generated during the current FY2014. Transfer to RepMar was $11,549,000 compared to the $6,348,374 in FY2013, other contribution amounting to $25,860 were the other expenses incurred during the year.

Budget Variances

Actual total revenues, including both operating and non-operating revenues, generated during the current FY2014 was $21,171,100 compared to the budgeted total revenues for FY2014 of $8,762,300. The result was favorable by as much as $12,408,800 or 142% compared to the final budget of the same year. Actual expenses, including transfer out to RepMar, and other contributions for FY2014 amounted to $14,257,186 compared to the budget of $10,204,386, which represents an unfavorable variance of $4,052,800 or 40%.

Capital Assets

At the end of the FY2014, MIMRA has a net investment in capital assets of $ 206,048. The decrease of 16% from FY2013 was due to net total reduction of $38,316 in capital assets for FY2014. This decrease indicates that MIMRA capital assets right now shall be looked into by Management. (See table below).

	2014	2013	2012
Buildings and improvements	$ 176,367	$ 176,367	$ 176,367
Equipment improvements	26,696	23,446	23,446
Vehicles	170,485	208,590	211,585
Equipment	390,107	335,298	310,374
Furniture & Fixtures	35,351	34,093	31,754
Motorboats	118,002	118,002	90,617
	917,008	895,796	844,143

Capital Assets, Continued

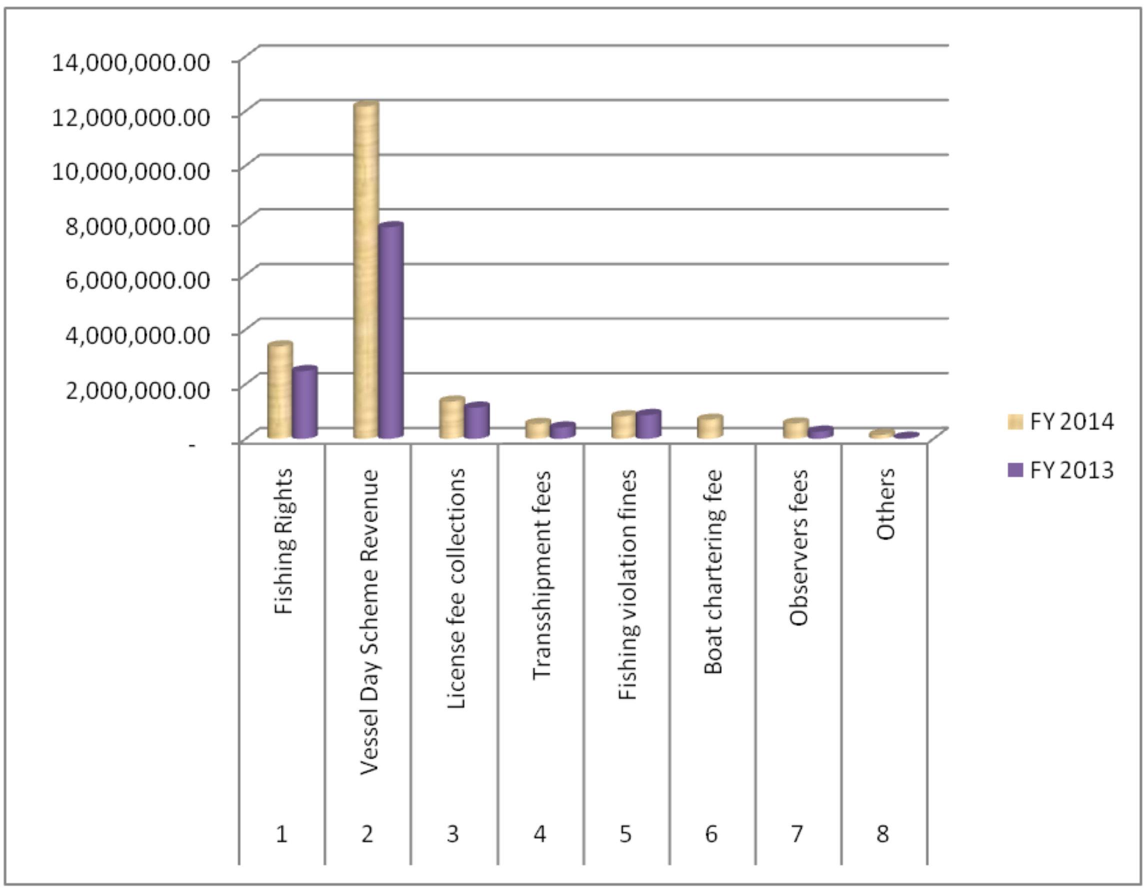
	2014	2013	2012
Less: accumulated depreciation	710,960	671,226	649,912
	206,048	224,570	194,231
Construction-in-progress	-	19,794	-
Net	$ 206,048	$ 244,364	$ 194,231

Fiscal Year 2014 major capital asset additions include:

1.	Equipment and improvement	$ 59,359
2.	Vehicles	56,495
3.	Furniture and fixtures	1,258
		$ 117,112

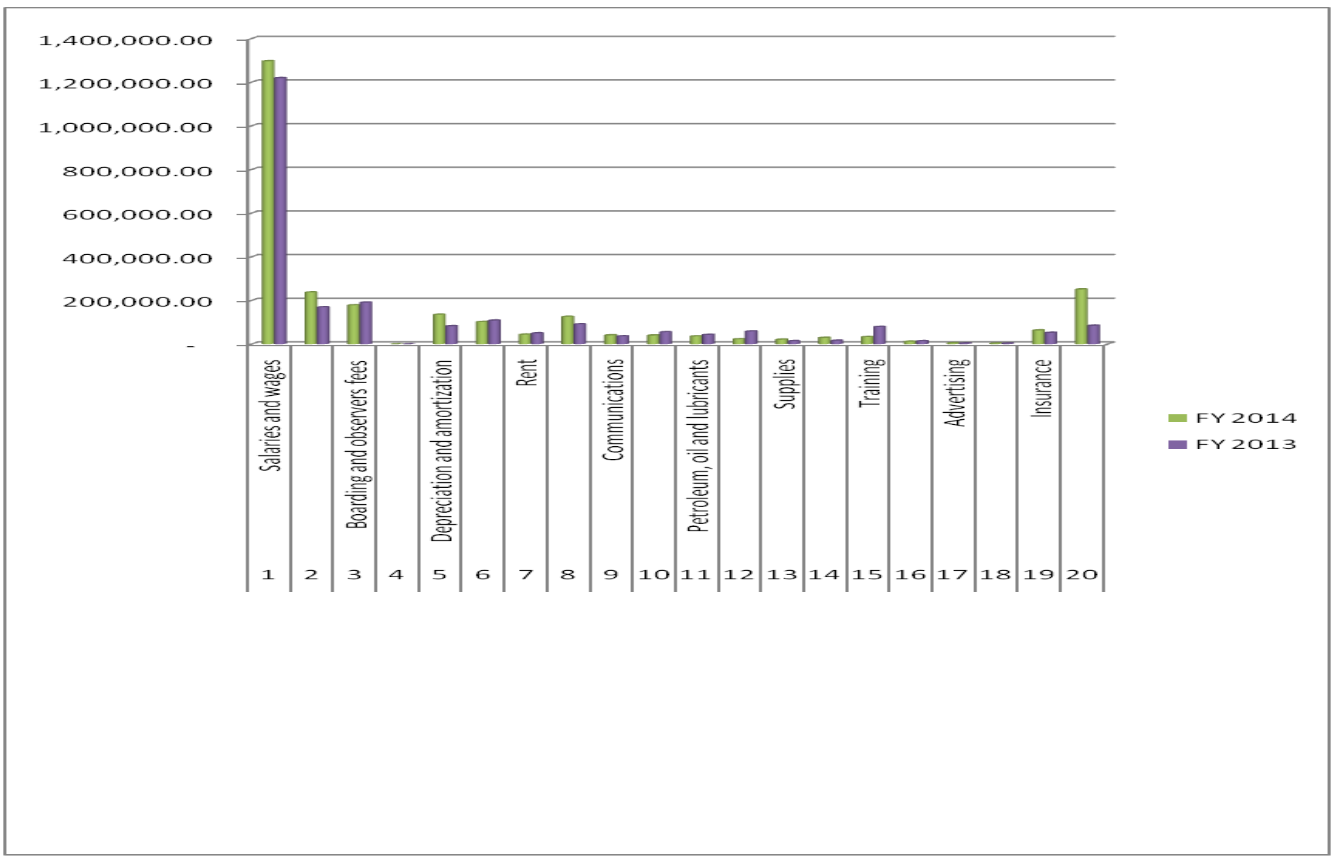
For additional information concerning capital assets, please see note 6 to the financial statements.

COMPARATIVE REVENUE - FY 2014 VS FY 2013



	2014	2013	2012
Vessel Day Scheme Revenue	$ 12,171,596	$ 7,746,478	$ 2,865,099
Fishing Rights	3,383,643	2,478,875	3,071,879
License fee collections	1,363,549	1,140,200	1,410,236
Fishing violation fines	825,000	870,000	335,000
Boat chartering fee	700,000	-	-
Observers fees	561,924	261,286	397,749
Transshipment fees	547,000	413,000	272,500
Others	146,523	38,813	33,319
	19,699,235	12,948,652	8,385,782
Recovery of (allowance for) bad debts	115,974	(1,307,595)	-
Net operating revenues	$ 19,815,209	$ 11,641,057	$ 8,385,782
Overall Change FY2014 vs FY2013	8,174,152	70%	

COMPARATIVE OPERATING EXPENSES (2014-2013)



	2014	2013	2012
Salaries and wages	$ 1,296,812	$ 1,219,448	$ 1,172,247
Membership dues and subscription	237,785	169,631	147,866
Boarding and observers fees	178,712	191,101	230,962
PNA administrative fee	143,972	33,448	-
Depreciation and amortization	135,634	82,958	46,540
Travel	126,258	91,702	67,008
Utilities	102,298	108,639	115,901
Insurance	63,255	52,657	46,986
Claim	50,000	-	-
Rent	44,458	50,245	41,659
Communications	41,136	36,537	36,905
Repairs and maintenance	40,355	55,435	66,561
Petroleum, oil and lubricants	36,290	43,160	44,269
Training	33,182	79,709	22,977
Contributions	29,642	16,500	17,718
Professional fees	23,000	59,000	17,000
Supplies	21,457	14,841	21,077
Entertainment	12,234	14,543	4,671
Advertising	5,125	4,225	4,178
Freight	3,483	3,658	7,355
Bad debts expense	-	-	44,595
Miscellaneous	57,238	51,614	28,953
Operating expenses	$ 2,682,326	$ 2,379,051	$ 2,185,428
Overall change for FY 2014 compared to FY 2013	$ 303,275	13%	

Economic Factors and Next year Budgets and Rates

Budget has been formulated and approved by the MIMRA Board for FY2015. Projected revenues, including both operating and non-operating revenues, is $19,390,000, while projected expenses, including transfer payments to RepMar, is $14,056,387. A 12% increase in the operating expenses is provided (net of both increase and decrease of budget on some line items) due to high prices of supplies in the Marshall Islands. The 15% across the board increase in salaries and wages approved by the MIMRA Board will still be effected for contract renewal in the second quarter of FY2015. Travel expenses, both international and domestic, will depend on how it will be funded, but those unfunded trips, MIMRA will shoulder the expenses. Some domestic travel is covered by grants that was approved and released to MIMRA in previous years, and will be used during FY2015. For international travel, internal agreement by the management for such shall be limited to externally funded travel unless, in certain cases, where MIMRA shall match the travel expenses and, in cases, where it is necessary that MIMRA must fund the travel. Supplemental budget amounting to $3,700,000 for FY2015 has also been approved, $3,000,000 of which is appropriated for the MIMRA Headquarters.

The continuing up and down prices of fuel in the world market also affected the Marshall Islands. Marshall Islands still has the highest fuel prices in the Micronesia by at least a little bit over 30% of the pump prices. Price ranges from $5 to $6 per gallon on the island; thus, commodities in the island continue to have high prices compared to that in the previous years, including the cost of utilities. MIMRA's cost saving and conservation measures adopted in the FY2011 will continue to be adopted in the formulation for the FY2015 budget. As mentioned above, salaries and wages has an approved 15% increase across the board, by the MIMRA Board of Directors. Some positions are still to be filled. So that budget for new hires is also provided.

Though climate change is continuing factor that would affect MIMRA's revenue generation, FAD closure is also an aspect that affects the revenue collection of MIMRA, especially on the transshipment revenue. Because of FAD closure, such mean fewer boats berthing in Majuro. Bilateral Agreement between Japan and MIMRA has been signed and would definitely help in the increase of revenue for FY2015. Fishing Days sales is also one factor that will boast the revenue for MIMRA in the next years.

Contacting MIMRA's financial management

This financial report is designed to provide our beneficiaries and others a general overview of MIMRA's finances and to demonstrate its accountability for the money it collects. If you have questions about this report or need additional financial information, contact the Administrator, P.O. Box 175, Majuro, MH 96960 or via e-mail at mimra.@ntamar.net

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Net Position
September 30, 2014 and 2013

ASSETS	2014	2013
Current assets:		
Cash	$ 3,866,888	$ 670,433
Time certificates of deposit	9,662,801	8,282,241
Receivables:		
Affiliates	125,000	105,309
Trade	3,403,478	2,122,919
Due from PNA Office	2,629,546	718,561
Due from joint venture	708,525	1,902,477
Accrued interest	116,633	92,036
Other	179,536	202,361
	7,162,718	5,143,663
Less allowance for doubtful accounts	(1,030,159)	(1,468,456)
	6,132,559	3,675,207
Total current assets	19,662,248	12,627,881
Capital assets:		
Nondepreciable capital assets	-	19,794
Other capital assets, net of accumulated depreciation	206,048	224,570
Investment in stock of an affiliated entity	980,000	-
Investment in joint venture	4,550,922	5,240,001
	$ 25,399,218	$ 18,112,246
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts payable	$ 490,400	$ 158,429
Payable to affiliates	120,518	79,968
Other liabilities and accruals	124,278	123,741
Total liabilities	735,196	362,138
Commitments		
Net position:		
Net investment in capital assets	206,048	244,364
Unrestricted	24,457,974	17,505,744
Total net position	24,664,022	17,750,108
	$ 25,399,218	$ 18,112,246

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2014 and 2013

	2014	2013
Operating revenues:		
Vessel Day Scheme revenue	$ 12,171,596	$ 7,746,478
Fishing rights	3,383,643	2,478,875
Licensing and registration fees	1,363,549	1,140,200
Fishing violation fines	825,000	870,000
Boat charter fee	700,000	-
Observers fees	561,924	261,286
Transshipment fees	547,000	413,000
Other	146,523	38,813
Total operating revenues	19,699,235	12,948,652
Recovery of (allowance for) uncollectible accounts	115,974	(1,307,595)
Total net operating revenues	19,815,209	11,641,057
Operating expenses:		
Salaries and wages	1,296,812	1,219,448
Membership dues and subscriptions	237,785	169,631
Boarding and observer fees	178,712	191,101
PNA administrative fee	143,972	33,448
Depreciation and amortization	135,634	82,958
Travel	126,258	91,702
Utilities	102,298	108,639
Insurance	63,255	52,657
Claim	50,000	-
Rent	44,458	50,245
Communications	41,136	36,537
Repairs and maintenance	40,355	55,435
Petroleum, oil and lubricants	36,290	43,160
Training	33,182	79,709
Contributions	29,642	16,500
Professional fees	23,000	59,000
Supplies	21,457	14,841
Entertainment	12,234	14,543
Advertising	5,125	4,225
Freight	3,483	3,658
Miscellaneous	57,238	51,614
Total operating expenses	2,682,326	2,379,051
Operating income	17,132,883	9,262,006
Nonoperating revenues (expenses), net:		
Equity in earnings of joint venture	1,150,490	2,717,942
Grants	14,000	216,102
Interest income	188,181	184,255
Gain on sale of asset	3,220	-
Contribution to College of Marshall Islands	-	(274,587)
Contributions to Micronesian Challenge	(25,860)	(119,600)
Transfer out to RepMar	(11,549,000)	(6,348,374)
Total nonoperating revenues (expenses), net	(10,218,969)	(3,624,262)
Change in net position	6,913,914	5,637,744
Net position at beginning of year	17,750,108	12,112,364
Net position at end of year	$ 24,664,022	$ 17,750,108

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from customers	$ 16,198,528	$ 10,371,406
Cash payments to suppliers for goods and services	(877,359)	(962,411)
Cash payments to employees for services	(1,296,275)	(1,218,069)
Net cash provided by operating activities	14,024,894	8,190,926
Cash flows from noncapital financing activities:		
Operating grants received	14,000	216,102
Payments made to RepMar and affiliates	(11,549,000)	(6,622,961)
Contributions to Micronesian Challenge	(25,860)	(119,600)
Net cash used for noncapital financing activities	(11,560,860)	(6,526,459)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(94,098)	(133,091)
Cash flows from investing activities:		
Net additions to time certificates of deposit	(1,380,560)	(1,478,985)
Investment in common stock	(980,000)	-
Dividend received from joint venture	3,023,495	-
Interest received on time certificates of deposit	163,584	160,582
Net cash provided by (used for) investing activities	826,519	(1,318,403)
Net change in cash	3,196,455	212,973
Cash at beginning of year	670,433	457,460
Cash at end of year	$ 3,866,888	$ 670,433
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 17,132,883	$ 9,262,006
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	135,634	82,958
Bad debts expense (recovery of bad debts)	(115,974)	1,307,595
Decrease (increase) in assets:		
Receivables:		
Affiliates	(19,691)	397,101
Trade	(1,602,882)	(3,252,814)
Due from PNA Office	(1,910,985)	(411,462)
Due from joint venture	10,026	(75,500)
Other	22,825	765,429
Increase (decrease) in liabilities:		
Accounts payable	331,971	114,789
Payable to affiliates	40,550	(555)
Other liabilities and accruals	537	1,379
Net cash provided by operating activities	$ 14,024,894	$ 8,190,926
Summary of noncash financing activities:		
Income from equity share investment:		
Decrease in investment in joint venture	$ 689,079	$ 1,044,015
Decrease (increase) in receivable from joint venture	1,183,926	(1,673,927)
Dividend income from joint venture	(3,023,495)	(2,088,030)
Equity in earnings of joint venture	1,150,490	2,717,942
	$ -	$ -

See accompanying notes to financial statements.

(1) Organization

The Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands (RepMar), was created under Public Law 1997-60, the Marshall Islands Marine Resources Act of 1997. This legislation repealed Public Law 1988-12, the Marshall Islands Marine Resources Authority Act, 1988, and transferred all assets, liabilities, rights and obligations of the former Marshall Islands Marine Resources Authority (established under Public Law 1988-12) to MIMRA, effective October 2, 1997. MIMRA's principal line of business is to facilitate the sustainable and responsible use of the marine resources in the Marshall Islands. Access to the fishery waters of the Marshall Islands, including transshipment related activities, is granted by MIMRA to foreign and domestic-based fishing vessels through an access agreement, for which certain fees and licenses are levied.

MIMRA is governed by a seven-member Board of Directors, including three members consisting of the Minister of Resources and Development, the Secretary of Foreign Affairs and the Attorney General and four members appointed by the President of RepMar.

MIMRA's financial statements are incorporated into the financial statements of RepMar as a component unit.

(2) Summary of Significant Accounting Policies

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which was subsequently amended by Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and modified by Statement No. 38, *Certain Financial Statement Note Disclosures*, establishes financial reporting standards for governmental entities which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to the requirements of GASB 34, equity is presented in the following net position categories:

- Net investment in capital assets; capital assets, net of accumulated depreciation, plus construction or improvement of those assets.

- Unrestricted; net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statements of net position. Proprietary fund operating statements present increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. MIMRA considers operating revenues to include activities that have the characteristics of exchange transactions, such as (1) fishing rights, Vessel Day Scheme revenues, licensing, transshipment, and other fees, and (2) other local revenues. Revenues and expenses related to other activities are considered to be nonoperating.

(2) Summary of Significant Accounting Policies, Continued

Cash and Time Certificates of Deposit

Custodial credit risk is the risk that in the event of a bank failure, MIMRA'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. MIMRA does not have a deposit policy for custodial credit risk.

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified. As of September 30, 2014 and 2013, the carrying amount of cash and time certificates of deposit were $13,529,689 and $8,952,674, respectively, and the corresponding bank balances were $13,608,088 and $8,969,682, respectively. Of the bank balances, $3,747,929 and $545,609, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of $9,860,159 and $8,424,073, respectively, were maintained in a non-FDIC insured financial institution. As of September 30, 2014 and 2013, bank deposits in the amount of $250,000 were FDIC insured. MIMRA 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.

Receivables

All receivables are uncollateralized and are due from customers, both governmental agencies and businesses, located within the Republic of the Marshall Islands and the Pacific region, including Japan, Korea and Taiwan. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluation of the collectability of these accounts and prior collection experience. The allowance is established through a provision for losses on accounts receivable charged to expense.

Improvements and Equipment

MIMRA has not adopted a formal capitalization policy for improvements and equipment; however, items with a cost that equals or exceeds $1,000 are generally capitalized. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets as follows:

Building improvements	10 years
Equipment improvements	10 years
Vehicles	3 years
Equipment	4 years
Furniture	4 years
Motor boats	6 years

Investments

The investment in stock of an affiliated company is carried at cost. The investment in joint venture is carried at equity.

(2) Summary of Significant Accounting Policies, Continued

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. MIMRA is specifically exempt from this tax.

Revenue Recognition

Fees with respect to services are recognized as the right to consideration accrues through the provision of the service to the customer. Licensing and other fees are recognized as revenue when paid based on the licensing period they pertain to. The Vessel Day Scheme (VDS) is a scheme where vessel owners can purchase and trade days fishing at sea in places subject to the Parties to the Nauru Agreement (PNA). Revenues from the VDS are recognized upon issuance of fishing days transfer notification.

Non-operating revenues and expenses primarily consist of equity earnings in joint venture, investment earnings, grants, and contributions to RepMar.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. As of September 30, 2014 and 2013, the accumulated vacation leave liability totals $42,479 and $54,374, respectively, and is included within the statements of net position as other liabilities and accruals.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Summary of Significant Accounting Policies, Continued

Reclassifications

Certain balances in the 2013 presentation have been reclassified to conform to the 2014 presentation.

New Accounting Standards

During the year ended September 30, 2014, MIMRA implemented the following pronouncements:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 67, *Financial Reporting for Pension Plans,* which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.

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

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

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

(3) Risk Management

MIMRA 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. MIMRA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

(4) Investment in Joint Venture

On May 1, 2005, MIMRA entered into a joint venture agreement with Koo's Fishing Company, Ltd. (KFC) to form the Marshall Islands Fishing Company (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 and KFC's contributed capital at the time was $2,940,000 and $3,060,000, respectively, which represented a 49% and 51% interest, respectively, of the vessel's value of $6,000,000.

The parties agreed that the joint venture will be operated by KFC and MIMRA will not be liable to the joint venture.

A summary of financial information as of and for the years ended December 31, 2014 and 2013, for investees accounted for using the equity method of accounting for investments, are as follows:

	2014	2013
Assets	$ 18,181,823	$ 18,000,783
Liabilities	$ 8,634,103	$ 5,743,748
Net earnings	$ 1,044,906	$ 6,257,035

During the years ended September 30, 2014 and 2013, MIMRA received distributions of $3,023,495 and $2,088,030, respectively, from the joint venture.

(5) Improvements and Equipment

Capital assets activity during the years ended September 30, 2014 and 2013 is as follows:

	2014			
	October 1, 2013	Additions	Disposal	September 30, 2014
Building improvements	$ 176,367	$ -	$ -	$ 176,367
Equipment	335,298	56,109	(1,300)	390,107
Equipment improvements	23,446	3,250	-	26,696
Vehicles	208,590	56,495	(94,600)	170,485
Furniture and fixtures	34,093	1,258	-	35,351
Motor boats	118,002	-	-	118,002
	895,796	117,112	(95,900)	917,008
Less accumulated depreciation	(671,226)	(135,634)	95,900	(710,960)
	224,570	(18,522)	-	206,048
Construction in progress	19,794	(19,794)	-	-
	$ 244,364	$ (38,316)	$ -	$ 206,048

(5) Improvements and Equipment, Continued

	2013			
	October 1, 2012	Additions	Disposal	September 30, 2013
Building improvements	$ 176,367	$ -	$ -	$ 176,367
Equipment	310,374	57,573	(17,966)	335,298
Equipment improvements	23,446	-	-	23,446
Vehicles	211,585	26,000	(28,995)	208,590
Furniture and fixtures	31,754	2,339	-	34,093
Motor boats	90,617	27,385	-	118,002
	844,143	113,297	(61,644)	895,796
Less accumulated depreciation	(649,912)	(82,958)	61,644	(671,226)
	194,231	30,339	-	224,570
Construction in progress	-	19,794	-	19,794
	$ 194,231	$ 50,133	$ -	$ 244,364

(6) Investment in Stock of an Affiliated Entity

On June 9, 2014, MIMRA purchased 49,000 shares of the Marshall Islands National Telecommunications Authority (MINTA), a component unit of RepMar, at $20/share. The investment in MINTA is recorded at cost since MIMRA does not exercise significant influence over the operating and financial policies of the investee. The investment comprises approximately 15% of the outstanding shares of MINTA as of September 30, 2014. No dividend was received from this investment during the year ended September 30, 2014.

(7) Related Party Transactions

MIMRA was created by the Nitijela of RepMar under Public Law 1997-60 and is thus considered a component unit of RepMar. Accordingly, MIMRA is affiliated with all RepMar-owned and affiliated entities, including the Marshall Islands Social Security Administration (MISSA), the Marshall Islands National Telecommunications Authority, the College of Marshall Islands, Tobolar Copra Processing Authority (Tobolar), and the Office of Commerce and Investment (OCI).

MIMRA utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions for the years ended September 30, 2014 and 2013 is as follows:

	2014		
	Expenses	Payables	Receivables
Marshall Islands Social Security Administration	$ 123,984	$ 4,018	$ -
Marshall Islands National Telecommunications Authority	46,226	-	-
Marshalls Energy Company, Inc.	102,483	109,699	-
RepMar	1,230	6,623	-
Tobolar Copra Processing Authority	-	-	75,000
Others	39,188	178	50,000
	$ 313,111	$ 120,518	$ 125,000

(7) Related Party Transactions, Continued

	2013		
	Expenses	Payables	Receivables
Marshall Islands Social Security Administration	$ 98,509	$ 59,380	$ -
Marshall Islands National Telecommunications Authority	36,537	-	-
Marshalls Energy Company, Inc.	109,708	10,963	-
RepMar	9,847	9,625	-
Tobolar Copra Processing Authority	-	-	100,000
Others	10,577	-	5,309
	$ 265,178	$ 79,968	$ 105,309

On September 20, 2000, the Cabinet of RepMar approved the disbursement of funds from MIMRA, totaling $300,000, to MISSA and approved the subsequent reimbursement to MIMRA from RepMar's General Fund. The promissory note issued by RepMar states that payment is due on September 20, 2001 and that 16% and 24%, interest and penalty, respectively, shall apply in the event of nonpayment on the due date. As of September 30, 2013, MIMRA has not been reimbursed for this amount. As a result, $123,288 of interest and penalties has been accrued as of September 30, 2013. On October 16, 2013, the Board approved the write off of total receivable amounting to $423,288.

During the year ended September 30, 2013, MIMRA advanced funds to Tobolar in the amount of $100,000 for the purpose of assisting Tobolar in funding the purchase of copra. The advance is uncollateralized and non-interest bearing and is due and payable by Tobolar from the proceeds of oil sales. As of September 30, 2014, $75,000 remains uncollected and due from Tobolar.

On February 14, 2014, MIMRA advanced funds to OCI in the amount of $100,000 to finance the start-up of operations. The advance is uncollateralized and non-interest bearing and is due and payable by OCI in April 2014. As of September 30, 2014, $50,000 is receivable from OCI.

MIMRA acts as an agent of RepMar for the purposes of collecting and remitting income received from sovereign nations in accordance with various international fishing rights treaties. During the years ended September 30, 2014 and 2013, MIMRA collected $3,383,643 and $2,478,875, respectively, under these treaties.

During the years ended September 30, 2014 and 2013, MIMRA provided cash contributions to RepMar's General Fund of $11,549,000 and $6,000,000, respectively.

MIMRA occupies certain office space and uses properties belonging to RepMar at no cost. No lease agreements have been executed to formalize these arrangements and no rental payments are anticipated. The fair value of these contributions is presently not determinable. Accordingly, the contributed use of facilities has not been recognized as revenue and expenses in the accompanying financial statements.

(8) PNA Office

The PNA was established by eight sovereign nations (Federated States of Micronesia, Marshall Islands, Kiribati, Tuvalu, Solomon Islands, Nauru, Papua New Guinea, and Palau) in 1982. The PNA Office was established as a quasi-governmental organization in Majuro as the Head Office of the PNA and is responsible for administering of the VDS program, including collection of revenues associated with this program. During the years ended September 30, 2014 and 2013, MIMRA recognized revenues under the VDS program of $12,171,596 and $7,746,478, respectively. As of September 30, 2014 and 2013, receivables due from the PNA Office associated with VDS revenues amounted to $2,629,546 and $718,561, respectively. During the years ended September 30, 2014 and 2013, MIMRA incurred administrative fees of $143,972 and $33,448, respectively, associated with administration of the VDS program by the PNA Office.

(9) Commitments

MIMRA has assumed payment obligations under certain ground leases, which were previously obligations of RepMar’s Ministry of Internal Affairs. In addition, MIMRA has assumed the payment obligation under a ground lease, which was previously the obligation of an unrelated party. These ground leases have original terms ranging from five to twenty-five years, expiring in 2010 through 2034.

Total future minimum lease payments for subsequent years ending September 30, are as follows:

Year ending September 30,	
2015	$ 26,183
2016	24,494
2017	21,158
2018	21,158
2019	18,237
2020 - 2024	72,525
2025 - 2029	3,425
2030 - 2034	3,082
	$ 190,262

(10) Subsequent Events

On October 2, 2014, the Cabinet of RepMar authorized and approved $2,000,000 funding from MIMRA for the purchase of Dornier 228-212 by AMI. RepMar will repay the amount in full without interest to MIMRA before September 30, 2015.

On January 15, 2015, the Cabinet of RepMar authorized and approved $1,863,000 funding from MIMRA for payment of RUS loan arrears owed by MINTA. RepMar will repay the amount in full without interest to MIMRA before September 30, 2015.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Marshall Islands Marine Resources Authority:

We have audited, in accordance with the 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, the financial statements of Marshall Islands Marine Resources Authority (MIMRA), which comprise the statement of net position as of September 30, 2014, and the statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MIMRA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MIMRA's internal control. Accordingly, we do not express an opinion on the effectiveness of MIMRA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses. However, significant deficiencies or material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MIMRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2014-001.

MIMRA's Responses to Findings

MIMRA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. MIMRA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of MIMRA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MIMRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte + Touche LLP

July 29, 2015

Local Noncompliance

Finding No. 2014-001

Criteria: 51 MIRC Chapter 1, Marshall Islands Marine Resources Act of 1997, Section 124, states that payment may be made out of the Fund only for: (a) carrying out the powers and functions of the Authority, and in particular but not to restrict the generality of the foregoing; (i) fisheries monitoring, control and surveillance: (ii) training; (iii) research; (iv) fisheries development; (v) such other activities as the Director may designate in accordance with this Title; and (b) the costs and expenses of the Authority, including administration.

Condition: During the year ended September 30, 2014, MIMRA remitted $11,549,000 to RepMar's General Fund. Of this amount, $7,500,000 was authorized and approved by the Nitijela pursuant to Public Law 2013-20 (the FY 2014 Appropriations Act). The remaining amount of $4,049,000 was authorized and approved through Cabinet Minute 062 (2014) for the purpose of funding the following items:

University of South Pacific Majuro Campus	$ 2,000,000
Air Marshall Islands parts	500,000
Ministry of Finance relocation – office space rental	300,000
Ann's Palace renovation	250,000
Ministry of Health operations	225,000
Micronesia Games Pohnpei	205,000
Ministry of Public Works	200,000
Korea Embassy	160,000
President and Cabinet operations	100,000
Marshall Islands Visitors Authority	75,000
Public Safety radio equipment	18,000
Council of Iroij operations	16,000
	$ 4,049,000

In addition, MIMRA's Board of Directors authorized and approved the acquisition of 49,000 shares in the Marshall Islands National Telecommunications Authority (MINTA) at a cost of $980,000. The acquisition cost of $20 per share was not supported by independent valuation or other evidence supporting the reasonableness of the acquisition cost.

Cause: The cause of the above condition is the authorization and approval of payments out of the Fund that may not appear to meet the criteria outlined in Section 124 of the Marshall Islands Marine Resources Act of 1997.

Effect: The effect of the above condition is potential noncompliance with the Marshall Islands Marine Resources Act of 1997.

Recommendation: We recommend that management require that payments out of the Fund meet the criteria outlined in Section 124 of the Marshall Islands Marine Resources Act of 1997.

Local Noncompliance, Continued

Finding No. 2014-001, Continued

Auditee Response and Collective Action Plan:

1. The payment of the additional $4,049,000 from the fund was approved by the MIMRA Board of Directors based on the Cabinet Minute 062 (2014) submitted to MIMRA.

2. On the investment paid out to MINTA, the MIMRA Board of Director has approved a Board Resolution of the acquisition of shares in June 2014.

3. The MIMRA Board discussed and agreed that an amendment to Section 124 of the Act will be pushed, to accommodate the criteria of payment as obligated to the RepMar General Fund.

4. Since the above has been done and finished with, MIMRA would like to say that recommendation will be followed and be complied with in accordance with the criteria outlined in Section 124 of the Marshall Islands Marine Resources Authority Act of 1997.

Unresolved Prior Year Findings
Year Ended September 30, 2014

There were no unresolved audit findings from prior year audits of MIMRA.