

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL PURPOSE FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2000

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2000

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INDEPENDENT AUDITORS' REPORT

His Excellency Kessai Note
President
Republic of the Marshall Islands:

We have audited the accompanying general purpose financial statements of the Republic of the Marshall Islands (RepMar), as set forth in Section II of the foregoing table of contents, as of September 30, 2000, and for the year then ended. These general purpose financial statements are the responsibility of RepMar's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraphs, 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the Marshall Islands Scholarship, Grant and Loan Board, a Fiduciary Fund Type - Expendable Trust Fund, the National Environmental Protection Authority, a Component Unit - Governmental Fund, Air Marshall Islands, Inc., a Component Unit - Proprietary Fund, the Marshall Islands Development Bank, a Component Unit - Proprietary Fund, the Marshall Islands Alternative Energy Company, Inc., a Component Unit - Proprietary Fund, the Marshall Islands Drydock, Inc., a Component Unit - Proprietary Fund, the Marshall Islands Marine Resources Authority, a Component Unit - Proprietary Fund and the College of the Marshall Islands, a University and College Fund Type - Higher Education Fund, which, in our opinion, should be included to conform with accounting principles generally accepted in the United States of America. The entities comprising these material omitted funds were not able to produce financial statements and the effect on the general purpose financial statements is unknown.

Because of inadequacies in the accounting records, we were unable to determine that fixed assets and fund equity of the General Fixed Assets Account Group were fairly stated as of September 30, 2000.

Because of inadequacies in the accounting records, we were unable to determine that receivables from federal agencies were fairly stated for the Governmental Fund Type - Special Revenue Fund as of September 30, 2000. Receivables from federal agencies enters into the determination of revenues and expenditures of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units for the year ended September 30, 2000.

Because of inadequacies in the accounting records and in the internal control over financial reporting, we were unable to form an opinion regarding cash and cash equivalents, receivables, inventories, fixed assets, accounts payable, other liabilities and accruals, and revenues and expenses of the Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR). The financial activities of KAJUR are included in the Component Units - Proprietary Funds and represent 12% and 6% of the assets and operating revenues, respectively, of the Component Units - Proprietary Funds.

In our opinion, except for the effects on the general purpose financial statements of such adjustments, if any, as might have been determined to be necessary had; 1) the propriety of fixed assets and fund equity of the General Fixed Assets Account Group, been determinable; 2) the propriety of receivables from federal agencies of the Governmental Fund Type - Special Revenue Fund and their effect on the determination of revenues and expenditures of the Governmental Fund Type - Special Revenue Fund, been determinable; 3) the propriety of cash and cash equivalents, receivables, inventories, fixed assets, accounts payable, other liabilities and accruals, and revenues and expenses of KAJUR, been determinable, as discussed in the fourth, fifth and sixth paragraphs above, and the omission of the Marshall Islands Scholarship, Grant and Loan Board, the National Environmental Protection Authority, Air Marshall Islands, Inc., the Marshall Islands Development Bank, the Marshall Islands Alternative Energy Company, Inc., the Marshall Islands Drydock, Inc., the Marshall Islands Marine Resources Authority and the College of the Marshall Islands, as discussed in the third paragraph, such general purpose financial statements, as set forth in Section II of the table of contents, with the exception of the General Fixed Assets Account Group upon which we are unable to express an opinion because of the matter set forth in the fourth paragraph above, present fairly, in all material respects, the financial position of RepMar as of September 30, 2000, and the results of its operations and the cash flows of its Fiduciary Fund Types - Nonexpendable Trust Funds and Component Units - Proprietary Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 11 to the general purpose financial statements, the Kwajalein Atoll Development Authority asserts that a former Component Unit - Proprietary Fund has been dissolved and that the loan receivable associated with this former Component Unit - Proprietary Fund, amounting to \$2,588,787 as of September 30, 2000, has been liquidated through transfer of assets. The concurrence of RepMar with this arrangement has not been received. The ultimate collectibility of this loan receivable cannot be presently determined. Accordingly, the accompanying general purpose financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund statements, listed in Section III of the foregoing table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of RepMar. These statements are also the responsibility of the management of RepMar. Such additional information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, except for the effects of the matters described in the fifth and sixth paragraphs above, and the omissions discussed in the third paragraph, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2001, on our consideration of RepMar's (Primary Government only) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche

May 18, 2001
(except for note 15, as to which the date is June 7, 2001)

REPUBLIC OF THE MARSHALL ISLANDS

Combined Balance Sheet - All Fund Types, Account Groups
and Discretely Presented Component Units
September 30, 2000
(With comparative totals as of September 30, 1999)

	Governmental Fund Types				Fiduciary
	General	Special Revenue	Debt Service	Capital Projects	Fund
					Expendable Trust
Assets and Other Debits					
Cash and cash equivalents	\$ 2,785,270	\$ 51,239	\$ 918,524	\$ 1,914,560	\$ 6,636,060
Time certificates of deposit	822,022	-	-	-	550,490
Investments (Note 2)	100,000	300,220	-	11,408,630	96,987,515
Receivables, net (Note 3):					
Taxes	1,455,027	-	-	-	-
Federal agencies	-	1,982,424	-	-	-
General	289,216	-	-	-	2,470,941
Loans	-	-	-	11,129,543	341,006
Other	1,168,994	680,561	-	1,270,267	2,242,845
Due from primary government (Note 4)	-	-	-	-	-
Due from component units (Note 4)	500,000	-	-	1,060,982	646,859
Due from other funds (Note 4)	2,754,432	4,215,419	989	3,116,946	1,801,488
Advances	224,122	123,168	-	470,294	4,718
Inventories	-	-	-	-	-
Prepaid items (Note 5)	-	230,332	-	231,767	1,550
Restricted assets:					
Time certificates of deposit (Note 12)	2,552,793	-	-	-	-
Investment in fixed assets, net (Note 6)	-	-	-	-	-
Other assets	-	-	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-	-	-
Amount available in debt service fund	-	-	-	-	-
	<u>\$ 12,651,876</u>	<u>\$ 7,583,363</u>	<u>\$ 919,513</u>	<u>\$ 30,602,989</u>	<u>\$ 111,683,472</u>
Liabilities, Equity and Other Credits					
Liabilities:					
Bank overdraft	\$ -	\$ 51,400	\$ -	\$ -	\$ 59,467
Accounts payable	740,858	1,490,370	-	1,031,525	699,625
Air traffic liability	-	-	-	-	-
Claims and judgments payable (Note 11)	-	-	-	-	-
Other liabilities and accruals	1,338,652	312,616	-	765,822	1,035,650
Due to primary government (Note 4)	-	-	-	-	-
Due to component units (Note 4)	2,588,741	-	-	-	-
Due to other funds (Note 4)	6,377,890	1,593,085	70,569	1,091,767	2,977,639
Deferred revenue	206,469	-	-	-	-
Escrow agent liability	-	-	-	-	-
Loans payable (Note 7)	-	-	-	-	-
Bonds payable (Note 8)	-	-	-	-	-
Interest payable	-	-	-	-	-
Deposits pledged	200	-	-	-	-
Total liabilities	<u>11,252,810</u>	<u>3,447,471</u>	<u>70,569</u>	<u>2,889,114</u>	<u>4,772,381</u>
Equity (deficit) and other credits:					
Contributed capital (Note 10)	-	-	-	-	-
Investment in general fixed assets (Note 6)	-	-	-	-	-
Retained earnings (deficit):					
Unreserved	-	-	-	-	-
Fund balances (deficit):					
Reserved for:					
Related assets	5,385,276	3,534,671	-	27,382,818	4,877,195
Debt service	-	-	848,944	-	-
Encumbrances	1,971,844	7,474,115	-	483,912	-
Social security benefits	-	-	-	-	33,674,897
Nuclear claims	-	-	-	-	68,621,577
Scholarships	-	61,810	-	-	-
Communications	-	271,512	-	-	-
Health and medical	-	54,416	-	-	904,481
Health and education	-	43,888	-	-	-
Unreserved	(5,958,054)	(7,304,520)	-	(152,855)	(1,167,059)
Total equity (deficit) and other credits	<u>1,399,066</u>	<u>4,135,892</u>	<u>848,944</u>	<u>27,713,875</u>	<u>106,911,091</u>
Contingencies and commitments (Notes 11, 12 and 16)	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 12,651,876</u>	<u>\$ 7,583,363</u>	<u>\$ 919,513</u>	<u>\$ 30,602,989</u>	<u>\$ 111,683,472</u>

REPUBLIC OF THE MARSHALL ISLANDS

Combined Balance Sheet - All Fund Types, Account Groups
and Discretely Presented Component Units
September 30, 2000
(With comparative totals as of September 30, 1999)

Fiduciary Fund Types	Accounts Groups		Total Primary Government (Memorandum Only)	Component Units		Totals Reporting Entity (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt		Governmental	Proprietary	2000	1999
	Nonexpend- able Trust						
\$ -	\$ -	\$ -	\$ 12,305,653	\$ 113,218	\$ 5,628,916	\$ 18,047,787	\$ 21,534,303
-	-	-	1,372,512	-	1,216,897	2,589,409	1,678,890
-	-	-	108,796,365	-	-	108,796,365	80,904,330
-	-	-	1,455,027	-	-	1,455,027	979,478
-	-	-	1,982,424	-	-	1,982,424	2,884,508
-	-	-	2,760,157	-	4,347,279	7,107,436	5,751,746
-	-	-	11,470,549	-	-	11,470,549	10,622,863
-	-	-	5,362,667	-	151,801	5,514,468	3,546,807
-	-	-	-	17,375	1,142,286	1,159,661	1,145,720
-	-	-	2,207,841	-	690,499	2,898,340	2,526,129
221,676	-	-	12,110,950	-	-	12,110,950	8,828,762
-	-	-	822,302	-	-	822,302	258,313
-	-	-	463,649	1,351	2,412,942	2,412,942	3,630,746
-	-	-	-	-	121,016	586,016	1,706,321
-	-	-	2,552,793	-	-	2,552,793	3,793,997
-	39,999,771	-	39,999,771	-	78,267,138	118,266,909	129,353,820
-	-	-	-	-	75,260	75,260	660
-	-	65,827,930	65,827,930	-	-	65,827,930	70,944,842
-	-	848,944	848,944	-	-	848,944	1,189,012
\$ 221,676	\$ 39,999,771	\$ 66,676,874	\$ 270,339,534	\$ 131,944	\$ 94,054,034	\$ 364,525,512	\$ 351,281,247
\$ -	\$ -	\$ -	\$ 110,867	\$ -	\$ 4,174	\$ 115,041	\$ 10,621
219,915	-	-	4,182,293	7,770	5,605,551	9,795,614	9,587,471
-	-	-	-	-	-	-	659,964
-	-	1,079,000	1,079,000	-	-	1,079,000	-
92,962	-	1,128,812	4,674,514	2,500	1,839,404	6,516,418	6,664,269
-	-	-	-	-	4,126,521	4,126,521	3,453,835
-	-	-	2,588,741	-	690,499	3,279,240	1,576,850
-	-	-	12,110,950	-	-	12,110,950	8,828,762
-	-	-	206,469	-	-	206,469	97,635
-	-	-	-	-	-	-	6,078,000
-	-	41,830,010	41,830,010	-	39,882,217	81,712,227	71,131,998
-	-	22,639,052	22,639,052	-	-	22,639,052	38,900,247
-	-	-	-	-	1,752,585	1,752,585	1,156,543
-	-	-	200	-	-	200	200
312,877	-	66,676,874	89,422,096	10,270	53,900,951	143,333,317	148,146,395
-	-	-	-	-	41,046,147	41,046,147	58,785,604
-	39,999,771	-	39,999,771	-	-	39,999,771	46,110,569
-	-	-	-	-	(893,064)	(893,064)	(9,801,877)
-	-	-	41,179,960	-	-	41,179,960	38,917,083
-	-	-	848,944	-	-	848,944	1,189,012
-	-	-	9,929,871	-	-	9,929,871	2,062,928
-	-	-	33,674,897	-	-	33,674,897	-
-	-	-	68,621,577	-	-	68,621,577	72,640,412
-	-	-	61,810	-	-	61,810	57,210
-	-	-	271,512	-	-	271,512	192,583
-	-	-	958,897	-	-	958,897	82,093
-	-	-	43,888	-	-	43,888	338,502
(91,201)	-	-	(14,673,689)	121,674	-	(14,552,015)	(7,439,267)
(91,201)	39,999,771	-	180,917,438	121,674	40,153,083	221,192,195	203,134,852
\$ 221,676	\$ 39,999,771	\$ 66,676,874	\$ 270,339,534	\$ 131,944	\$ 94,054,034	\$ 364,525,512	\$ 351,281,247

See accompanying notes to general purpose financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types, Expendable Trust Funds
and Discretely Presented Component Units
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Governmental Fund Types				Fiduciary	Total	Component	Totals	
	General	Special Revenue	Debt Service	Capital Projects	Fund Type	Primary	Units	Reporting Entity	
					Expendable Trust	(Memorandum Only)	Governmental	(Memorandum Only)	
								2000	1999
Revenues:									
Compact funding	\$ 1,442,900	\$ 6,629,000	\$ -	\$ 23,024,100	\$ 8,460,400	\$ 39,556,400	\$ -	\$ 39,556,400	\$ 39,342,400
Net increase (decrease) in the fair value of investments	-	-	(21,676)	-	18,559,037	18,537,361	-	18,537,361	15,067,507
Taxes	17,038,253	-	-	-	-	17,038,253	-	17,038,253	16,850,486
Contributions	-	-	-	-	11,032,444	11,032,444	-	11,032,444	-
Federal grants	-	8,271,795	-	-	-	8,271,795	-	8,271,795	7,868,435
Fishing rights	3,655,164	-	-	-	-	3,655,164	-	3,655,164	2,310,071
Interest and dividends	506,986	-	-	-	924,053	1,431,039	644	1,431,683	594,702
Fees and charges	347,946	556,858	-	-	-	904,804	-	904,804	2,077,106
Sales	-	171,293	-	-	-	171,293	-	171,293	184,008
Other local	121,847	-	-	-	-	121,847	-	121,847	9,067
Other	4,938,522	7,336,346	-	29,321	79,741	12,383,930	21,172	12,405,102	6,126,238
Total revenues	28,051,618	22,965,292	(21,676)	23,053,421	39,055,675	113,104,330	21,816	113,126,146	90,430,020
Expenditures:									
Ministries and offices	17,956,961	20,222,619	-	-	-	38,179,580	-	38,179,580	30,449,561
Principal retirement (Notes 7 and 8)	-	-	16,700,714	-	-	16,700,714	-	16,700,714	19,920,131
Local government distributions	-	-	-	-	12,561,203	12,561,203	-	12,561,203	12,431,824
Land use distributions	-	-	-	-	8,457,018	8,457,018	-	8,457,018	8,411,442
Social security benefit payments	-	-	-	-	7,657,881	7,657,881	-	7,657,881	-
Health care payments	-	-	-	-	7,036,730	7,036,730	-	7,036,730	-
Capital projects	-	-	-	6,813,907	-	6,813,907	-	6,813,907	4,634,939
Special appropriations	4,956,027	-	-	-	-	4,956,027	-	4,956,027	4,515,631
Nuclear claims payments	-	-	-	-	3,551,498	3,551,498	-	3,551,498	3,754,986
Interest	-	-	1,761,995	-	-	1,761,995	-	1,761,995	4,181,369
President and cabinet	1,691,239	11,009	-	-	-	1,702,248	-	1,702,248	1,949,383
Nitijela	1,217,065	-	-	-	-	1,217,065	-	1,217,065	1,359,416
Commissions and authorities	868,608	-	-	-	-	868,608	-	868,608	735,770
Council of Iroij	396,764	-	-	-	-	396,764	-	396,764	366,919
Judiciary	-	36,346	-	-	-	36,346	-	36,346	284,329
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	5,535,470
Other	716,958	-	-	-	5,731,271	6,448,229	348,263	6,796,492	3,952,114
Total expenditures	27,803,622	20,269,974	18,462,709	6,813,907	44,995,601	118,345,813	348,263	118,694,076	102,483,284
Excess (deficiency) of revenues over (under) expenditures	247,996	2,695,318	(18,484,385)	16,239,514	(5,939,926)	(5,241,483)	(326,447)	(5,567,930)	(12,053,264)
Other financing sources (uses):									
Loan proceeds (Note 7)	1,800,000	-	-	9,264,636	-	11,064,636	-	11,064,636	3,305,803
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	11,650,312
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(17,225,401)
Operating transfers in (Note 9)	120,000	4,468,134	18,144,317	18,737,737	12,233,393	53,703,581	273,625	53,977,206	79,028,826
Operating transfers out (Note 9)	(9,642,587)	(5,115,740)	-	(35,113,880)	(9,521,820)	(59,394,027)	-	(59,394,027)	(86,954,063)
Total other financing sources (uses), net	(7,722,587)	(647,606)	18,144,317	(7,111,507)	2,711,573	5,374,190	273,625	5,647,815	(10,194,523)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(7,474,591)	2,047,712	(340,068)	9,128,007	(3,228,353)	132,707	(52,822)	79,885	(22,247,787)
Fund balances at beginning of year (Note 13)	8,873,657	2,088,180	1,189,012	18,585,868	110,139,444	140,876,161	174,496	141,050,657	130,379,544
Fund balances at end of year	\$ 1,399,066	\$ 4,135,892	\$ 848,944	\$ 27,713,875	\$106,911,091	\$ 141,008,868	\$ 121,674	\$ 141,130,542	\$ 108,131,757

See accompanying notes to general purpose financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Revenues, Expenditures and Changes in
Fund Balance (Deficit) - Budget and Actual - General Fund
Year Ended September 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 15,770,000	\$ 17,038,253	\$ 1,268,253
Fishing rights	3,000,000	3,655,164	655,164
Compact funding	1,344,084	1,442,900	98,816
Interest and dividends	600,000	506,986	(93,014)
Fees and charges	300,000	347,946	47,946
Other local	-	121,847	121,847
Other	5,216,365	4,938,522	(277,843)
Total revenues	<u>26,230,449</u>	<u>28,051,618</u>	<u>1,821,169</u>
Expenditures:			
Ministries and offices	16,484,480	18,266,169	(1,781,689)
Special appropriations	9,363,150	5,142,592	4,220,558
President and cabinet	1,653,380	1,856,097	(202,717)
Nitijela	1,405,346	1,254,388	150,958
Commissions and authorities	866,577	903,375	(36,798)
Council of Iroij	367,370	400,364	(32,994)
Other	157,462	724,469	(567,007)
Total expenditures	<u>30,297,765</u>	<u>28,547,454</u>	<u>1,750,311</u>
Deficiency of revenues under expenditures	<u>(4,067,316)</u>	<u>(495,836)</u>	<u>3,571,480</u>
Other financing sources (uses):			
Loan proceeds (Note 7)	8,000,000	1,800,000	(6,200,000)
Sale of general fixed assets	5,000,000	-	(5,000,000)
Operating transfers in (Note 9)	-	120,000	120,000
Operating transfers out (Note 9)	(8,932,684)	(9,902,587)	(969,903)
Total other financing sources (uses), net	<u>4,067,316</u>	<u>(7,982,587)</u>	<u>(12,049,903)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	-	(8,478,423)	(8,478,423)
Other changes in unreserved fund balance:			
Decrease in reserve for related assets	-	1,900,438	1,900,438
Unreserved fund balance at beginning of year	619,931	619,931	-
Unreserved fund balance (deficit) at end of year	<u>\$ 619,931</u>	<u>\$ (5,958,054)</u>	<u>\$ (6,577,985)</u>

See accompanying notes to general purpose financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Combined Statement of Revenues, Expenses and Changes in
Fund Equity (Deficiency) - All Nonexpendable Trust Funds
and Discretely Presented Component Units
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Fiduciary	Total	Component Units Proprietary	Totals	
	Fund Type	Primary Government (Memorandum Only)		Reporting Entity (Memorandum Only)	
	Nonexpend- able Trust			2000	1999
Operating revenues:					
Services	\$ -	\$ -	\$ 19,411,516	\$ 19,411,516	\$ 22,685,870
Sales	-	-	9,467,269	9,467,269	4,892,323
Other	-	-	1,377,751	1,377,751	664,565
Total operating revenues	-	-	30,256,536	30,256,536	28,242,758
Operating expenses:					
Cost of goods sold	-	-	9,922,987	9,922,987	4,688,640
Depreciation and amortization	-	-	5,425,710	5,425,710	6,374,518
Fuel and lubricants	-	-	5,120,340	5,120,340	3,642,014
Salaries, wages and benefits	-	-	3,415,135	3,415,135	3,072,276
Plant expenses	-	-	1,950,533	1,950,533	1,620,569
Repairs and supplies	-	-	1,714,437	1,714,437	1,602,653
Corporate operations	-	-	1,270,495	1,270,495	1,857,697
Health care payments	-	-	911,283	911,283	-
Bad debts	-	-	834,904	834,904	1,324,517
Customer operations	-	-	630,949	630,949	679,793
Insurance	-	-	246,864	246,864	252,696
Maintenance	-	-	177,057	177,057	2,084,379
Professional fees	-	-	172,908	172,908	88,723
Travel	-	-	133,584	133,584	116,923
Reservation and sales	-	-	114,595	114,595	854,761
Office supplies	-	-	108,629	108,629	122,310
Flight operations	-	-	-	-	1,335,281
Aircraft and traffic handling	-	-	-	-	648,089
Miscellaneous	-	-	1,840,196	1,840,196	969,002
Total operating expenses	-	-	33,990,606	33,990,606	31,334,841
Operating loss	-	-	(3,734,070)	(3,734,070)	(3,092,083)
Nonoperating revenues (expense):					
Net increase in the fair value of investments	-	-	-	-	1,452,782
Interest expense	-	-	(2,073,384)	(2,073,384)	(1,430,115)
Miscellaneous, net	-	-	399,033	399,033	318,490
Total nonoperating revenues (expense), net	-	-	(1,674,351)	(1,674,351)	341,157
Loss before other financing sources	-	-	(5,408,421)	(5,408,421)	(2,750,926)
Other financing sources:					
Operating transfers in (Note 9)	-	-	2,854,094	2,854,094	1,368,348
Total other financing sources	-	-	2,854,094	2,854,094	1,368,348
	-	-	(2,554,327)	(2,554,327)	(1,382,578)
Add depreciation on fixed assets acquired by capital grants that reduces contributed capital from capital grants	-	-	1,457,867	1,457,867	1,862,384
Net (loss) income	-	-	(1,096,460)	(1,096,460)	479,806
Retained earnings (deficit) at beginning of year (Note 13)	(91,201)	(91,201)	203,396	112,195	(10,372,884)
Retained earnings (deficit) at end of year	(91,201)	(91,201)	(893,064)	(984,265)	(9,893,078)
Contributed capital at beginning of year (Note 13)	-	-	36,050,206	36,050,206	59,424,312
Additions (Note 10)	-	-	6,453,808	6,453,808	1,893,676
Reductions (Note 10)	-	-	(1,457,867)	(1,457,867)	(2,532,384)
Contributed capital at end of year	-	-	41,046,147	41,046,147	58,785,604
Fund equity (deficiency) at end of year	\$ (91,201)	\$ (91,201)	\$ 40,153,083	\$ 40,061,882	\$ 48,892,526

See accompanying notes to general purpose financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Combined Statement of Cash Flows
All Nonexpendable Trust Funds and Discretely Presented Component Units
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Fiduciary	Total	Component	Totals	
	Fund Type	Primary	Units	Reporting Entity	
	Nonexpendable Trust	Government (Memorandum Only)	Proprietary	2000	1999
Cash flows from operating activities:					
Operating loss	\$ -	\$ -	\$ (3,734,070)	\$ (3,734,070)	\$ (3,092,083)
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Gain on disposal of fixed assets	-	-	(2,750)	(2,750)	-
Depreciation and amortization	-	-	5,425,710	5,425,710	6,374,518
Bad debts	-	-	834,904	834,904	1,324,517
(Increase) decrease in assets:					
General receivables	-	-	(617,416)	(617,416)	(1,023,895)
Loans receivable	-	-	-	-	18,608
Other receivables	-	-	141,015	141,015	(205,282)
Due from primary government	-	-	(85,881)	(85,881)	(199,620)
Due from component units	-	-	(259,369)	(259,369)	25,267
Inventories	-	-	243,219	243,219	(430,799)
Prepaid items	-	-	49,649	49,649	(126,764)
Other assets	-	-	47,669	47,669	-
Increase (decrease) in liabilities:					
Accounts payable	-	-	958,763	958,763	896,713
Air traffic liability	-	-	-	-	47,610
Due to primary government	-	-	57,348	57,348	424,593
Due to component units	-	-	261,130	261,130	(75,305)
Other liabilities and accruals	-	-	109,956	109,956	(116,638)
Net cash provided by operating activities	-	-	3,429,877	3,429,877	3,841,440
Cash flows from noncapital financing activities:					
Bank overdraft	-	-	(6,447)	(6,447)	(143,195)
Operating transfers in (Note 9)	-	-	1,862,132	1,862,132	1,231,000
Advance from primary government	-	-	-	-	500,000
Interest paid	-	-	(108,185)	(108,185)	(208,284)
Net repayment of loans payable	-	-	(50,734)	(50,734)	(331,840)
Other	-	-	586,207	586,207	-
Net cash provided by noncapital financing activities	-	-	2,282,973	2,282,973	1,047,681
Cash flows from capital and related financing activities:					
Proceeds from sale of fixed assets	-	-	15,778	15,778	885,566
Proceeds from loans payable	-	-	2,443,895	2,443,895	4,030,950
Acquisition of fixed assets	-	-	(6,054,230)	(6,054,230)	(10,102,440)
Capital contributions (Note 10)	-	-	1,287,419	1,287,419	1,893,676
Advance from primary government	-	-	-	-	500,000
Repayment of debt	-	-	(875,640)	(875,640)	(2,732,956)
Interest paid	-	-	(1,483,206)	(1,483,206)	(1,137,451)
Other	-	-	(75,000)	(75,000)	(495,437)
Net cash used for capital and related financing activities	-	-	(4,740,984)	(4,740,984)	(7,158,092)
Cash flows from investing activities:					
Net (purchases) proceeds from investments	-	-	140,339	140,339	(398,683)
Interest income	-	-	221,258	221,258	281,314
Net cash provided by (used for) investing activities	-	-	361,597	361,597	(117,369)
Net increase (decrease) in cash and cash equivalents	-	-	1,333,463	1,333,463	(2,386,340)
Cash and cash equivalents at beginning of year	-	-	4,295,453	4,295,453	7,420,570
Cash and cash equivalents at end of year	\$ -	\$ -	\$ 5,628,916	\$ 5,628,916	\$ 5,034,230
Noncash items:					
Interest payable:					
Noncash increase in interest expense	\$ -	\$ -	\$ 569,974	\$ 569,974	\$ 47,442
Noncash increase in construction work in progress	-	-	-	-	417,639
Noncash increase in interest payable	-	-	(569,974)	(569,974)	(465,081)
Retention payable:					
Noncash increase in construction work in progress	\$ -	\$ -	\$ 38,289	\$ 38,289	\$ 41,530
Noncash increase in retention payable	-	-	(38,289)	(38,289)	(41,530)
Sale/transfer of fixed assets (Note 10):					
Noncash increase (decrease) in fixed assets	\$ -	\$ -	\$ 5,166,389	\$ 5,166,389	\$ (670,000)
Noncash (increase) decrease in contributed capital	-	-	(5,166,389)	(5,166,389)	670,000
Transfer of completed project to fixed assets:					
Electric plant in service	\$ -	\$ -	\$ 13,007,418	\$ 13,007,418	\$ 131,600
Construction work in progress	-	-	(13,007,418)	(13,007,418)	(131,600)
Write-off of fixed assets:					
Fixed assets	\$ -	\$ -	\$ 67,522	\$ 67,522	\$ 57,763
Accumulated depreciation and amortization	-	-	(67,522)	(67,522)	(57,763)
Forgiveness of taxes:					
Noncash decrease in due to primary government	\$ -	\$ -	\$ -	\$ -	\$ 137,348
Noncash increase in operating transfers in	-	-	-	-	(137,348)
Forgiveness of liabilities under management contract (Note 12):					
Noncash increase in operating transfers in	\$ -	\$ -	\$ 1,133,333	\$ 1,133,333	\$ -
Noncash decrease in loans payable	-	-	(581,418)	(581,418)	-
Noncash decrease in other liabilities and accruals	-	-	(551,915)	(551,915)	-

See accompanying notes to general purpose financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies

The accompanying general purpose financial statements of the Republic of the Marshall Islands (RepMar) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to government units. 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 which 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, account groups, 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 general purpose financial statements to be misleading or incomplete. As required by GAAP, these general purpose financial statements present the Republic of the Marshall Islands (the primary government) and its component units. 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. 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 general purpose financial statements to be misleading or incomplete. Each blended and discretely presented component unit has a September 30 year end except for the Four Atoll Medical Fund, which has a March 31 eighteen month period end.

1. Blended Component Units

The following Component Units are blended within the Primary Government:

Health Care Revenue Fund - (A Special Revenue Fund). This fund was established within the Ministry of Health and Environment to control the expenditure of funds for health care related services.

Marshall Islands Development Authority - (A Debt Service Fund and a Capital Projects Fund). This corporation was established to develop and implement programs and projects to aid the betterment of the inhabitants of the Republic.

Kwajalein Atoll Development Authority - (A Debt Service Fund and a Capital Projects Fund). This corporation was established to develop and implement programs and projects to aid the betterment of inhabitants of Kwajalein Atoll.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

1. Blended Component Units, Continued

Nuclear Claims Trust Fund - (An Expendable Trust Fund). This fund was established to account for United States Congress appropriations under United States Public Law 99-239, Compact of Free Association, Section 177(c).

Four Atoll Medical Fund - (An Expendable Trust Fund). This fund accounts for transactions from the distribution of annual proceeds from the Nuclear Claims Trust Fund.

Nuclear Claims Tribunal - (An Expendable Trust Fund). The Tribunal was established to render final determination upon claims arising as a result of the Nuclear Testing Program, and disputes arising from distributions made under the (Compact of Free Association) Section 177 Agreement.

Marshall Islands Social Security Administration (MISSA) - (An Expendable Trust Fund). This fund was established to provide a financially sound security system with pension benefits and early retirement and to provide a financially sound health fund to provide an orderly means to finance and deliver comprehensive medical care.

2. Discretely Presented Component Units

The Component Units columns of the combined financial statements include the financial data of the following entities:

Marshall Islands Visitors Authority - (A Governmental Fund). This entity engages in the development and promotion of the natural, scenic, cultural, historical and recreation attractions of the Republic.

Marshall Islands Airports Authority - (A Proprietary Fund). This entity engages in the operations, maintenance and improvement of airport facilities in the Marshall Islands.

Tobolar Copra Processing Plant, Inc. - (A Proprietary Fund). This corporation engages in the production, processing and marketing of copra and copra by-products.

Majuro Water and Sewer Company, Inc. - (A Proprietary Fund). This corporation engages in the operation of the Majuro Atoll water and sewer system.

Marshalls Energy Company, Inc. - (A Proprietary Fund). This corporation engages in the business of generating and transmitting electricity, and the import and marketing of petroleum products.

Marshall Islands National Telecommunications Authority - (A Proprietary Fund). This entity engages in the business of providing local and international telecommunication services.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

Kwajalein Atoll Joint Utilities Resources, Inc. - (A Proprietary Fund). This corporation was established to engage in the business of generating and distributing utility services on the island of Ebeye.

KADA Housing Division - (A Proprietary Fund). This fund accounts for all assets and financial transactions related to KADA's activities with respect to providing rental properties on the island of Ebeye.

Majuro Resort, Inc. - (A Proprietary Fund). This corporation was established to operate a 150 room hotel on Majuro Atoll.

Marshall Islands Ports Authority - (A Proprietary Fund). This entity engages in the operations, maintenance, and improvement of all ports within the Republic.

MISSA Supplemental Health Benefits Plan - (A Proprietary Fund). This fund accounts for the operations of the MISSA Health Fund.

Complete financial statements of the individual component units can be obtained directly from the Office of the Auditor-General:

P.O. Box 245
Majuro, Marshall Islands 96960

3. Omitted Component Units

Marshall Islands Scholarship, Grant and Loan Board - (An Expendable Trust Fund). This fund was established to account for all disbursements of scholarship funds.

National Environmental Protection Authority - (A Governmental Fund). This corporation was established for the preservation and improvement of the environment.

Air Marshall Islands, Inc. - (A Proprietary Fund). This corporation was established to provide transportation services for domestic and international passengers and cargo.

Marshall Islands Development Bank - (A Proprietary Fund). This corporation was established to promote the development and expansion of the economy.

Marshall Islands Marine Resources Authority - (A Proprietary Fund). This corporation was established to protect the natural resources within the waters of the Marshall Islands.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

3. Omitted Component Units, Continued

Marshall Islands Alternative Energy Company, Inc. - (A Proprietary Fund). This fund was established to provide alternative energy services to residents of the Republic.

Marshall Islands Drydock, Inc. - (A Proprietary Fund). This fund was established to engage in the operation of a drydock on Majuro Atoll.

College of the Marshall Islands - (A Higher Education Fund). This entity serves as the state education agency for higher education within the Republic.

B. Measurement Focus and Basis of Accounting

RepMar uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain RepMar functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

In the accompanying general purpose financial statements, RepMar's funds are classified into three categories: governmental, fiduciary and proprietary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds) and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the primary government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Hospital functions, which could be accounted for as a separate component unit, are commingled with the General Fund. No other functions, which could be accounted for as a separate component unit have come to management's attention.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

B. Measurement Focus and Basis of Accounting, Continued

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within RepMar. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not RepMar is under an obligation to maintain the trust principal.

C. Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. For all proprietary funds and component units that use proprietary fund accounting, RepMar applies GASB Statement No. 20, unless FASB pronouncements conflict with or contradict GASB pronouncements, and has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The modified accrual basis of accounting is used by all governmental fund types and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. RepMar considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accrual basis of accounting is utilized by proprietary funds and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

D. Budgetary Information

Accounting principles used in developing data on a budgetary basis differ from those used in preparing general purpose financial statements in conformity with GAAP. Amounts included on the Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual - General Fund (which are presented on a non-GAAP budgetary basis) are reconciled to unreserved fund balance (deficit) of the Combined Balance Sheet within the other changes in unreserved fund balance section of that statement. Annual appropriated budgets are adopted for the General Fund.

The Secretary of Finance and the Chief Budget Officer present to the Cabinet, prior to September 30, proposed budget estimates for the fiscal year commencing October 1. The budget estimates include the overall and total proposed expenditures of RepMar and the means of financing those expenditures. The Cabinet reviews and approves these estimates making changes as it deems appropriate. The Appropriation Committee of the Nitijela, during the second sitting of the regular session of the Nitijela, holds public hearings at which time Ministries and Offices are required to justify their budget estimates. During the second sitting of the Nitijela, an appropriation bill, as required by the Constitution, is introduced and budget estimates are then legally enacted by the Nitijela.

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 Special Revenue Funds. Accordingly, a budget to actual presentation for Special Revenue Funds is not required or presented.

During the year ended September 30, 2000, the Nitijela adopted one supplemental appropriation increasing the General Fund budget by \$11,000,000.

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.

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 held in demand accounts as well as short-term investments 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 ninety days are separately classified on the combined balance sheet.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

E. Cash and Cash Equivalents and Time Certificates of Deposit, Continued

As of September 30, 2000, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit were \$16,230,958 and the corresponding bank balances were \$15,587,493. Of the bank balance amounts, \$3,302,246 are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2000, bank deposits in the amount of \$459,942 were FDIC insured. RepMar does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

As of September 30, 2000, the carrying amount of the discretely presented component unit's total cash and cash equivalents and time certificates of deposit were \$6,959,031 and the corresponding bank balances were \$7,380,748. Of the bank balance amounts, \$3,923,727 are maintained in financial institutions subject to FDIC insurance. As of September 30, 2000, bank deposits in the amount of \$703,609 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

F. Investments

Investments are carried at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties.

RepMar applies the equity method of accounting to investments in common stock where RepMar's investment in the voting stock gives it the ability to exercise significant influence over operating and financial policies of the respective investees.

G. Receivables

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". The receivables of the discretely presented component units are amounts that have arisen in the normal course of operations.

H. 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 combined 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".

I. Inventories

Inventories of Component Units - Proprietary Funds are valued at the lower of cost (FIFO) or market.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

J. Prepaid Items

Payments made to vendors or persons for services that will benefit periods beyond September 30, 2000, are recorded as prepaid items.

K. Restricted Assets

Certain assets of the primary government are classified as restricted assets because their use is completely restricted through loan agreements. Specifically, RepMar has collateralized a loan payable of the primary government to the Marshall Islands Development Bank (a Component Unit - Proprietary Fund) with a time certificate of deposit of \$434,026. In addition, RepMar has collateralized a loan payable for a third party with a time certificate of deposit of \$2,118,767.

L. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds.

RepMar has not updated records of its property, plant and equipment used in governmental fund type operations (general fixed assets), including roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems for fiscal year 2000. Depreciation on the General Fixed Assets Account Group has not been recorded for the year ended September 30, 2000.

Depreciation, when assessed, is usually charged as a reduction in the investment in general fixed assets and an increase in accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets through use of the straight-line method. However, because of RepMar's efforts in establishing the General Fixed Assets Account Group, depreciation has not been charged during the year ended September 30, 2000. The estimated useful lives of these assets are as follows:

Buildings	25 - 50 years
Improvements	10 - 20 years
Furniture and fixtures	3 - 10 years
Ships	25 years
Over-the-road vehicles	3 years

Property, plant and equipment acquired and maintained by the Component Units - Proprietary Funds are valued at historical cost. Property, plant and equipment donated to these Component Units - Proprietary Funds are recorded at their estimated fair value at the date of donation. Property, plant and equipment are depreciated in the Component Unit - Proprietary Funds using the straight-line method over their estimated useful lives of 2 to 20 years. During the year ended September 30, 2000, the Marshall Islands National Telecommunications Authority (a Component Unit - Proprietary Fund) reassessed the estimated useful lives of its property, plant and equipment. The effect of this change in accounting estimate is a decrease in depreciation and amortization expense of approximately \$314,774 for the year ended September 30, 2000.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

L. Fixed Assets, Continued

Component Units - Proprietary Funds capitalize interest expense, where applicable, in order to recognize all costs associated with construction projects based on their respective weighted average borrowing rates. During the year ended September 30, 2000, \$280,288 of eligible interest expense was capitalized.

M. Long-Term Obligations

RepMar reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Because of its spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

For governmental fund types, bond issuance costs are recognized during the current period. Bond proceeds are reported as an other financing source. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures in the Capital Projects Fund.

N. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. The liability as of September 30, 2000, is \$1,128,812. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and a fund liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The accumulated estimated amount of unused sick leave as of September 30, 2000, is \$5,063,904.

Annual leave accumulates at the rate of one working day per bi-weekly pay period.

O. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or capital contributions. Reserves represent those portions of fund equity not appropriate for expenditure or which are legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

O. Fund Equity, Continued

The reserve for related assets as of September 30, 2000, is represented by the following assets:

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fund Type</u> <u>Expendable Trust</u>	
Cash and cash equivalents	\$ 316,539	\$ -	\$ 1,840,000	\$ -	\$ 2,156,539
Investments	100,000	300,220	11,408,630	2,824,086	14,632,936
Receivables, net:					
Loans receivable	-	-	11,129,543	-	11,129,543
Other	601,044	26,480	1,241,767	1,045,621	2,914,912
Due from component units	500,000	-	1,060,982	571,550	2,132,532
Due from other funds	1,090,778	2,977,639	-	435,938	4,504,355
Advances	224,122	-	470,129	-	694,251
Prepaid items	-	230,332	231,767	-	462,099
Restricted assets	<u>2,552,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,552,793</u>
	<u>\$ 5,385,276</u>	<u>\$ 3,534,671</u>	<u>\$ 27,382,818</u>	<u>\$ 4,877,195</u>	<u>\$ 41,179,960</u>

P. Interfund Transactions

The majority of RepMar's financial operations are centrally administered, and this administration is facilitated by the use of a "pooled" cash account; for practical purposes, all cash is maintained in a single bank account which is considered to be an asset of RepMar's General Fund. As a result of this cash pooling practice, cash transactions normally include entries which adjust the relative balances of affected funds' interfund asset/liability accounts; each fund's interfund balance, therefore, represents a net interest in RepMar's actual cash. The General Fund receives the full benefit of all interest income earned from the investment of pooled cash resources.

Operating appropriations/subsidies are accounted for as operating transfers or resources between funds.

For all funds, the combining balance sheets separately classify interfund activity with the General Fund.

Q. Future Liabilities and Contributions

No recognition is given in the accompanying general purpose financial statements to the present value of liabilities of prospective social security benefit payments or the present value of future contributions required from employees or employers.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

R. Contributions

Contributions to the Expendable Trust Funds for the Marshall Islands Social Security Administration (MISSA) Retirement Fund are governed by the Social Security Act of 1990, as amended, which imposes a tax on the quarterly income of every employee not currently subject to the United States Social Security System or any other recognized Social Security System. There is imposed on the income of every employee a tax equal to the following percentages of wages received:

- a) With respect to wages paid from July 1, 1995 through June 30, 2000, the rate shall be six percent.
- b) With respect to wages paid from July 1, 2000 and thereafter, the rate shall be seven percent (see Note 15).

On October 3, 1996, the Nitijela of RepMar passed Public Law 1996-27, the Social Security (Amendment) Act of 1996, to provide that the one percent (1%) increase in contributions from employers and employees, which went into effect on July 1, 1995 for the MISSA Retirement Fund, shall be transferred to the MISSA Health Fund.

Maximum quarterly taxable wages are \$5,000. Every employer is required to contribute an amount equal to that contributed by employees.

Contributions to the Expendable Trust Funds for the MISSA Health Fund are governed by the Social Security Health Fund Act of 1991, as amended, which imposes a tax on the quarterly income of every employee equal to two and one-half percent of wages received. The maximum quarterly taxable wages is \$5,000. Every employer is required to contribute an amount equal to that contributed by employees.

S. Benefit Payments

Retirement benefits of the MISSA Retirement Fund are paid to every person who is a service insured or a fully insured individual as defined by the Social Security Act of 1990, as amended, has attained an age of sixty years and has filed an application for old age insurance benefits. Benefits are also paid to surviving spouses of deceased workers, subject to eligibility requirements, as long as they do not remarry or work. Eligible children who are not married and are not working may also receive benefits until age eighteen (18) or up until age twenty-two (22), if in school. Eligible children who become disabled before age twenty-two will continue to receive benefits for the duration of the disability. Disability benefits are paid to qualified workers for the duration of the disability or until retirement or death, at which time retirement or survivor benefits become available.

Effective October 1, 1990, benefits are paid monthly and are computed as follows:

- a) Pension element - two percent of index covered earnings, plus;

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

S. Benefit Payments, Continued

- b) Social element - 14.5% of the first \$11,000 of cumulative covered earnings plus 0.7% of cumulative covered earnings in excess of \$11,000 but not in excess of \$44,000. The \$11,000 and \$44,000 bendpoints may be increased from time to time by wage index adjustments granted by the Board of MISSA.

The minimum benefit is \$129 per month, effective October 1, 1995.

The Reduction-in-Force (RIF) benefits are paid to those laid-off civil service employees during the downsizing process of RepMar through the Public Sector Reform Program. The monthly benefit payments are paid out on the basis of the current benefit rules of MISSA, as if the employee were aged fifty-five and "service insured", for a maximum period of three years, or for as long as the funds are available.

Health care benefits of the MISSA Health Fund are paid to approved health care facilities according to the schedule of benefits. Benefit payments are paid according to the following:

Basic Health Benefits Plan:

- a) Health care obtained within the Republic of the Marshall Islands at an approved health care facility. The plan pays according to the schedule of benefits without a deductible or maximum limit.
- b) Health care obtained outside of the Republic of the Marshall Islands as approved off-island medical referral at an approved health care facility. The plan pays according to the schedule of benefits up to an annual maximum of \$100,000 per covered person.
- c) Health care obtained outside of the Republic of the Marshall Islands as emergency off-island medical care when traveling for 30 days or less. The plan pays accordingly to the schedule of benefits up to a maximum of \$1,000 after a \$100 deductible per incident.

Supplemental Health Benefits Plan:

- a) Health care obtained outside of the Republic of the Marshall Islands as self-referral to an approved health care facility. The plan pays according to the schedule of benefits up to an annual maximum of \$100,000 per covered person after a \$100 deductible for visits within a one year period. The co-insurance rate is 90%.

On September 28, 2000, the Board of Directors of MISSA approved a restructuring of the Supplemental Health Benefits Plan, which will take effect on January 1, 2001. The co-insurance rate will decrease from 90% to 80%, and the deductible per calendar year will increase from \$100 to \$200.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

T. Memorandum Only-Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with GAAP. Interfund eliminations have not been made in the aggregation of this data.

U. Estimates

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

(2) Investments

GASB Statement No. 3 requires government entities to categorize investments to give an indication of the level of credit risk assumed by the entity at year end. The three categories are described below:

- Category 1 Insured or registered, or securities held by RepMar or its agent in RepMar's name;
- Category 2 Uninsured and unregistered, with securities held by the broker's or dealer's trust department or agent in RepMar's name; or
- Category 3 Uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent but not in RepMar's name.

A. General Fund

Investments of the General Fund as of September 30, 2000, are as follows:

	<u>Categories</u>			<u>Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Marshalls Energy Company, Inc. (MEC)	\$ 75,000	\$ -	\$ -	\$ 75,000
Majuro Resort, Inc. (MRI)	25,000	-	-	25,000
Air Marshall Islands, Inc. (AMI)	-	-	-	-
	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(2) Investments, Continued

A. General Fund, Continued

The General Fund of RepMar holds a 100% interest in MEC (a Component Unit - Proprietary Fund); a 0.2% interest in MRI (a Component Unit - Proprietary Fund); and a 22% interest in AMI (a Component Unit - Proprietary Fund). Fair value of investments is not readily ascertainable and, as such, the above investments are carried at cost due to the unavailability of market information. During the year ended September 30, 1996, the \$2,544,000 carrying value of the investment in AMI was written down to a zero value.

B. Special Revenue Funds

Investments of the Special Revenue Funds as of September 30, 2000, are as follows:

	Categories			Carrying Value
	1	2	3	
RMI Investment Development Fund:				
Majuro Resort, Inc. (MRI)	\$ 300,220	\$ -	\$ -	\$ 300,220
Air Marshall Islands, Inc. (AMI)	-	-	-	-
	<u>\$ 300,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,220</u>

The RMI Investment Development Fund holds a 2.8% interest in MRI (a Component Unit - Proprietary Fund), and a 9% interest in AMI (a Component Unit - Proprietary Fund). Fair value is not readily ascertainable and, as such, the above investments are carried at cost and estimated value due to the unavailability of market information and due to the absence of significant control over the investees. During the year ended September 30, 1996, the \$1,010,000 carrying value of the investment in AMI was written down to a zero value.

C. Capital Projects Funds

Investments of the Capital Projects Funds as of September 30, 2000, are as follows:

	Categories			Carrying Value
	1	2	3	
Marshall Islands Development Authority (MIDA):				
Majuro Resort, Inc. (MRI)	\$ 10,990,000	\$ -	\$ -	\$ 10,990,000
Pacific Forum Lines (PFL)	318,630	-	-	318,630
Air Marshall Islands, Inc. (AMI)	-	-	-	-
	<u>11,308,630</u>	<u>-</u>	<u>-</u>	<u>11,308,630</u>
Kwajalein Atoll Development Authority (KADA):				
Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR)	100,000	-	-	100,000
	<u>\$ 11,408,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,408,630</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(2) Investments, Continued

C. Capital Projects Funds, Continued

MIDA holds a 97% interest in MRI (a Component Unit - Proprietary Fund); a 39% interest in AMI (a Component Unit - Proprietary Fund); and an 8% interest in PFL. KADA holds a 100% interest in KAJUR (a Component Unit - Proprietary Fund). Fair value is not readily ascertainable and, as such, the above investments are carried at cost and estimated value due to the unavailability of market information and due to the absence of significant control over the investees. During the year ended September 30, 1996, the \$4,605,280 carrying value of the investment in AMI was written down to a zero value.

D. Expendable Trust Funds

Investments of the Expendable Trust Funds as of September 30, 2000, are as follows:

	<u>Categories</u>			<u>Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Nuclear Claims Trust Fund:				
Equities	\$ -	\$ 45,385,444	\$ -	\$ 45,385,444
U.S. Government notes and bonds	-	13,492,284	-	13,492,284
Corporate notes and bonds	-	<u>6,540,840</u>	-	<u>6,540,840</u>
	-	<u>65,418,568</u>	-	<u>65,418,568</u>
Marshall Islands Social Security Administration (MISSA):				
Common stocks	2,329,586	21,892,187	-	24,221,773
U.S. Government notes and bonds	-	3,021,650	-	3,021,650
Corporate notes and bonds	-	2,246,353	-	2,246,353
U.S. Government agencies	-	<u>2,079,171</u>	-	<u>2,079,171</u>
	<u>2,329,586</u>	<u>29,239,361</u>	-	<u>31,568,947</u>
	\$ <u>2,329,586</u>	\$ <u>94,657,929</u>	\$ -	\$ <u>96,987,515</u>

On February 18, 1999, RepMar fully repaid a loan and related interest, totaling \$1,944,096, through transferring its ownership of 94,485 shares of Bank of Marshall Islands (BOMI) stock to MISSA. BOMI engages in commercial banking services in the Republic of the Marshall Islands, and MISSA holds a 33% interest in BOMI. As of September 30, 2000, MISSA maintained deposit accounts and a time certificate of deposit with BOMI of \$2,144,587.

A summary of financial information as of and for the year ended December 31, 2000, for investees accounted for using the equity method of accounting for investments, is as follows:

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(2) Investments, Continued

D. Expendable Trust Funds, Continued

Assets	\$ <u>34,921,092</u>
Liabilities	\$ <u>27,571,983</u>
Net earnings	\$ <u>1,950,271</u>

(3) Receivables

Receivables as of September 30, 2000, including applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Component</u>	<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Units Proprietary</u>	
Receivables:						
Taxes	\$ 1,455,027	\$ -	\$ -	\$ -	\$ -	\$ 1,455,027
Federal agencies	-	1,982,424	-	-	-	1,982,424
General	289,216	-	-	2,470,941	12,249,336	15,009,493
Loans	-	-	12,909,543	341,006	100,000	13,350,549
Other	<u>1,168,994</u>	<u>1,004,505</u>	<u>1,658,617</u>	<u>3,559,701</u>	<u>964,371</u>	<u>8,356,188</u>
Gross receivables	2,913,237	2,986,929	14,568,160	6,371,648	13,313,707	40,153,681
Less: allowance for uncollectibles	<u>-</u>	<u>(323,944)</u>	<u>(2,168,350)</u>	<u>(1,316,856)</u>	<u>(8,814,627)</u>	<u>(12,623,777)</u>
Net receivables	<u>\$ 2,913,237</u>	<u>\$ 2,662,985</u>	<u>\$ 12,399,810</u>	<u>\$ 5,054,792</u>	<u>\$ 4,499,080</u>	<u>\$ 27,529,904</u>

Receivables of the Governmental Fund Types and Component Units - Proprietary Funds are primarily due from businesses and individuals residing in the Republic. The allowance for uncollectibles primarily represents those accounts that are more than 90 days delinquent as of September 30, 2000.

Loans receivable of the Capital Projects Funds are recorded by the Marshall Islands Development Authority (MIDA) and the ADB Development Projects Fund. The details of these loans are as follows:

MIDA

Loans to four fishing companies incorporated and operating in the Republic of the Marshall Islands have the following terms and conditions:

Notes, due August 1992, 6% interest, interest and principal payable on demand. These notes have been fully provided for in the allowance for uncollectibles. \$ 1,780,000

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(3) Receivables, Continued

ADB Development Projects Fund

Loan to Ebje Ruktok/Rukjenlein Fishing Company, Inc. in the amount equivalent to SDR 3,179,000 (approximates \$4,602,527 at September 30, 2000), interest at 8.5%. Repayments commence March 1995. The loan is a subsidiary loan of a loan agreement between RepMar and the Asian Development Bank (see Note 11). 2,588,787

Loan to Majuro Water and Sewer Company, Inc. (a Component Unit - Proprietary Fund) in the amount equivalent to SDR 503,000 (approximates \$760,116 at September 30, 2000), interest at 6.64%. Repayments commence March 24, 1997. The loan is a subsidiary loan of a loan agreement between RepMar and the Asian Development Bank. 714,493

Loan to Majuro Water and Sewer Company, Inc. (a Component Unit - Proprietary Fund) in the amount equivalent to SDR 6,062,000 (approximates \$8,338,715 at September 30, 2000), interest at 6.9%. Repayments commence March 1, 2001. The loan is a subsidiary loan of a loan agreement between RepMar and the Asian Development Bank. 7,826,263

\$ 12,909,543

Loans receivable of the Expendable Trust Funds are recorded by the Marshall Islands Social Security Administration. The details of this loan are as follows:

Loan to Kwajalein Atoll Development Authority (KADA) (a Governmental Fund Type - Capital Projects Fund) in the amount of \$2,000,000, interest at 8.5%. Repayments commence May 22, 1997 in annual installments of \$507,989, including interest, payable solely from an assignment of amounts paid by the Government of the United States, in the form of grant payments under the Compact of Free Association between the United States and RepMar and subgranted to KADA. \$ 341,006

Loans receivable of the Component Units - Proprietary Funds are recorded by the Marshall Islands Ports Authority. The details of these loans are as follows:

Note receivable from Tobolar Copra Processing Plant, Inc., advanced on January 23, 1998, due September 30, 1998, interest at 10%, unsecured. \$ 50,000

Note receivable from Tobolar Copra Processing Plant, Inc., advanced on February 27, 1998, due September 30, 1998, interest at 10%, unsecured. 50,000

\$ 100,000

Repayment of the above notes receivable, including interest, is in arrears and, accordingly, the total notes receivable and related interest receivable balances have been included in the allowance for doubtful accounts. As of September 30, 2000, interest receivable relating to the above notes receivable is \$26,397.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(4) Interfund Receivables and Payables

Receivables and payables between funds reflected as due to/from primary government in the combined balance sheet at September 30, 2000, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
<u>Component Unit - Governmental Fund</u>		
Marshall Islands Visitors Authority:		
General Fund	\$ <u>17,375</u>	\$ <u>-</u>
	\$ <u>17,375</u>	\$ <u>-</u>
<u>Component Units - Proprietary Funds</u>		
Tobolar Copra Processing Plant, Inc.:		
General Fund	\$ -	\$ 500,000
Expendable Trust Fund:		
Marshall Islands Social Security Administration	-	16,745
Majuro Water and Sewer Company, Inc.:		
General Fund	126,509	214,437
Expendable Trust Fund:		
Marshall Islands Social Security Administration	-	409,881
Marshall's Energy Company, Inc.:		
General Fund	605,861	-
Expendable Trust Fund:		
Marshall Islands Social Security Administration	-	5,035
Marshall Islands National Telecommunications Authority:		
General Fund	107,078	-
Expendable Trust Fund:		
Marshall Islands Social Security Administration	-	53,529
Kwajalein Atoll Joint Utilities Resources, Inc:		
General Fund	198,842	-
KADA Housing Division:		
Capital Projects Fund:		
KADA	-	1,060,982
Majuro Resort, Inc.:		
General Fund	103,996	179,977
Expendable Trust Fund:		
Marshall Islands Social Security Administration	-	147,931
MISSA Supplemental Health Benefits Plan:		
Expendable Trust Fund:		
Marshall Islands Social Security Administration	-	<u>1,538,004</u>
	\$ <u>1,142,286</u>	\$ <u>4,126,521</u>

The amount recorded as due from primary government of the component units of \$1,159,661 does not equal the corresponding due to component units of the primary government of \$2,588,741 due to amounts payable by the General Fund to the Marshall Islands Marine Resources Authority and Air Marshall Islands, Inc. of \$300,000 and \$1,129,080, respectively, whose financial statements are not included within the accompanying general purpose financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(4) Interfund Receivables and Payables, Continued

Receivables and payables between funds reflected as due to/from component units in the combined balance sheet at September 30, 2000, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
<u>Primary Government</u>		
General Fund:		
Marshall Islands Visitors Authority	\$ -	\$ 17,375
Marshall Islands Marine Resources Authority	-	300,000
Air Marshall Islands, Inc.	-	1,129,080
Tobolar Copra Processing Plant, Inc.	500,000	-
Majuro Water and Sewer Company, Inc.	-	126,509
Marshalls Energy Company, Inc.	-	605,861
Marshall Islands National Telecommunication Authority	-	107,078
Kwajalein Atoll Joint Utilities Resources, Inc.	-	198,842
Majuro Resort, Inc.	-	103,996
Capital Projects Fund:		
KADA Housing Division	1,060,982	-
Expendable Trust Fund:		
Tobolar Copra Processing Plant, Inc.	16,745	-
Marshalls Energy Company, Inc.	5,035	-
Marshall Islands National Telecommunications Authority	53,529	-
MISSA Supplemental Health Benefits Plan	<u>571,550</u>	<u>-</u>
	<u>\$ 2,207,841</u>	<u>\$ 2,588,741</u>
<u>Component Units - Proprietary Funds</u>		
Tobolar Copra Processing Plant, Inc.:		
Marshalls Energy Company, Inc.	\$ -	\$ 48,042
Majuro Water and Sewer Company, Inc.:		
Marshalls Energy Company, Inc.	-	487,240
Marshalls Energy Company, Inc.:		
Tobolar Copra Processing Plant, Inc.	48,042	-
Majuro Water and Sewer Company, Inc.	487,240	-
Majuro Resort, Inc.	121,663	-
Marshall Islands National Telecommunications Authority:		
Majuro Resort, Inc.	33,554	-
Majuro Resort, Inc.:		
Marshalls Energy Company, Inc.	-	121,663
Marshall Islands National Telecommunications Authority	<u>-</u>	<u>33,554</u>
	<u>\$ 690,499</u>	<u>\$ 690,499</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(4) Interfund Receivables and Payables, Continued

The amount recorded as due from component units of the primary government of \$2,207,841 does not equal the corresponding due to primary government of the Component Units - Proprietary Funds of \$4,126,521 due to delinquent taxes payable to the General Fund recorded by the Component Units - Proprietary Funds of \$394,414, delinquent contributions payable to the Marshall Islands Social Security Administration recorded by the Component Units - Proprietary Funds of \$557,812, and an allowance for doubtful accounts of \$966,454 recorded by the Marshall Islands Social Security Administration.

Receivables and payables between funds reflected as due to/from other funds in the combined balance sheet at September 30, 2000, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	TTPI Federal and Other Assistance	\$ 1,482,378
General	Other Direct Assistance	110,707
General	MIDA Debt Service	70,569
General	MIDA	1,090,778
RMI Investment Development	General	56,769
Judiciary	General	10,053
Telecommunications	General	98
Airport Trust	General	12,440
Seaport Trust	General	89,220
Special Revenue	General	29,487
Postal Service	General	17,239
Health Care Revenue	Marshall Islands Social Security Administration	2,977,639
Section 216(b) Maritime	General	19,997
Resident Workers Training Account	General	4,885
Section 215(a)(1) Communications	General	295,809
Section 216(a)(2) Health and Medical	General	94,591
Section 216(a)(3) Scholarship	General	64,697
Section 221(b) Education and Health Care	General	346,426
Section 214(a) Energy	General	416
National Environmental Protection Authority	General	55,964
Ministry of Justice	General	72,499
Alternative Energy	General	13,233
Changed Circumstances	General	53,957
KADA Debt Service	KADA	989
Section 211 Capital Account	General	393,908
Section 216(a)(1) Surveillance and Enforcement	General	6,094
MIDA Development	General	78,624
Section 111 Investment Development	General	472,253
ADB Development Projects	General	2,166,067
Kwajalein Atoll Trust	General	435,938
Local Government	General	4,296
Health Indemnity	General	13,412
Four Atoll Medical	General	97,635
Marine Resources	General	681,379
Marshall Islands Social Security Administration	General	500,000
Section 177 Administration	General	68,828
Off-Shore Banking Trust	General	60,088
Eminent Domain Trust	General	94,992
Non-Resident Workers Trust	General	66,596
		<u>\$ 12,110,950</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(5) Prepaid Items

The Kwajalein Atoll Development Authority (KADA) leases the majority of land on the island of Ebeye and northern islands of Kwajalein Atoll from the landowners. The lease agreements terminate on October 21, 2016, unless the Compact of Free Association with the United States is not continued whereby the lease agreements terminate on October 21, 2001. The lease agreements stipulate that KADA will pay to the landowners both a minimum rent and a percentage rent defined as follows:

Minimum rent - \$3,000 per acre per year or the highest annual rental rate allowed by RepMar.

Percentage rent - For any lands that KADA subleases to commercial entities in excess of the highest annual rental rate allowed by RepMar, the landowners will receive fifteen percent (15%) of the excess.

During the year ended September 30, 1992, KADA prepaid \$2,730,713 of these lease agreements. These prepayments are amortized on a straight-line basis over the remaining life of the lease agreements and the terms of the prepayment agreements. The balance outstanding as prepaid rent as at September 30, 2000, is \$189,331. The prepayments were discounted at an annual rate of 1% and the landowners waived their rights to any future increases in the minimum rate of \$3,000 per year or the highest rental rate allowed by RepMar. As this amount is not subject to future appropriation, the prepaid amount has been reserved for within fund balance.

(6) Fixed Assets

Activity in the General Fixed Assets Account Group for the year ended September 30, 2000, was as follows:

	Balance October 1, 1999	Additions	Retirements	Balance September 30, 2000
Electrical distribution	\$ 27,216,665	\$ -	\$ -	\$ 27,216,665
Office equipment	6,826,438	730,972	-	7,557,410
Roads, bridges and airport	4,090,909	1,376,616	-	5,467,525
Other equipment	3,477,186	29,857	-	3,507,043
Buildings	3,080,890	-	-	3,080,890
Motor vehicles	1,180,643	440,046	-	1,620,689
Heavy equipment	470,940	1,119,481	-	1,590,421
Ships	5,560,938	886,258	(5,560,938)	886,258
Aircraft	8,505,969	-	(8,505,969)	-
	60,410,578	4,583,230	(14,066,907)	50,926,901
Less accumulated depreciation	(14,300,009)	-	3,372,879	(10,927,130)
	\$ <u>46,110,569</u>	\$ <u>4,583,230</u>	\$ <u>(10,694,028)</u>	\$ <u>39,999,771</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(6) Fixed Assets, Continued

In addition, the Kwajalein Atoll Development Authority (KADA) maintains a General Fixed Assets Account Group. A summary of KADA's general fixed assets accounted for in its General Fixed Assets Account Group as of September 30, 2000, follows. These assets are not included within the accompanying general purpose financial statement presentation. KADA generally capitalizes infrastructure fixed assets. These assets are immovable and are of value only to KADA:

Buildings and site costs	\$ 3,808,060
Other equipment	1,907,294
Major equipment	<u>1,113,422</u>
	6,828,776
Less accumulated depreciation	<u>(5,232,150)</u>
	<u>\$ 1,596,626</u>

KADA's policy is to omit construction work in progress within the General Fixed Assets Account Group. Costs incurred in the construction of major capital facilities are recorded within the General Fixed Assets Account Group upon completion of the project.

Fiduciary Fund Type - Expendable Trust Fund fixed assets as of September 30, 2000, are comprised of buildings and improvements, office equipment, motor vehicles, computer equipment and furniture and fixtures, totaling \$1,012,146, and have estimated useful lives ranging from three to ten years. No depreciation has been provided on these general fixed assets. These fixed assets are recorded in the General Fixed Assets Account Group of the Nuclear Claims Tribunal and the Marshall Islands Social Security Administration. These assets are not, however, included in the accompanying general purpose financial statements.

Component Unit - Governmental Fund fixed assets as of September 30, 2000, are comprised of motor vehicles and office equipment totaling \$50,188, and are being depreciated over estimated useful lives ranging from three to five years. These fixed assets are recorded in the General Fixed Assets Account Group of the Marshall Islands Visitors Authority. These assets are not, however, included in the accompanying general purpose financial statements.

A summary of fixed assets accounted for in the Component Units - Proprietary Funds as of September 30, 2000, follows:

	Marshall Islands Airports Authority	Tobolar Copra Processing Plant, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Energy Company, Inc.	Marshall Islands National Telecomm. Authority	Kwajalein Atoll Joint Utilities Resources, Inc.	KADA Housing Division	Majuro Resort, Inc.	Marshall Islands Ports Authority	Totals
Plant and equipment	\$ 11,200,000	\$ 1,173,867	\$ 80,175	\$ 1,104,576	\$ 27,158,272	\$ 12,495,388	\$ -	\$ -	\$ 13,167,255	\$ 66,379,533
Building and structures	2,412,164	1,888,115	54,317	520,361	7,096,405	-	1,772,834	11,010,002	420,093	25,174,291
Power plant engine	-	-	-	14,417,985	-	-	-	-	-	14,417,985
Water system infrastructure	-	-	9,831,289	-	-	-	-	-	-	9,831,289
Distribution system	-	-	-	-	-	1,965,156	-	-	-	1,965,156
Office furniture and equipment	20,351	-	96,237	134,229	874,980	-	-	494,542	49,503	1,669,842
Motor vehicles	33,995	-	-	628,833	627,077	-	-	69,904	77,134	1,436,943
Other equipment	12,000	58,264	105,644	66,063	-	439,069	89,628	72,275	103,598	946,541
Leasehold improvements	28,250	-	-	330,559	-	-	-	-	-	378,809
Leasehold land	-	-	-	330,000	-	-	-	-	-	330,000
Fences and seawalls	-	-	-	272,876	-	-	-	-	-	272,876
	<u>13,706,760</u>	<u>3,120,246</u>	<u>10,167,662</u>	<u>17,825,482</u>	<u>35,756,734</u>	<u>14,899,613</u>	<u>1,862,462</u>	<u>11,646,723</u>	<u>13,817,583</u>	<u>122,803,265</u>
Less accumulated depreciation and amortization	<u>(8,690,108)</u>	<u>(2,464,381)</u>	<u>(632,377)</u>	<u>(2,981,376)</u>	<u>(15,312,677)</u>	<u>(6,264,618)</u>	<u>(674,725)</u>	<u>(2,520,235)</u>	<u>(7,147,578)</u>	<u>(46,688,075)</u>
	<u>5,016,652</u>	<u>655,865</u>	<u>9,535,285</u>	<u>14,844,106</u>	<u>20,444,057</u>	<u>8,634,995</u>	<u>1,187,737</u>	<u>9,126,488</u>	<u>6,670,005</u>	<u>76,115,190</u>
Construction work in progress	-	-	-	439,549	625,000	1,087,399	-	-	-	2,151,948
Total assets	<u>\$ 5,016,652</u>	<u>\$ 655,865</u>	<u>\$ 9,535,285</u>	<u>\$ 15,283,655</u>	<u>\$ 21,069,057</u>	<u>\$ 9,722,394</u>	<u>\$ 1,187,737</u>	<u>\$ 9,126,488</u>	<u>\$ 6,670,005</u>	<u>\$ 78,267,138</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(7) Loans Payable

General Long-Term Debt Account Group

A. Asian Development Bank (ADB) Loans

On November 28, 1991, RepMar entered into a loan agreement (Loan Number 1102 MAR(SF)) with the ADB in the amount of SDR 5,198,000 (approximates \$7,525,616 at September 30, 2000) for the purpose of assisting 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. The loan is non-interest bearing and requires a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semiannually commencing January 1, 2002 in an amount of SDR 51,900, increasing to SDR 104,000 on January 1, 2012.

Proceeds of the loan are to be used as follows:

- a) SDR 3,179,000 is to be made available to Ebje Ruktok/Rukjenlein Fishing Company, Inc. under a Subsidiary Loan Agreement, the terms to include interest of 8.5% and a repayment period of fifteen years, including a grace period of three years (see Note 11);
- b) SDR 1,802,000 is to be made available to the Marshall Islands Maritime Resources Authority by means of budgetary appropriations; and
- c) SDR 217,000 is to be made available to RepMar's Ministry of Transportation and Communication by means of budgetary appropriations.

At September 30, 2000, RepMar had drawn down \$3,521,894 against this loan.

On November 17, 1993, RepMar entered into a loan agreement (Loan Number 1249 MAR(SF)) with the ADB in the amount of SDR 5,752,000 (approximates \$7,846,221 at September 30, 2000) for the purpose of providing funding for the improvement of basic education within the Marshall Islands. The loan is non-interest bearing and requires a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semiannually commencing April 15, 2004 in an amount of SDR 57,600, increasing to SDR 115,000 on April 15, 2014. At September 30, 2000, RepMar had drawn down \$6,968,983 against this loan.

On November 17, 1993, RepMar entered into a loan agreement (Loan Number 1250 MAR(SF)) with the ADB in the amount of SDR 503,000 (approximates \$760,116 at September 30, 2000) for the Majuro Water Supply Project. The loan is non-interest bearing and requires a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semiannually commencing November 15, 2003 in an amount of SDR 5,000, increasing to SDR 10,100 on November 15, 2013. At September 30, 2000, RepMar had drawn down \$723,087 against this loan. The proceeds are to be made available to Majuro Water and Sewer Company, Inc. (a Component Unit - Proprietary Fund) under a Subsidiary Loan Agreement, the terms to include interest of 6.64% and a repayment period of fifteen years, including a grace period of three years.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(7) Loans Payable, Continued

General Long-Term Debt Account Group, Continued

A. Asian Development Bank (ADB) Loans, Continued

On January 29, 1994, RepMar entered into a loan agreement (Loan Number 1218 MAR(SF)) with the ADB in the amount of SDR 364,000 (approximates \$508,245 at September 30, 2000) for the purpose of providing funding for the emergency rehabilitation and restoration of facilities that were damaged or destroyed by Typhoon Gay in November 1992. The loan is non-interest bearing and requires a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semiannually commencing May 15, 2003 in an amount of SDR 3,600, increasing to SDR 7,300 on May 15, 2013. At September 30, 2000, RepMar had drawn down \$508,245 against this loan.

On February 24, 1995, RepMar entered into a loan agreement (Loan Number 1316 RMI(SF)) with the ADB in the amount of SDR 3,911,000 (approximates \$5,427,037 at September 30, 2000) for the purpose of improving the quality of health and family planning services, and strengthening RepMar's primary health care model of services. The loan is non-interest bearing and requires a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semiannually commencing January 1, 2005 in an amount of SDR 39,100, increasing to SDR 78,200 on January 1, 2015. At September 30, 2000, RepMar had drawn down \$3,881,539 against this loan.

On February 1, 1996, RepMar entered into a loan agreement (Loan Number 1389 RMI(SF)) with the ADB in the amount of SDR 6,062,000 (approximates \$8,338,715 at September 30, 2000) for the Majuro Water Supply Project. The loan is non-interest bearing and requires a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semiannually commencing March 1, 2006 in an amount of SDR 60,700, increasing to SDR 121,200 on March 1, 2016. At September 30, 2000, RepMar had drawn down \$7,950,778 against this loan. The proceeds are to be made available to Majuro Water and Sewer Company, Inc. (a Component Unit - Proprietary Fund) under a Subsidiary Loan Agreement, the terms to include interest of 6.9% and a repayment period of twenty-five years, including a grace period of five years.

On February 21, 1997, RepMar entered into a loan agreement (Loan Number 1513 RMI(SF)) with the ADB in the amount of SDR 8,241,000 (approximates \$11,290,181 at September 30, 2000) for the Public Sector Reform Program. The loan is non-interest bearing and requires a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semiannually commencing June 1, 2007 in an amount of SDR 82,400, increasing to SDR 164,800 on June 1, 2017. At September 30, 2000, RepMar had drawn down \$11,290,181 against this loan. 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(7) Loans Payable, Continued

General Long-Term Debt Account Group, Continued

A. Asian Development Bank (ADB) Loans, Continued

On October 8, 1999, RepMar entered into a loan agreement (Loan Number 1694 RMI(SF)) with the ADB in the amount of SDR 6,924,000 (approximates \$9,255,103 at September 30, 2000) for the Ebeye Health and Infrastructure Project. The loan is non-interest bearing and requires a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semiannually commencing February 1, 2008 in an amount of SDR 144,250. At September 30, 2000, RepMar had drawn down \$2,694,297 against this loan. 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.

B. People's Republic of China (PRC) Loan

On August 1, 1992, RepMar entered into a non-interest bearing loan agreement with the Government of the PRC in the amount of \$2,000,000, relating to the economic and technical cooperation agreement signed on March 16, 1991. The purpose of the loan was to fund RepMar's construction of a garment factory. The loan is payable annually commencing June 1, 2001 in an amount equal to one-tenth (1/10) of the drawn down amount. Loan repayments shall represent either export commodities of RepMar as agreed upon by the two governments or in United States dollars. At September 30, 2000, RepMar had drawn down \$1,900,000 against this loan.

C. Marshall Islands Social Security Administration (MISSA) Loan

On May 22, 1996, the Kwajalein Atoll Development Authority (KADA) entered into a loan agreement with MISSA to borrow \$2,000,000. This loan bears interest at 8.5% per annum and is payable in five annual installments of \$507,989, including interest, commencing May 22, 1997.

D. Marshall Islands Development Bank (MIDB) Loan

On August 7, 2000, RepMar entered into a loan agreement with MIDB in the amount of \$1,800,000 for the purpose of paying off debts owed by MISSA for medical bills. This loan bears interest at 8.5% per annum and is payable in one installment, including interest, by August 7, 2001 from future loan proceeds to be made available from either the ADB or another bank. Furthermore, RepMar has collateralized this loan payable with a time certificate of deposit with MIDB in the amount of \$434,026. At September 30, 2000, RepMar had drawn down \$1,800,000 against this loan.

E. Other

On June 19, 2000, KADA entered into a loan agreement with a bank to borrow \$250,000. This loan bears interest at 13.5% per annum and is payable in one installment, including interest, on or before December 31, 2000.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(7) Loans Payable, Continued

General Long-Term Debt Account Group, Continued

Changes in the General Long-Term Debt Account Group loans payable for the year ended September 30, 2000, are as follows:

	Balance October 1, 1999	Additions	Reductions	Balance September 30, 2000
ADB Loans	\$ 28,524,368	\$ 9,014,636	\$ -	\$ 37,539,004
PRC Loan	1,900,000	-	-	1,900,000
MIDB Loan	-	1,800,000	-	1,800,000
MISSA Loan	780,525	-	(439,519)	341,006
Other	-	250,000	-	250,000
	<u>\$ 31,204,893</u>	<u>\$ 11,064,636</u>	<u>\$ (439,519)</u>	<u>\$ 41,830,010</u>

Future repayment commitments for General Long-Term Debt loans payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 2,581,006	\$ 200,017	\$ 2,781,023
2002	340,281	-	340,281
2003	345,308	-	345,308
2004	444,017	-	444,017
2005	631,102	-	631,102
Thereafter	<u>37,488,296</u>	<u>-</u>	<u>37,488,296</u>
	<u>\$ 41,830,010</u>	<u>\$ 200,017</u>	<u>\$ 42,030,027</u>

Component Units - Proprietary Funds

Tobolar Copra Processing Plant, Inc.

Bank credit line of \$1,500,000 with various terms, due on various dates, interest at bank's preferred rate plus 2.5% (12% at September 30, 2000), collateralized by a general security agreement over all of the corporation's assets and a guarantee from RepMar. \$ 1,000,000

Note payable to the Marshall Islands Ports Authority of \$50,000, advanced on January 23, 1998, due September 30, 1998, interest at 10%, unsecured (see Note 11). 50,000

Note payable to the Marshall Islands Ports Authority of \$50,000, advanced on February 27, 1998, due September 30, 1998, interest at 10%, unsecured (see Note 11). 50,000

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(7) Loans Payable, Continued

Component Units - Proprietary Funds, Continued

Marshall Islands National Telecommunications Authority (MINTA)

On August 17, 1989, the Rural Utilities Service (RUS), formerly the Rural Electrification Administration, approved an \$18,800,000 loan from the Rural Electrification and Telephone Revolving Fund at 5% per annum, advance of funds contingent upon MINTA satisfying in form and substance certain prerequisites. On April 23, 1993, an agreement to amend the loan was made between RUS and MINTA. The amendment increased the amount of the loan by \$3,999,000, with the same prerequisites, and for the same expenditure purposes as the original loan.

The \$18,800,000 loan has been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS in the event of default by MINTA. Both loans have been collateralized by mortgages over specific MINTA ground leases and essentially all assets of MINTA. 18,786,280

Majuro Water and Sewer Company, Inc.

Loan from RepMar in the amount equivalent to SDR 503,000 (approximates \$760,116 at September 30, 2000), interest at 6.64%. Repayments commence March 24, 1997. The loan is a subsidiary loan of a loan agreement between RepMar and the Asian Development Bank (see Note 11). 714,493

Loan from RepMar in the amount equivalent to SDR 6,062,000 (approximates \$8,338,715 at September 30, 2000), interest at 6.9%. Repayments commence March 1, 2001. The loan is a subsidiary loan of a loan agreement between RepMar and the Asian Development Bank (see Note 11). 7,826,263

Marshalls Energy Company, Inc. (MEC)

On November 18, 1997, MEC entered into a loan agreement with the Federal Financing Bank (FFB) in the amount of \$12.5 million loan for the construction of a new power plant, with loan repayments guaranteed by the Rural Utilities Service (RUS). MEC is required to submit drawdown requests to RUS for approval of loan advances. Interest rates are calculated based on the FFB at the date of the loan advances and range from 5.49% to 7.25% per annum. Principal and interest are payable in quarterly installments ranging from annual amounts of \$4,832 to \$161,440 through January 2, 2018. The mortgage notes have been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS in the event of default by MEC, and have been collateralized by a leasehold mortgage and security agreement over the assets of MEC. 11,455,181

\$ 39,882,217

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(7) Loans Payable, Continued

Component Units - Proprietary Funds, Continued

Future repayment commitments for Component Units - Proprietary Funds loans payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 10,502,838	\$ 3,215,787	\$ 13,718,625
2002	1,111,409	1,760,804	2,872,213
2003	1,068,967	1,529,472	2,598,439
2004	1,128,937	1,469,510	2,598,447
2005	1,193,608	1,404,834	2,598,442
Thereafter	<u>24,876,458</u>	<u>11,356,006</u>	<u>36,232,464</u>
	\$ <u>39,882,217</u>	\$ <u>20,736,413</u>	\$ <u>60,618,630</u>

(8) Bonds Payable

\$6,655,000 Bond Issue

On September 27, 1999, the Kwajalein Atoll Development Authority (KADA) issued \$6,655,000 in private placement Limited Obligation (Compact Revenue Backed) bonds with an average interest rate of 6.1 percent to advance refund certain outstanding Limited Obligation (Compact Revenue Backed) bonds. KADA placed the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in RepMar's general purpose financial statements. At September 30, 2000, \$3,300,000 of bonds outstanding are considered defeased.

Compact Revenue Backed Bonds payable by KADA at September 30, 2000, consisted of the following:

Compact revenue backed bonds, 6.50%, due November 1, 2000 \$ 3,365,000

Installments are payable to the Bond Trustees in one annual amount on October 15, 2000. Total installments payable for the year ended September 30, and applicable interest due, through the life of the Compact Revenue Backed Bonds are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ <u>3,365,000</u>	\$ <u>109,363</u>	\$ <u>3,474,363</u>

The Compact Revenue Backed Bonds are payable solely from amounts paid by the Government of the United States, in the form of grant payments under the Compact of Free Association (the Compact) between the United States and the Republic of the Marshall Islands and subgranted to KADA, and amounts held in restricted funds established under the indenture and held by the Bond Trustee.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(8) Bonds Payable, Continued

\$6,655,000 Bond Issue, Continued

RepMar, pursuant to a Bond Security Agreement, dated November 1, 1991, between RepMar and KADA, has placed a first priority lien on all Kwajalein restricted Compact payments from the United States Government as security for payment of the bonds. Upon receipt of Compact payments, the Trustee shall withdraw amounts necessary for payments of principal, premium and interest. The bonds are not general obligations of KADA.

The bonds are not subject to redemption prior to their stated maturities.

\$99,960,000 Bond Issue

On August 10, 1993, RepMar issued a private placement General Obligation (Compact Revenue Backed) bond. The bond proceeds were used to simultaneously retire prior outstanding Compact Revenue Backed indebtedness of RepMar, and to fund development projects of RepMar through the Marshall Islands Development Authority (MIDA).

Installments are paid to the Bond Trustee annually on every October 1 through 2001. These funds are held in a Bond Fund Account from which the Bond Trustee makes quarterly payments every January 1, April 1, July 1, and October 1. The term of the bond issue is for approximately eight years and matures on July 30, 2001.

Annual debt service requirements to maturity for the bond issue are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ <u>13,954,052</u>	\$ <u>619,778</u>	\$ <u>14,573,830</u>

The bonds are subject to mandatory redemption, in part by lot, at a redemption price equivalent to 100% of the principal amount. The bonds are subject to redemption prior to their stated maturities by written notice delivered to the Trustee at least 30 days prior to the date fixed for redemption, at a redemption price equal to the principal being redeemed plus accrued interest thereon and the Make-Whole Premium. The "Make-Whole Premium" shall be an amount, if any, by which the present value, as of the date fixed for redemption, of all scheduled principal and interest payments thereafter due on the portion of the principal amount of the Bonds being redeemed pursuant to the optional redemption provisions, discounted semiannually at a rate equal to 0.5% plus the most recent weekly average yield to maturity on actively traded U.S. Treasury Securities adjusted to a constant maturity equal to the remaining "Weighted Average Life to Maturity" of the Bonds.

\$5,320,000 Bond Issue

On September 27, 1999, RepMar issued \$5,320,000 in private placement Limited Obligation (Compact Revenue Backed) bonds with an interest rate of 6.5 percent to advance refund certain outstanding Limited Obligation (Compact Revenue Backed) bonds. RepMar placed the proceeds of the new bonds, together with accumulated net assets from the old debt and a pledge of certain Compact receipts, in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in RepMar's general purpose financial statements. At September 30, 2000, \$10,830,000 of bonds outstanding are considered defeased.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(8) Bonds Payable, Continued

\$5,320,000 Bond Issue, Continued

Installments are paid to the Bond Trustee annually on every October 1 through 2000. These funds are held in a Bond Fund Account from which the Bond Trustee will make one payment on November 1, 2000.

The bonds are not subject to redemption prior to their stated maturity.

Annual debt service requirements to maturity for the bond issue are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ <u>5,320,000</u>	\$ <u>172,900</u>	\$ <u>5,492,900</u>

Summary

Compact Revenue Backed Bonds payable by MIDA as of September 30, 2000, consist of the following:

Compact revenue backed bonds, 5.46%, due July 30, 2001	\$ 13,954,052
Compact revenue backed bonds, 6.50%, due November 1, 2000	<u>5,320,000</u>
	<u>\$ 19,274,052</u>

Changes in the General Long-Term Debt Account Group bonds payable for the year ended September 30, 2000, are as follows:

	<u>KADA</u>	<u>MIDA</u>	<u>Total</u>
Balance as of October 1, 1999	\$ 6,655,000	\$ 32,245,247	\$ 38,900,247
Matured long-term debt	<u>(3,290,000)</u>	<u>(12,971,195)</u>	<u>(16,261,195)</u>
Balance as of September 30, 2000	\$ <u>3,365,000</u>	\$ <u>19,274,052</u>	\$ <u>22,639,052</u>

Annual debt service requirements to maturity for bonds payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ <u>22,639,052</u>	\$ <u>902,041</u>	\$ <u>23,541,093</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(9) Transfers In/Out

Operating Fund Transfers

Operating transfers in/out for all fund types, for the year ended September 30, 2000, are as follows:

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<u>General Fund</u>		
To General Fund from:		
Marshall Islands Marine Resources Authority	\$ -	\$ 120,000
From General Fund to:		
Judiciary Fund	494,510	-
Airport Trust Fund	132,467	-
Postal Service Fund	243,955	-
Ships Operations Fund	445,543	-
Health Care Revenue Fund	450,000	-
Resident Workers Training Account	210,942	-
National Environmental Protection Authority Fund	137,907	-
Section 216(a)(1) Surveillance and Enforcement	118,469	-
General Obligation Bond Capital Projects	44,568	-
Local Government Fund	247,700	-
Marshall Islands Social Security Administration	3,100,000	-
Claims Tribunal Fund	85,038	-
Radiological Surveillance Fund	21,877	-
Marshall Islands Scholarship, Grant and Loan Board	81,403	-
Marshall Islands Visitors Authority	273,625	-
Tobolar Copra Processing Plant, Inc.	845,000	-
Majuro Water and Sewer Company, Inc.	100,000	-
Kwajalein Atoll Joint Utilities Resources, Inc.	1,888,594	-
Majuro Resort, Inc.	99,500	-
Marshall Islands Development Bank	49,750	-
College of the Marshall Islands	571,739	-
	<u>\$ 9,642,587</u>	<u>\$ 120,000</u>
<u>Special Revenue Funds</u>		
From General Fund to:		
Judiciary Fund	\$ -	\$ 494,510
Airport Trust Fund	-	132,467
Postal Service Fund	-	243,955
Ships Operations Fund	-	445,543
Resident Workers Training Account	-	210,942
National Environmental Protection Authority Fund	-	137,907
To Health Care Revenue Fund from:		
General Fund	-	450,000
Section 221(b) Education and Health Care Fund	242,505	242,505
ADB Development Projects Fund	-	69,029
Four Atoll Medical Fund	-	250,200
Marshall Islands Social Security Administration	-	1,791,076

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(9) Transfers In/Out, Continued

Operating Fund Transfers, Continued

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<u>Special Revenue Funds, Continued</u>		
From TTPI Federal and Other Assistance Fund to College of the Marshall Islands	90,000	-
From Other Direct Assistance Fund to Air Marshall Islands, Inc.	2,000,000	-
From Airport Trust Fund to Marshall Islands Airports Authority	50,000	-
From Section 216(a)(3) Scholarship Fund to Marshall Islands Scholarship, Grant and Loan Board	733,235	-
From Section 214(a) Energy Fund to MIDA Fund	<u>2,000,000</u>	-
	<u>\$ 5,115,740</u>	<u>\$ 4,468,134</u>
<u>Debt Service Funds</u>		
To Debt Service Fund from:		
MIDA Fund	\$ -	\$ 14,201,000
KADA	-	3,943,317
	<u>\$ -</u>	<u>\$ 18,144,317</u>
<u>Capital Projects Funds</u>		
From General Fund to:		
Section 216(a)(1) Surveillance and Enforcement	\$ -	\$ 118,469
General Obligation Bond Capital Projects	-	44,568
From Section 214(a) Energy to MIDA Fund	-	2,000,000
From Section 211 Capital Account to:		
MIDA Fund	12,201,000	12,201,000
KADA	4,373,700	4,373,700
From MIDA Fund to Debt Service Fund	14,201,000	-
From ADB Development Projects Fund to:		
Health Care Revenue Fund	69,029	-
Marshall Islands Social Security Administration	325,834	-
From KADA to Debt Service Fund	<u>3,943,317</u>	-
	<u>\$ 35,113,880</u>	<u>\$ 18,737,737</u>
<u>Expendable Trust Funds</u>		
From General Fund to:		
Local Government Fund	\$ -	\$ 247,700
Claims Tribunal Fund	-	85,038
Radiological Surveillance Fund	-	21,877
From Nuclear Claims Trust Fund to:		
Four Atoll Medical Fund	2,000,000	3,000,000
Nuclear Claims Tribunal	5,452,944	5,452,944
From Marine Resources Fund to Marshall Islands Marine Resources Authority	27,600	-
To Health Care Revenue Fund from:		
Four Atoll Medical Fund	250,200	-
Marshall Islands Social Security Administration	1,791,076	-

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(9) Transfers In/Out, Continued

Operating Fund Transfers, Continued

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<u>Expendable Trust Funds, Continued</u>		
To Marshall Islands Social Security Administration from:		
General Fund	-	3,100,000
ADB Development Projects Fund	-	325,834
	<u>\$ 9,521,820</u>	<u>\$ 12,233,393</u>
<u>Component Units - Governmental Funds</u>		
From General Fund to:		
Marshall Islands Visitors Authority	\$ -	\$ 273,625
	<u>\$ -</u>	<u>\$ 273,625</u>
<u>Component Units - Proprietary Funds</u>		
From General Fund to:		
Tobolar Copra Processing Plant, Inc.	\$ -	\$ 845,000
Majuro Water and Sewer Company, Inc.	-	100,000
Kwajalein Atoll Joint Utilities Resources, Inc.	-	1,759,594
Majuro Resort, Inc.	-	99,500
From Airport Trust Fund to Marshall Islands Airports Authority	-	50,000
	<u>\$ -</u>	<u>\$ 2,854,094</u>

Reconciliation of operating fund transfers is as follows:

Operating fund transfers, as reported	<u>\$ 59,394,027</u>	<u>\$ 56,831,300</u>
Operating fund transfers not reported due to component unit financial statements not included within the accompanying general purpose financial statements:		
Marshall Islands Scholarship, Grant & Loan Board	-	814,638
Air Marshall Islands, Inc.	-	2,000,000
Marshall Islands Development Bank	-	49,750
Marshall Islands Marine Resources Authority	120,000	27,600
College of the Marshall Islands	-	661,739
Component units with a different year end:		
Four Atoll Medical Fund	-	(1,000,000)
Operating fund transfers reported as additions to contributed capital:		
Kwajalein Atoll Joint Utilities Resources, Inc.	<u>-</u>	<u>129,000</u>
	<u>\$ 59,514,027</u>	<u>\$ 59,514,027</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(10) Contributed Capital

The changes in RepMar's contributed capital accounts for Component Units - Proprietary Funds were as follows:

	Marshall Islands Airports Authority	Tobolar Copra Processing Plant, Inc.	Majuro Water and Sewer Company, Inc.	Marshall's Energy Company, Inc.	Marshall Islands National Telecomm. Authority	Kwajalein Atoll Joint Utilities Resources, Inc.	KADA Housing Division	Majuro Resort, Inc.	Marshall Islands Ports Authority	MISSA Supplemental Health Benefits Plan	Totals
Contributed capital at beginning of year	\$ -	\$ 1,552,503	\$ 519,315	\$ 1,043,956	\$ 3,743,643	\$ 9,293,930	\$ 1,612,505	\$ 11,315,220	\$ 6,969,134	\$ -	\$ 36,050,206
Contributed sources:											
General fixed assets	5,166,389	-	-	-	-	-	-	-	-	-	5,166,389
Asian Development Bank	-	-	-	-	-	946,244	-	-	-	-	946,244
U.S. Department of the Interior General Fund	-	-	-	-	-	179,699	-	-	-	-	179,699
ADB Capital Projects Fund	-	-	32,476	-	-	129,000	-	-	-	-	129,000
	5,166,389	-	32,476	-	-	1,254,943	-	-	-	-	6,453,808
Reductions:											
Depreciation	(213,889)	-	-	(93,488)	-	(694,695)	-	-	(455,795)	-	(1,457,867)
	(213,889)	-	-	(93,488)	-	(694,695)	-	-	(455,795)	-	(1,457,867)
Contributed capital at end of year	\$ 4,952,500	\$ 1,552,503	\$ 551,791	\$ 950,468	\$ 3,743,643	\$ 9,854,178	\$ 1,612,505	\$ 11,315,220	\$ 6,513,339	\$ -	\$ 41,046,147

(11) Contingencies

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. Cumulative questioned costs of \$5,993,803 relating to fiscal years 1997 through 2000 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2000, including \$4,726,605 in questioned costs pertaining to subgrantees for which questioned costs remain unresolved for more than six months after issuance of their respective Single Audit reports. 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 general purpose financial statements.

Going Concern

Tobolar Copra Processing Plant, Inc. (TCPPI) has incurred a net loss of \$863,191 during the year ended September 30, 2000 and has a working capital deficiency of \$1,618,462 at September 30, 2000. For the year ended September 30, 2000, TCPPI received an operating subsidy of \$845,000 from RepMar. Although RepMar has provided funding in the past, TCPPI does not have a formal agreement with RepMar to provide funds in the future. Management of TCPPI believes that the continuation of TCPPI's operations is dependent upon the future financial support of RepMar and/or a reduction in the purchase price of raw copra (see Note 15).

TCPPI is currently in default of repayment terms of two notes payable to the Marshall Islands Ports Authority (MIPA) (see Note 7). In accordance with the associated promissory notes, in the event of default, the total sum of principal and interest shall become immediately due and payable at the option of MIPA, without notice. In the event of commencement of suit to enforce payment of these notes payable, TCPPI will be liable for an additional sum equal to 5% of the total amount due. As of May 18, 2001, TCPPI has not received written notice of commencement of suit from MIPA with respect to TCPPI's default.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(11) Contingencies, Continued

Going Concern, Continued

Majuro Water and Sewer Company, Inc. (MWSC) has incurred a net loss of \$1,198,788 during the year ended September 30, 2000 and has a working capital deficiency and cumulative deficit of \$11,784,042 and \$2,800,548, respectively, at September 30, 2000. Additionally, MWSC is in default of loan and interest payments on certain loans, as discussed below. For the year ended September 30, 2000, MWSC received an operating subsidy of \$100,000 from RepMar. Management of MWSC believes that the continuation of MWSC's operations is dependent upon the future financial support of RepMar, compensation by RepMar for the cost of actual utility service provided, the collection of long outstanding utility receivables, and/or significant improvements in operations.

MWSC is currently in default of loan repayments under the loan agreement with RepMar for the Majuro Water Supply Project ADB Loan #1 (see Note 7). Under the terms and conditions of the loan agreement, RepMar must notify MWSC in writing of its default and that the principal amount of the loan then outstanding will be due and payable together with any accrued interest. MWSC will have thirty (30) days to cure the default. In the event of failure to cure the default, the amounts referred to above will be due on the thirtieth day. As of May 18, 2001, MWSC has not received written notice of default from RepMar with respect to MWSC's default.

MWSC is currently in default of interest payments under the loan agreement with RepMar for the Majuro Water Supply Project ADB Loan #2 (see Note 7). On or before each date of payment, RepMar shall advise MWSC of the amount payable. As of May 18, 2001, MWSC has not been advised of the amount payable.

MWSC is currently delinquent on payment of certain taxes to RepMar and the Marshall Islands Social Security Administration (MISSA) of \$214,437 and \$409,881, respectively. MWSC has reached informal agreements with the involved parties to repay these liabilities with fixed payments over a period of two years. Penalties and interest related to delinquent taxes owed to RepMar and MISSA aggregated \$37,123 and \$145,692, respectively, at September 30, 2000. However, MWSC is of the opinion that any interest and penalties on amounts outstanding will be waived.

Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR) has incurred net losses since inception. For the year ended September 30, 2000, KAJUR received an operating subsidy of \$1,759,594 from RepMar, including a noncash subsidy of \$991,937. KAJUR depends on the Kwajalein Atoll Development Authority (KADA) and RepMar for cash and noncash funding to continue its operations. On October 28, 1999, RepMar and KADA entered into a management agreement with a company for the operations of KAJUR (see Note 12). The continuation of KAJUR's operations is dependent upon future financial support from KADA and RepMar and/or significant improvements in operations.

Majuro Resort, Inc. (MRI) has incurred a net loss of \$337,161 during the year ended September 30, 2000 and has a working capital deficiency of \$80,425 at September 30, 2000. For the year ended September 30, 2000, MRI received an operating subsidy of \$99,500 from RepMar. Although RepMar has provided funding in the past, MRI does not have a formal agreement with RepMar to provide funds in the future. Management of MRI believes that the continuation of MRI's operations and its ability to provide working capital is dependent upon the future financial support of RepMar and/or significant improvements in operations.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(11) Contingencies, Continued

Going Concern, Continued

MISSA Supplemental Health Benefits Plan (the Plan) has incurred a net loss of \$571,550 during the year ended September 30, 2000 and has an accumulated deficit of \$1,538,783 at September 30, 2000. Management of the Plan believes that continuation of the Plan's operations is dependent upon the future financial support of the Marshall Islands Social Security Administration (MISSA) and the Plan's ability to generate sufficient cash flows to meet the Plan's obligations on a timely basis. On September 28, 2000, the Board of Directors of MISSA has approved a restructuring of the Plan in order to maintain the Plan's financial viability.

Litigation

A number of lawsuits are pending or threatened against RepMar that arose from the ordinary course of operations. These include claims for breaches of contract, misrepresentation, land use, property damage and other alleged violations of law. For cases in which it is probable that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, or a settlement or judgment has been reached, the Attorney General estimates the maximum liability to be approximately \$1,079,000, which has been recorded in the General Long-Term Debt Account Group within the accompanying general purpose financial statements.

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.

Marshall Islands Airports Authority (MIAA), Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR), Majuro Water and Sewer Company, Inc. (MWSC) and the Marshall Islands Ports Authority (MIPA) do not maintain insurance on their property and equipment. In the event of a loss, MIAA, KAJUR, MWSC and MIPA may be self-insured to a material extent.

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 at September 30, 2000, is \$5,063,904.

Coin Issue

RepMar authorized the issuance of certain commemorative coins which 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 such for the face value. On October 28, 1998, the Cabinet of RepMar directed the Minister of Finance to terminate the contract.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(11) Contingencies, Continued

Ebje Ruktok/Rukjenlein Fishing Company, Inc.

Ebje Ruktok/Rukjenlein Fishing Company, Inc. (ERRFC), a former Component Unit - Proprietary Fund of Kwajalein Atoll Development Authority (KADA), was incorporated under the laws of the Republic of the Marshall Islands on August 21, 1991. ERRFC was not incorporated into the 1998 through 2000 financial statements of KADA or the general purpose financial statements of RepMar. On March 12, 1992, ERRFC obtained a loan from RepMar (see Notes 3 and 7). The loan is a subsidiary of a loan agreement dated November 28, 1991 between the Asian Development Bank and RepMar. As of September 30, 1997, ERRFC had drawn \$2,588,787 against this loan and incurred \$552,713 in accrued interest payable. Management of KADA believes that ERRFC has been dissolved and that the loan payable to RepMar has been liquidated through the transfer of assets to RepMar. RepMar has not concurred with this arrangement and is currently researching the matter. No provision for any liability that may result upon resolution has been made in the accompanying general purpose financial statements.

Nuclear Claims Trust Fund (NCTF)

Section 177(c) of the Compact of Free Association (the Compact), provides, on a one-time grant basis, the amount of \$150,000,000 to RepMar to be used to establish a trust fund from which annual distributions are to be made in accordance with Article II of the Agreement between the Government of the United States and RepMar for Implementation of Section 177 of the Compact (the Agreement). Pursuant to the Agreement, RepMar established the NCTF from which these distributions are made. Over a period of fifteen years, the Nuclear Claims Tribunal (NCT) is to receive \$45,750,000 from the NCTF to be made available for whole or partial payment of monetary awards. During the year ended September 30, 2000, NCT received \$5,452,944 from the NCTF, which included \$4,952,944 to fund partial payment of monetary awards. As of September 30, 2000, NCT has committed to the distribution for monetary awards of \$32,094,760, which will be paid out against the reserved fund balance and future sums which NCT expects to receive from the NCTF. The reserved fund balance of the NCTF is \$494,500 as of September 30, 2000. Accordingly, additional funds will have to be made available through future earnings of the funds invested in the NCTF after the end of the Compact or from a renegotiated financial settlement of damages with the United States.

Marshall Islands Social Security Administration (MISSA)

Liabilities to health care providers as of September 30, 2000 are in dispute. Disputed amounts in excess of liabilities recorded by MISSA as of September 30, 2000 amount to \$2,125,797. Of the disputed amounts, four medical referrals' charges exceeded MISSA's contractual limit of \$100,000 per patient by \$800,821. In addition, \$337,852 of the disputed amounts related to Section 177 Health program patients. The ultimate outcome of these disputed liabilities can not be presently determined and, accordingly, no adjustment that may result from the resolution of this matter has been made in the accompanying general purpose financial statements.

MISSA is currently utilizing an apartment complex in Hawaii belonging to RepMar for off-island medical referral patients. No rental charges have been recorded by MISSA for fiscal years 1998 through 2000 as a rental agreement has not been executed with RepMar.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(11) Contingencies, Continued

Marshall Islands Social Security Administration (MISSA), Continued

In January 1998, MISSA obtained an actuarial valuation of its Retirement Fund and its Basic Health Benefits Plan as of September 30, 1997 (see Note 15). The valuation reported actuarial accrued liabilities for its Retirement Fund and its Basic Health Benefits Plan of \$186,014,000 and \$103,500,000, respectively. As of September 30, 2000, MISSA recorded a total fund equity of \$39,605,013 in its Retirement Fund as funds available to fund future benefit obligations and a total fund deficiency of \$3,918,624 in its Basic Health Benefits Plan. These conditions indicate that MISSA may be unable to meet its future benefit obligations. MISSA has not developed a formal plan as of September 30, 2000, to correct this potential funding deficiency.

Majuro Water and Sewer Company, Inc. (MWSC)

An exclusive franchise to construct, maintain and operate the fresh water, waste water and sewer system within Majuro Atoll was granted to MWSC by RepMar on March 9, 1989. Simultaneously, RepMar leased to MWSC, at no cost, the Majuro Atoll fresh water, waste water and sewer system. The term of both the lease and the franchise is for a ten year period commencing on March 9, 1989, and continuing thereafter unless terminated by either party six months after written notice to the other. No notice to terminate has been executed as of September 30, 2000.

Tobolar Copra Processing Plant, Inc. (TCPPI)

Public Law 1992-2 was enacted on February 17, 1992. This law established the Tobolar Copra Processing Authority (the Authority). The objectives of the Authority include assuming responsibility for the management, operation and maintenance of all aspects of copra processing for RepMar. The Authority is specifically authorized and directed by Public Law 1992-2 to enter into appropriate arrangements with TCPPI for the assumption of all rights and title to any and all assets, equipment, contracts, liabilities, rights, obligations, functions, powers, etc., that TCPPI may have or control, including all rights to the use of the name "Tobolar". This assumption will occur once TCPPI has been liquidated. Although no steps have been taken at this date to liquidate TCPPI, it is anticipated that such action will be taken.

The real property on which the copra processing plant and related facilities are located is leased by MIDA from RepMar. No provision has yet been made for the sublease to TCPPI of the real property on which the processing plant is located. No rental payments for the use of the real property or warehouses are anticipated.

Leases

RepMar enters into numerous leases with various landowners. The lease terms generally range from one to fifteen years. However, appropriations to fund these leases are made only on an annual basis. For fiscal year 2000, RepMar appropriated \$1,810,900 to fund such leases.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(12) Commitments

Marshall Islands Nuclear Claims Tribunal (NCT)

NCT has entered into office and housing lease agreements with third parties. Future minimum lease payments under these noncancellable operating leases for subsequent years ending September 30, are as follows:

<u>Year ending</u> <u>September 30,</u>	
2001	\$ 71,424
2002	<u>48,624</u>
	\$ <u>120,048</u>

Marshall Islands Visitors Authority (MIVA)

On October 1, 1997, MIVA entered into a contract to lease office space for five years. Future minimum lease payments under this noncancellable operating lease for subsequent years ending September 30, are as follows:

<u>Year ending</u> <u>September 30,</u>	
2001	\$ 16,215
2002	<u>16,215</u>
	\$ <u>32,430</u>

Marshalls Energy Company, Inc. (MEC)

MEC purchases petroleum products from Mobil Oil Micronesia, Inc. on a consignment basis whereby Mobil Oil Micronesia, Inc. continues to hold ownership and title to the product while it is held in storage at the MEC terminal storage tanks. Title and risk on the product remains with Mobil until the product passes the boundary of the MEC terminal. The value of consignment petroleum products as of September 30, 2000, is approximately \$417,401. MEC assumes responsibility for the proper and safe storage/handling of the product while under MEC storage. However, MEC carries insurance coverage on such consignment inventories.

RepMar leases to MEC a 12MW power plant, a six million gallon capacity fuel storage facility, electrical transmission systems and related facilities on Majuro Atoll. However, no cost is assigned to this lease. The lease term is for a period of 50 years commencing on December 1, 1996. Additionally, RepMar leases to MEC the right to operate and manage the power generating and distribution system on Jaluit Atoll. No cost has been assigned to this lease. The lease term is for a period of 50 years commencing on December 1, 1996.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(12) Commitments, Continued

Marshall Islands National Telecommunications Authority (MINTA)

As of September 30, 2000, the following long-term commitments with third parties exist with respect to ground leases:

<u>Year ending</u> <u>September 30,</u>	
2001	\$ 20,463
2002	20,463
2003	20,463
2004	20,463
2005	20,463
Thereafter	<u>233,627</u>
	\$ <u>335,942</u>

Pursuant to Public Law 1990-105, \$10 of the proceeds of each share of common stock sold to citizens of the Republic of the Marshall Islands will be disbursed to RepMar. The intent of Public Law 1990-105 is for the \$10 per share payment to constitute a return of the additional paid-in capital originally contributed by RepMar. Therefore, MINTA is committed to pay \$10 for each share sold to citizens of the Republic of the Marshall Islands.

Article II, Section 15 of the supplement to the RUS Leasehold Mortgage and Security Agreement sets out certain financial ratios that must be met before a dividend can be declared. If these ratios are not met, dividends may only be declared with the written approval of RUS.

On June 14, 2000, MINTA entered into an agreement for the purchase of a new cellular system at a cost of \$1,250,000. As of September 30, 2000, MINTA has made progress payments amounting to \$625,000 against this purchase agreement.

Tobolar Copra Processing Plant, Inc. (TCPPI)

A five-year management agreement was renewed effective January 1, 1995 with a management company, wherein the company is to manage the operations of TCPPI for an annual fee of \$50,000, adjusted each year by the change in the United States consumer price index as of December 31. This agreement expired on December 31, 1999 and has not been renewed. The Company continues to manage TCPPI at the discretion of the Board of TCPPI on a monthly basis, while a new agreement is considered by the Board of TCPPI.

Majuro Water and Sewer Company, Inc. (MWSC)

On March 24, 1994, the Board of Directors of MWSC approved a loan agreement between RepMar and MWSC whereby RepMar would loan MWSC Special Drawing Rights 503,000 (approximately \$760,116 as at September 30, 2000) for construction of the Majuro Water Supply Project (see Note 7). The remaining commitment as of September 30, 2000, is \$45,623.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(12) Commitments, Continued

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

On September 18, 1996, the Board of Directors of MWSC approved a loan agreement between RepMar and MWSC whereby RepMar would loan MWSC Special Drawing Rights 6,062,000 (approximately \$8,338,715 as at September 30, 2000) for construction of the Majuro Water Supply Project (see Note 7). The remaining commitment as of September 30, 2000, is \$512,452.

Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR)

On October 28, 1999, RepMar and the Kwajalein Atoll Development Authority (KADA) entered into an interim arrangement with a management company for the operations of KAJUR, effective November 2, 1999 (the original commencement date). On June 1, 2000, RepMar and KADA formalized an agreement with the management company for a term of two years from the original commencement date. Under the terms of the agreement, the company is to manage the operations of KAJUR for a monthly fee of \$41,250. In turn, RepMar agreed to provide cash, totaling \$896,632, as working capital infusion in fiscal year 2000, and a further \$400,000 in fiscal year 2001. Additionally, RepMar agreed to become solely responsible for all liabilities, actual and contingent, relating to KAJUR's operations prior to the original commencement date. Accordingly, RepMar repaid a loan payable to a bank, totaling \$581,418, inclusive of interest during the year ended September 30, 2000. In addition, RepMar assumed the liability for certain delinquent taxes to the Marshall Islands Social Security Administration (MISSA), totaling \$410,519. Penalties and interest related to delinquent taxes owed to MISSA aggregated \$169,601 at September 30, 2000. RepMar is of the opinion that any interest and penalties on amounts outstanding will be waived. Furthermore, RepMar forgave certain delinquent taxes owed by KAJUR relating to employee withholding taxes in the amount of \$141,396.

Majuro Resort, Inc. (MRI)

MRI leases the land on which the hotel is situated at the rate of \$10,212 per year plus 2.5% of gross revenue earned. These payments are suspended until such time as 75% of the ownership of the lessee, or its successor in the interest in the hotel, is held by any person or entity other than RepMar or any agency thereof. The lease agreement also requires that 5% of the initial outstanding shares of the lessee or its successor be issued to the lessor. No shares have been issued to the lessor by either of MRI or RepMar at September 30, 2000.

MRI has entered into a management agreement with a company for an initial term of five years, commencing June 1, 1996. Pursuant to this agreement, RepMar is to provide the operator of the hotel with cash reasonably required to finance and support the uninterrupted and efficient operation of the hotel and the performance of the company under this agreement. The agreement states that at no time shall the amount of working capital available to the company be less than \$100,000. MRI depends on RepMar for the provision of working capital.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(12) Commitments, Continued

Other Commitments

RepMar has made the following commitments as of September 30, 2000:

- a) Guaranteed a bank debt of Tobolar Copra Processing Plant, Inc. (TCPPI) with a letter of guarantee. At September 30, 2000, TCPPI recorded guaranteed bank debt totaling \$1,000,000.
- b) Guaranteed a debt of Marshall Islands National Telecommunications Authority (MINTA) in respect to a loan from the United States Rural Utilities Service (RUS, formerly Rural Electrification Administration) with a letter of guarantee. At September 30, 2000, MINTA recorded guaranteed debt totaling \$18,786,280.
- c) Guaranteed a debt of Marshalls Energy Company, Inc. (MEC) in respect to a loan from the United States Rural Utilities Service (RUS) with a letter of guarantee. At September 30, 2000, MEC recorded guaranteed debt totaling \$11,455,181
- d) Guaranteed debt of a third party for the construction of the Majuro Tuna Processing Facility with a time certificate of deposit totaling \$2,118,767.
- e) On November 22, 1991, RepMar entered into a lease agreement 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 will be \$305,613 per year.
- f) On November 28, 1991, RepMar entered into a loan agreement with the Asian Development Bank (ADB) for SDR 5,198,000 (approximates \$7,525,616 at September 30, 2000) for a Fisheries Development Project. At September 30, 2000, \$3,521,894 of drawdowns had been made against this loan.
- g) On February 24, 1992, RepMar issued a letter of guarantee in the amount of \$178,000 plus interest for the benefit of the Delap Assembly of God Church for a loan issued by Marshall Islands Development Bank.
- h) On August 1, 1992, RepMar entered into a loan agreement with the People's Republic of China totaling \$2,000,000 relating to the first technical and economic assistance agreement. Loan proceeds will be utilized as part of RepMar's investment in a garment factory. As at September 30, 2000, \$1,900,000 of drawdowns had been made against this loan.
- i) On November 17, 1993, RepMar entered into a loan agreement with the ADB for SDR 503,000 (approximates \$760,116 at September 30, 2000) for the Majuro Water Supply Project. At September 30, 2000, \$723,087 of drawdowns had been made against this loan.
- j) On November 17, 1993, RepMar entered into a loan agreement with the ADB for SDR 5,752,000 (approximates \$7,846,221 at September 30, 2000) for the improvement of basic education within the Marshall Islands. At September 30, 2000, \$6,968,983 of drawdowns had been made against this loan.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(12) Commitments, Continued

Other Commitments, Continued

- k) On August 6, 1994, RepMar entered into a loan agreement with the People's Republic of China totaling \$2,000,000 relating to the second technical and economic assistance agreement. Loan proceeds will be utilized for the establishment of a public high school in Laura. At September 30, 2000, no drawdowns had been made against this loan.
- l) On February 24, 1995, RepMar entered into a loan agreement with the ADB for SDR 3,911,000 (approximates \$5,427,037 at September 30, 2000) for the purpose of improving the quality of health and family planning services, and strengthening RepMar's primary health care model of services. At September 30, 2000, \$3,881,539 of drawdowns had been made against this loan.
- m) On February 1, 1996, RepMar entered into a loan agreement with the ADB for SDR 6,062,000 (approximates \$8,338,715 at September 30, 2000) for the Majuro Water Supply Project. At September 30, 2000, \$7,950,778 of drawdowns had been made against this loan.
- n) On October 8, 1999, RepMar entered into a loan agreement with the ADB for SDR 6,924,000 (approximates \$9,255,103 at September 30, 2000) for the Ebeye Health and Infrastructure Project. At September 30, 2000, \$2,694,297 of drawdowns had been made against this loan.
- o) On August 7, 2000, RepMar entered into a loan agreement with the Marshall Islands Development Bank (MIDB) for \$1,800,000. RepMar has collateralized this loan payable with a time certificate of deposit with MIDB totaling \$434,026.

(13) Restatement/Reclassification of Fund Equity

Special Revenue Funds

Fund balance - October 1, 1999, as previously reported	\$ 639,196
Inclusion of the financial statements of the Health Care Revenue Fund for the year ended September 30, 2000	<u>1,448,984</u>
Fund balance - October 1, 1999, as restated	<u>\$ 2,088,180</u>

Expendable Trust Funds

Fund balance - October 1, 1999, as previously reported	\$ 78,669,528
Inclusion of the financial statements of the Four Atoll Medical Fund for the year ended September 30, 2000	937,540
Inclusion of the financial statements of the Marshall Islands Social Security Administration for the year ended September 30, 2000	<u>30,532,376</u>
Fund balance - October 1, 1999, as restated	<u>\$ 110,139,444</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(13) Restatement/Reclassification of Fund Equity, Continued

Component Units - Proprietary Funds

Contributed capital - October 1, 1999, as previously reported	\$ 58,785,604
Exclusion of the financial statements of Air Marshall Islands, Inc. for the year ended September 30, 2000	<u>(22,735,398)</u>
Contributed capital - October 1, 1999, as restated	\$ <u>36,050,206</u>
Deficit - October 1, 1999, as previously reported	\$ (9,801,877)
Overstatement of general receivables and accounts payable for Marshall Islands National Telecommunications Authority	(228,716)
Exclusion of the financial statements of Air Marshall Islands, Inc. for the year ended September 30, 2000	11,201,222
Inclusion of the financial statements of the MISSA Supplemental Health Benefits Plan for the year ended September 30, 2000	<u>(967,233)</u>
Retained earnings - October 1, 1999, as restated	\$ <u><u>203,396</u></u>

(14) Individual Deficit Fund Balances or Deficit Retained Earnings

Specific individual funds which had individual deficit fund balances or retained earnings as at September 30, 2000, are as follows:

Special Revenue Funds

TTPI Federal and Other Assistance Fund	\$ <u><u>2,272</u></u>
Other Direct Assistance Fund	\$ <u><u>1,233</u></u>
Health Care Revenue Fund	\$ <u><u>367,366</u></u>

Capital Projects Fund

MIDA Fund	\$ <u><u>1,090,778</u></u>
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Nonexpendable Trust Funds

Off-Shore Banking Trust Fund	\$ <u><u>32,874</u></u>
Eminent Domain Trust Fund	\$ <u><u>124,92</u></u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(14) Individual Deficit Fund Balances or Deficit Retained Earnings, Continued

Component Units - Proprietary Funds (Deficit Retained Earnings)

Tobolar Copra Processing Plant, Inc.	\$ <u>2,440,100</u>
Majuro Water and Sewer Company, Inc.	\$ <u>2,800,548</u>
KADA Housing Division	\$ <u>1,429,669</u>
Majuro Resort, Inc.	\$ <u>2,269,157</u>
MISSA Supplemental Health Benefits Plan	\$ <u>1,538,783</u>

Deficits of the Component Units - Proprietary Funds are offset within fund equity by contributed capital with the exception of Tobolar Copra Processing Plant, Inc., Majuro Water & Sewer Company, Inc. and the MISSA Supplemental Health Benefits Plan.

(15) Subsequent Events

On November 9, 2000, the Cabinet of RepMar appointed a task force to review the management and operation of Tobolar Copra Processing Plant, Inc. (TCPPI). The terms of reference included investigation of its operations and making recommendations to achieve economy and self-efficiency.

On November 29, 2000, RepMar entered into a loan agreement (Loan Number 1791-RMI(SF)) with the Asian Development Bank (ADB) for SDR 5,276,000 for the Skills Training and Vocational Education Project.

In December 2000, MISSA obtained an actuarial valuation of the Retirement Fund as of September 30, 1998. The valuation reported actuarial accrued liabilities of \$191,987,000.

Effective January 1, 2001, the Social Security tax rate on the quarterly income of every employee increased from six percent to seven percent. The Social Security Act of 1990, as amended, required the increase in the Social Security tax rate to be in effect on July 1, 2000.

On February 8, 2001, the Cabinet of RepMar declared that the purchase price by TCPPI for copra shall be decreased from 12 cents to 9 cents per pound.

On May 11, 2001, the Cabinet approved a government guarantee for a loan with a bank by the Marshalls Energy Company, Inc. (MEC) for an amount up to \$2,300,000.

On May 18, 2001, the Cabinet approved a tariff increase for government electricity usage from 13 cents to 16 cents per kilowatt hour.

On June 7, 2001, the Minister of Finance negotiated and concluded a loan agreement between RepMar and the ADB, totaling \$12,000,000, for the Fiscal and Financial Management Program.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2000

(16) Risk Management

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 material losses have resulted from RepMar's risk management activities.

Component Units - Proprietary Funds are exposed to the same risks of loss as RepMar. Certain component units have elected to purchase commercial insurance from independent third parties for the risks of loss to which they are exposed. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Certain other component units believe it is more economical to manage their risks internally. No material losses have resulted from this risk management activity.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Expenditures by Account
 All Governmental Fund Types, Expendable Trust Funds
 and Discretely Presented Component Units
 Year Ended September 30, 2000
 (With comparative totals for the year ended September 30, 1999)

	Governmental Fund Types				Fiduciary Fund Type Expendable Trust	Total Primary Government	Components Units Governmental	Totals	
	General	Special Revenue	Debt Service	Capital Projects				2000	1999
	Salaries and wages	\$ 12,217,868	\$ 5,138,134	\$ -	\$ 528,485	\$ -	\$ 17,884,487	\$ 79,757	\$ 17,964,244
Principal retirement	-	-	16,700,714	-	-	16,700,714	-	16,700,714	20,083,182
Local government distributions	-	-	-	-	12,561,203	12,561,203	-	12,561,203	12,431,824
Land use distributions	-	-	-	-	8,457,018	8,457,018	-	8,457,018	8,411,442
Social security benefit payments	-	-	-	-	7,657,881	7,657,881	-	7,657,881	-
Health care payments	-	-	-	-	7,036,730	7,036,730	-	7,036,730	-
Contractual services	1,414,145	4,037,166	-	-	-	5,451,311	-	5,451,311	2,812,401
Grants and subsidies	2,846,413	2,150,078	-	-	-	4,996,491	-	4,996,491	4,245,781
Capital outlay	1,159,444	2,649,273	-	15,044	-	3,823,761	28,882	3,852,643	1,403,420
Nuclear claims payments	-	-	-	-	3,551,498	3,551,498	-	3,551,498	3,754,986
Administrative	-	-	-	-	3,414,830	3,414,830	-	3,414,830	2,601,377
Professional services	244,215	5,832	-	-	2,316,441	2,566,488	-	2,566,488	612,816
Supplies and materials	1,023,217	1,282,655	-	16,420	-	2,322,292	-	2,322,292	2,301,844
Travel	1,066,210	971,118	-	9,670	-	2,046,998	-	2,046,998	1,749,903
Interest	256,740	-	1,761,995	-	-	2,018,735	-	2,018,735	4,340,172
Medical supplies	48,307	1,516,611	-	-	-	1,564,918	-	1,564,918	52,868
Utilities	1,552,204	7,211	-	-	-	1,559,415	-	1,559,415	1,644,381
Rentals	1,259,622	103,134	-	-	-	1,362,756	16,215	1,378,971	1,781,823
Leased housing	728,301	57,720	-	-	-	786,021	-	786,021	765,334
Allowances	775,380	-	-	-	-	775,380	-	775,380	938,978
Construction	254,234	299,391	-	-	-	553,625	-	553,625	813,973
Communications	392,088	98,180	-	15,319	-	505,587	8,066	513,653	761,519
POL	268,111	56,028	-	43,025	-	367,164	-	367,164	328,893
Food stuffs	199,099	119,133	-	18,506	-	336,738	-	336,738	294,221
Freight	33,373	226,023	-	-	-	259,396	-	259,396	126,999
Printing and reproduction	36,717	46,124	-	-	-	82,841	59,815	142,656	188,097
Insurance	114,221	22,646	-	-	-	136,867	1,423	138,290	70,494
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	5,535,470
Other	1,913,713	1,483,517	-	6,167,438	-	9,564,668	154,105	9,718,773	6,931,437
	<u>\$ 27,803,622</u>	<u>\$ 20,269,974</u>	<u>\$ 18,462,709</u>	<u>\$ 6,813,907</u>	<u>\$ 44,995,601</u>	<u>\$ 118,345,813</u>	<u>\$ 348,263</u>	<u>\$ 118,694,076</u>	<u>\$ 102,483,284</u>

See Accompanyng Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL FUND

September 30, 2000

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
GENERAL FUND

Statement of Revenues, Expenditures by Function
and Changes in Fund Balance
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	2000	1999
Revenues:		
Compact funding	\$ 1,442,900	\$ 1,344,083
Taxes:		
Income	8,703,509	7,630,103
Import	4,161,959	6,179,773
Gross revenue	3,226,784	2,525,550
Fuel	360,904	47,012
Penalties and interest	233,720	23,836
Other	351,377	444,212
	17,038,253	16,850,486
Other local	121,847	9,067
Fees and charges	347,946	279,388
Fishing rights	3,655,164	2,310,071
Interest and dividends	506,986	499,606
Sales:		
Other	-	800
	-	800
Other:		
Taiwan grant	3,000,000	3,000,000
Ship registry	1,064,921	940,050
Fishbase lease	-	4,136
Other	873,601	179,342
	4,938,522	4,123,528
Total revenues	28,051,618	25,417,029
Expenditures - by function:		
President and cabinet:		
President and ministers	546,994	444,876
Cabinet operations	380,152	204,087
Print shop/National Gazette	53,176	150,017
Office of the President	225,977	757,159
Office of the Attorney General	484,940	300,726
International travel	-	59,018
	1,691,239	1,915,883
Council of Iroij:		
Administration	70,157	59,563
Members	326,607	307,356
	396,764	366,919
Special appropriations:		
RepMar utility billings - Majuro	1,321,841	1,165,121
KAJUR management contract fees	453,750	-
Asian Development Bank counterpart funding	49,368	-
Land leases	894,638	1,327,582
RepMar water billings - Majuro	68,054	-
United States Army Kwajalein Atoll	-	85,926
Medical bills	-	113,668
School renovations	142,351	66,445
Public safety building	-	69,503
Contingencies fund	839,770	275,527
International subsidies	310,414	244,624
Reform program	-	3,004
Disaster assistance	23,429	-

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL FUND

Statement of Revenues, Expenditures by Function
and Changes in Fund Balance, Continued
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	2000	1999
Expenditures - by function, continued:		
Special appropriations, continued:		
Census	8,421	181,282
Marshall Islands Development Bank loan service charges	22,862	-
Agriculture training center	25,000	-
Prior year liabilities	332,738	303,804
Kwajalein Atoll Local Government	273,874	374,000
RepMar utility billings - Ebeye	151,833	270,118
Banking commissioner	37,684	35,027
	4,956,027	4,515,631
Ministries and offices:		
Chief Secretary's office	328,038	362,477
Office of the Auditor-General	188,851	154,003
Ministry of Health and Environment	3,076,261	2,727,736
Ministry of Education	4,489,546	4,461,901
Ministry of Transportation and Communication	526,038	240,456
Ministry of Resources and Development	586,111	1,381,694
Ministry of Interior and Social Welfare	1,132,320	803,943
Ministry of Justice	1,993,111	1,772,673
Ministry of Finance	1,459,792	1,487,328
Ministry of Foreign Affairs and Trade	2,222,118	2,114,311
Ministry of Public Works	1,954,775	-
	17,956,961	15,506,522
Nitijela:		
Operations	206,573	212,164
General membership	839,510	987,351
Speaker's contingency	52,534	34,315
Committee expenditures	114,538	6,982
Legislative counsel	-	32,952
Nitijela pensions	3,910	85,652
	1,217,065	1,359,416
Commissions and authorities:		
Public service commission	786,978	659,418
Marshall Islands Development Authority	81,630	76,352
	868,608	735,770
Other:		
Asian Development Bank loan service charges	233,878	137,545
Judiciary	56,362	325,706
Other	426,718	313,371
	716,958	776,622
Total expenditures	27,803,622	25,176,763
Excess of revenues over expenditures	247,996	240,266
Other financing sources (uses):		
Loan proceeds	1,800,000	-
Operating transfers in	120,000	-
Operating transfers out	(9,642,587)	(2,367,438)
Total other financing sources (uses), net	(7,722,587)	(2,367,438)
Deficiency of revenues and other financing sources under expenditures and other financing uses	(7,474,591)	(2,127,172)
Fund balance at beginning of year	8,873,657	11,000,829
Fund balance at end of year	\$ 1,399,066	\$ 8,873,657

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL FUND

Statement of Revenues, Expenditures and Changes
in Fund Balance (Deficit) - Budget and Actual
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Compact funding	\$ 1,344,084	\$ 1,442,900	\$ 98,816	\$ 465,000	\$ 1,344,083	\$ 879,083
Taxes:						
Income	7,500,000	8,703,509	1,203,509	8,150,000	7,630,103	(519,897)
Import	5,000,000	4,161,959	(838,041)	7,300,000	6,179,773	(1,120,227)
Gross revenue	3,000,000	3,226,784	226,784	2,700,000	2,525,550	(174,450)
Fuel	250,000	360,904	110,904	550,000	47,012	(502,988)
Penalties and interest	20,000	233,720	213,720	-	23,836	23,836
Other	-	351,377	351,377	250,000	444,212	194,212
	<u>15,770,000</u>	<u>17,038,253</u>	<u>1,268,253</u>	<u>18,950,000</u>	<u>16,850,486</u>	<u>(2,099,514)</u>
Other local	-	121,847	121,847	-	9,067	9,067
Fees and charges	300,000	347,946	47,946	-	279,388	279,388
Fishing rights	3,000,000	3,655,164	655,164	3,000,000	2,310,071	(689,929)
Interest and dividends	600,000	506,986	(93,014)	450,000	499,606	49,606
Sales:						
Coin sales	-	-	-	250,000	-	(250,000)
Other	-	-	-	-	800	800
	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>800</u>	<u>(249,200)</u>
Other:						
Taiwan grant	3,000,000	3,000,000	-	3,000,000	3,000,000	-
Ship registry	950,000	1,064,921	114,921	800,000	940,050	140,050
Fishbase lease	-	-	-	250,000	4,136	(245,864)
Other	1,266,365	873,601	(392,764)	804,551	179,342	(625,209)
	<u>5,216,365</u>	<u>4,938,522</u>	<u>(277,843)</u>	<u>4,854,551</u>	<u>4,123,528</u>	<u>(731,023)</u>
Total revenues	<u>26,230,449</u>	<u>28,051,618</u>	<u>1,821,169</u>	<u>27,969,551</u>	<u>25,417,029</u>	<u>(2,552,522)</u>
Expenditures - budgetary basis by function:						
President and cabinet:						
President and ministers	586,316	546,957	39,359	547,054	445,201	101,853
Cabinet operations	566,596	416,849	149,747	300,175	210,954	89,221
Print shop/National Gazette	-	51,319	(51,319)	107,492	151,874	(44,382)
Office of the President	158,550	216,982	(58,432)	597,082	780,252	(183,170)
Broadcasting and engineering	-	-	-	21	-	21
Office of the Attorney General	341,918	623,990	(282,072)	334,282	303,332	30,950
International travel	-	-	-	46,846	59,018	(12,172)
	<u>1,653,380</u>	<u>1,856,097</u>	<u>(202,717)</u>	<u>1,932,952</u>	<u>1,950,631</u>	<u>(17,679)</u>
Council of Iroij:						
Administration	70,863	71,230	(367)	43,996	59,563	(15,567)
Members	296,507	329,134	(32,627)	292,085	308,232	(16,147)
	<u>367,370</u>	<u>400,364</u>	<u>(32,994)</u>	<u>336,081</u>	<u>367,795</u>	<u>(31,714)</u>
Special appropriations:						
RepMar utility billings-Majuro	1,243,750	1,331,218	(87,468)	1,013,518	1,165,121	(151,603)
KAJUR management contract fees	-	453,750	(453,750)	-	-	-
Micronesia Legal Services Commission	9,950	-	9,950	10,000	-	10,000
Asian Development Bank counterpart funding	248,750	49,368	199,382	-	-	-
Land leases	1,810,900	891,187	919,713	713,338	1,340,975	(627,637)
RepMar water billings-Majuro	-	68,054	(68,054)	-	-	-
United States Army Kwajalein Atoll	99,500	-	99,500	100,000	85,926	14,074
Medical bills	-	-	-	113,668	113,668	-
School renovations	-	34,833	(34,833)	500,000	276,646	223,354
High school dormitories	-	-	-	200,400	-	200,400
Public safety building	-	-	-	110,573	69,503	41,070
Constitution day	-	-	-	5,000	-	5,000
Capitol building repairs	-	-	-	600,000	-	600,000
Alele Museum	-	-	-	27,540	-	27,540
Contingencies fund	-	840,664	(840,664)	98,055	275,527	(177,472)
International subsidies	422,875	310,414	112,461	465,422	244,624	220,798
Reform program	995,000	-	995,000	750	3,004	(2,254)
Disaster assistance	199,000	24,396	174,604	-	-	-
Census	-	9,327	(9,327)	180,000	183,045	(3,045)
Marshall Islands Development Bank loan service charges	-	22,862	(22,862)	-	-	-
Agriculture training center	-	25,000	(25,000)	-	-	-
Prior year liabilities	497,500	336,681	160,819	1,437,687	303,805	1,133,882
Kwajalein Atoll Local Government	845,750	509,937	335,813	399,000	374,000	25,000
RepMar utility billings-Ebeye	149,250	196,648	(47,398)	125,000	370,118	(245,118)
Banking Commissioner	40,000	38,253	1,747	43,971	35,027	8,944
Uncover litigation	1,990,000	-	1,990,000	-	-	-
Legal fees	497,500	-	497,500	-	-	-
Drydocking of RepMar ships	313,425	-	313,425	-	-	-
	<u>9,363,150</u>	<u>5,142,592</u>	<u>4,220,558</u>	<u>6,143,922</u>	<u>4,840,989</u>	<u>1,302,933</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL FUND

Statement of Revenues, Expenditures and Changes
in Fund Balance (Deficit) - Budget and Actual, Continued
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - budgetary basis by function, continued						
Ministries and offices:						
Chief Secretary's office	354,011	334,704	19,307	496,977	363,394	133,583
Office of the Auditor-General	196,151	177,294	18,857	229,784	172,193	57,591
Ministry of Health and Environment	3,148,236	3,068,395	79,841	3,013,312	2,852,728	160,584
Ministry of Education	4,384,920	4,407,782	(22,862)	4,768,670	4,596,473	172,197
Ministry of Transportation and Communication	499,490	635,277	(135,787)	-	240,456	(240,456)
Ministry of Resources and Development	515,315	583,959	(68,644)	1,389,477	1,471,602	(82,125)
Ministry of Interior and Social Welfare	1,409,116	1,219,266	189,850	817,782	866,628	(48,846)
Ministry of Justice	1,570,172	2,000,217	(430,045)	1,624,452	1,778,340	(153,888)
Ministry of Finance	1,062,940	1,457,545	(394,605)	1,334,819	1,522,890	(188,071)
Ministry of Foreign Affairs and Trade	1,990,668	2,352,847	(362,179)	2,245,347	2,177,238	68,109
Ministry of Public Works	1,353,461	2,028,883	(675,422)	-	-	-
	<u>16,484,480</u>	<u>18,266,169</u>	<u>(1,781,689)</u>	<u>15,920,620</u>	<u>16,041,942</u>	<u>(121,322)</u>
Nitijela:						
Operations	321,745	214,713	107,032	220,212	215,343	4,869
General membership	882,376	842,163	40,213	800,922	987,351	(186,429)
Speaker's contingency	49,876	60,176	(10,300)	41,202	36,405	4,797
Committee expenditures	99,779	133,426	(33,647)	15,000	7,386	7,614
Legislative counsel	51,570	-	51,570	43,035	32,952	10,083
Nitijela pensions	-	3,910	(3,910)	81,000	85,652	(4,652)
	<u>1,405,346</u>	<u>1,254,388</u>	<u>150,958</u>	<u>1,201,371</u>	<u>1,365,089</u>	<u>(163,718)</u>
Commissions and authorities:						
Public service commission	799,437	823,064	(23,627)	760,008	721,676	38,332
Marshall Islands Development Authority	67,140	80,311	(13,171)	74,000	80,034	(6,034)
	<u>866,577</u>	<u>903,375</u>	<u>(36,798)</u>	<u>834,008</u>	<u>801,710</u>	<u>32,298</u>
Other:						
Asian Development Bank loan service charges	-	233,878	(233,878)	-	137,545	(137,545)
Judiciary	82,837	56,362	26,475	616,800	325,706	291,094
Other	74,625	434,229	(359,604)	-	(912,871)	912,871
	<u>157,462</u>	<u>724,469</u>	<u>(567,007)</u>	<u>616,800</u>	<u>(449,620)</u>	<u>1,066,420</u>
Total expenditures	30,297,765	28,547,454	1,750,311	26,985,754	24,918,536	2,067,218
Excess (deficiency) of revenues over (under) expenditures	(4,067,316)	(495,836)	3,571,480	983,797	498,493	(485,304)
Other financing sources:						
Loan proceeds	8,000,000	1,800,000	(6,200,000)	-	-	-
Sale of general fixed assets	5,000,000	-	(5,000,000)	-	-	-
Operating transfers in:						
Marshall Islands Marine Resources Authority	-	120,000	120,000	-	-	-
	<u>-</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing uses:						
Operating transfers out:						
TTPI Federal and Other Assistance Fund	-	-	-	-	273,899	(273,899)
Judiciary Fund	261,020	494,510	(233,490)	143,100	143,100	-
Airport Trust Fund	-	132,467	(132,467)	-	-	-
Postal Service Fund	-	243,955	(243,955)	-	-	-
Ships Operations Fund	-	445,543	(445,543)	-	-	-
Health Care Revenue Fund	497,500	450,000	47,500	-	-	-
Resident Workers Training Account	-	210,942	(210,942)	-	-	-
National Environmental Protection Authority	137,907	137,907	-	125,641	125,641	-
Section 216(a)(1) Surveillance and Enforcement	-	118,469	(118,469)	-	-	-
General Obligation Bond Capital Projects	-	44,568	(44,568)	-	-	-
Marshall Islands Social Security Administration	3,183,436	3,360,000	(176,564)	-	-	-
Local Government Fund	-	247,700	(247,700)	-	-	-
Claims Tribunal Fund	-	85,038	(85,038)	-	-	-
Radiological Surveillance Fund	-	21,877	(21,877)	-	-	-
Marshall Islands Scholarship, Grant and Loan Board	99,948	81,403	18,545	81,810	81,450	360
Intergenerational Trust Fund	1,990,000	-	1,990,000	-	-	-
Marshall Islands Visitors Authority	522,375	273,625	248,750	375,000	375,000	-
Tobolar Copra Processing Plant, Inc.	796,000	845,000	(49,000)	581,000	581,000	-
Majuro Water and Sewer Company, Inc.	99,500	100,000	(500)	-	-	-
Kwajalein Atoll Joint Utilities Resources, Inc.	646,750	1,888,594	(1,241,844)	325,000	325,000	-
Majuro Resort, Inc.	99,500	99,500	-	600,000	462,348	137,652
Marshall Islands Ports Authority	-	-	-	80,000	-	80,000
Marshall Islands Development Bank	49,750	49,750	-	-	-	-
College of the Marshall Islands	548,998	571,739	(22,741)	-	-	-
	<u>8,932,684</u>	<u>9,902,587</u>	<u>(969,903)</u>	<u>2,311,551</u>	<u>2,367,438</u>	<u>(55,887)</u>
Total other financing sources (uses), net	4,067,316	(7,982,587)	(12,049,903)	(2,311,551)	(2,367,438)	(55,887)
Deficiency of revenues and other financing sources under expenditures and other financing uses	-	(8,478,423)	(8,478,423)	(1,327,754)	(1,868,945)	(541,191)
Other changes in unreserved fund balances:						
Decrease in reserve for related assets	-	1,900,438	1,900,438	-	977,821	977,821
Unreserved fund balance at beginning of year	619,931	619,931	-	1,511,055	1,511,055	-
Unreserved fund balance (deficit) at end of year	<u>\$ 619,931</u>	<u>\$ (5,958,054)</u>	<u>\$ (6,577,985)</u>	<u>\$ 183,301</u>	<u>\$ 619,931</u>	<u>\$ 436,630</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

September 30, 2000

Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes. A brief discussion of RepMar's Special Revenue Funds as of September 30, 2000, follows:

TTPI Federal and Other Assistance Fund

This fund accounts for all financial transactions formally related to the Trust Territory of the Pacific Islands (TTPI) United States federally assisted funds which are subgranted to RepMar, as well as other direct federal grants which RepMar received from the United States government once RepMar's subgrantee status with the TTPI ceased.

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.

RMI Investment Development Fund

This fund accounts for all financial transactions related to the sale of Marshallese passports for investment related activities.

Judiciary Fund

This fund accounts for all financial transactions related to RepMar's judicial system as required under Public Law 1989-69.

Telecommunications Fund

This fund accounts for all operations with respect to services as the overseas telecommunications carrier for RepMar as required under Public Law 1983-33, 1984-1 and 1986-8. The operations of the telecommunications system was transferred to the National Telecommunications Authority pursuant to Public Law 1987-15 which was subsequently repealed and replaced with the Marshall Islands National Telecommunications Authority pursuant to Public Law 1990-105.

Airport Trust Fund

This fund accounts for the operations and maintenance of all airports operated by RepMar. This fund was established under Public Law 1983-26, as amended by Public Law 1988-7, to administer charges and fees, as collected, in conjunction with the use of the airports, and any appropriations made by the Nitijela for airport improvement.

Seaport Trust Fund

This fund accounts for the operations and maintenance of all seaports operated by RepMar. This fund was established under Public Law 1983-11, as amended by Public Law 1990-83, to administer charges and fees, as collected, in conjunction with the use of the seaports, and any appropriations made by the Nitijela for seaport improvement.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

September 30, 2000

Special Revenue Fund

This fund accounts for the operations of the Rehabilitation Center of the Majuro Hospital. This fund was established under Public Law 1984-8, as amended by Public Law 1986-12, to administer charges and fees, as collected, in conjunction with the use of the Rehabilitation Center, charitable donations, and any appropriations made by the Nitijela for related purposes.

Postal Service Fund

This fund was established under Public Law 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.

Ships Operations Fund

This fund was established under Public Law 1986-6 to account for all the ships operations of the Ministry of Transportation and Communication.

Health Care Revenue Fund

This fund was established under Public Law 1989-59 and accounts for the purchase of drugs, medical supplies and equipment and the provision and administration of other health services by the Ministry of Health and Environment.

Section 216(b) Maritime

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title 2, Article 1, Section 216(b) and approved by Nitijela resolution 62.

Resident Workers Training Account

This fund was established under Public Law 1987-6 and accounts for all monies collected under the provisions of the Nonresident Workers Act 1983 from employers who employ non-resident workers, and accounts for all financial transactions of the National Training Council.

Section 215(a)(1) Communications

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title 2, Article 1, Section 215(a)(1) and approved by Nitijela resolution 62.

Section 216(a)(2) Health and Medical

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title 2, Article 1, Section 216(a)(2) and approved by Nitijela resolution 62.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

September 30, 2000

Section 216(a)(3) Scholarship

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title 2, Article 1, Section 216(a)(3) and approved by Nitijela resolution 62.

Section 221(b) Education and Health Care

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title 2, Article 1, Section 221(b) and approved by Nitijela resolution 62.

Section 214(a) Energy

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title 2, Article 1, Section 214(a) and approved by Nitijela resolution 62.

National Environmental Protection Authority Fund

This fund accounts for the operations of the National Environmental Protection Authority. This fund was established under Public Law 1984-31, as amended by Public Law 1987-2, for the protection and management of the environment.

Ministry of Justice Fund

This fund accounts for specific operations of both the Department of Public Safety and Ministry of Justice. This fund was established under Public Law 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.

Alternative Energy Fund

This fund accounts for the development, marketing, and operation of alternative energy systems. This fund was established under Public Law 1989-63 to administer revenue received with respect to alternative energy systems, and any appropriations made by the Nitijela for related purposes.

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

Combining Balance Sheet
September 30, 2000
(With comparative totals as of September 30, 1999)

	TTP1 Federal and Other Assistance Fund	Other Direct Assistance Fund	RMI Investment Development Fund	Judiciary Fund	Telecommu- nications Fund	Airport Trust Fund	Seaport Trust Fund	Special Revenue Fund	Postal Service Fund	Ships Operations Fund	Health Care Revenue Fund
Assets											
Cash and cash equivalents	\$ -	\$ -	\$ 1,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,594
Investments	-	-	300,220	-	-	-	-	-	-	-	-
Receivables, net:											
Federal agencies	1,982,424	-	-	-	-	-	-	-	-	-	-
Other	-	588,037	-	-	-	-	-	-	-	-	92,524
Due from other funds	-	-	56,769	10,053	98	12,440	89,220	29,487	17,239	-	2,977,639
Advances	104,841	2,934	-	1,310	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	-	230,332
	<u>\$ 2,087,265</u>	<u>\$ 590,971</u>	<u>\$ 358,634</u>	<u>\$ 11,363</u>	<u>\$ 98</u>	<u>\$ 12,440</u>	<u>\$ 89,220</u>	<u>\$ 29,487</u>	<u>\$ 17,239</u>	<u>\$ -</u>	<u>\$ 3,350,089</u>
Liabilities and Fund Balances (Deficit)											
Liabilities:											
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,400
Accounts payable	521,580	481,497	-	11,363	-	9,672	-	-	1,051	-	431,604
Other liabilities and accruals	85,579	-	-	-	-	2,768	-	-	16,188	-	-
Due to other funds	1,482,378	110,707	-	-	-	-	-	-	-	-	-
Total liabilities	<u>2,089,537</u>	<u>592,204</u>	<u>-</u>	<u>11,363</u>	<u>-</u>	<u>12,440</u>	<u>-</u>	<u>-</u>	<u>17,239</u>	<u>-</u>	<u>483,004</u>
Fund balances (deficit):											
Reserved for:											
Related assets	-	-	300,220	-	-	-	-	-	-	-	3,234,451
Encumbrances	2,838,105	4,439,065	-	10,296	-	651	-	-	9,822	-	-
Scholarships	-	-	-	-	-	-	-	-	-	-	-
Communications	-	-	-	-	-	-	-	-	-	-	-
Health and medical	-	-	-	-	-	-	-	-	-	-	-
Health and education	-	-	-	-	-	-	-	-	-	-	-
Unreserved	(2,840,377)	(4,440,298)	58,414	(10,296)	98	(651)	89,220	29,487	(9,822)	-	(367,366)
Total fund balances (deficit)	<u>(2,272)</u>	<u>(1,233)</u>	<u>358,634</u>	<u>-</u>	<u>98</u>	<u>-</u>	<u>89,220</u>	<u>29,487</u>	<u>-</u>	<u>-</u>	<u>2,867,085</u>
	<u>\$ 2,087,265</u>	<u>\$ 590,971</u>	<u>\$ 358,634</u>	<u>\$ 11,363</u>	<u>\$ 98</u>	<u>\$ 12,440</u>	<u>\$ 89,220</u>	<u>\$ 29,487</u>	<u>\$ 17,239</u>	<u>\$ -</u>	<u>\$ 3,350,089</u>

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

Combining Balance Sheet
September 30, 2000
(With comparative totals as of September 30, 1999)

Section 216(b) Maritime	Resident Workers Training Account	Section 215(a)(1) Communi- cations	Section 216(a)(2) Health and Medical	Section 216(a)(3) Scholarship	Section 221(b) Education and Health Care	Section 214(a) Energy	National Environmental Protection Authority Fund	Ministry of Justice Fund	Alternative Energy Fund	Changed Circumstances Fund	Totals	
											2000	1999
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,239	\$ 1,645
-	-	-	-	-	-	-	-	-	-	-	300,220	300,220
-	-	-	-	-	-	-	-	-	-	-	1,982,424	2,535,445
19,997	4,885	295,809	94,591	64,697	346,426	416	55,964	72,499	13,233	53,957	4,215,419	1,598,279
-	7,111	-	-	-	1,699	-	-	4,771	-	502	123,168	111,800
-	-	-	-	-	-	-	-	-	-	-	230,332	-
\$ 19,997	\$ 11,996	\$ 295,809	\$ 94,591	\$ 64,697	\$ 348,125	\$ 416	\$ 55,964	\$ 77,270	\$ 13,233	\$ 54,459	\$ 7,583,363	\$ 4,645,577
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,400	\$ -
-	5,929	1,102	75	-	18,632	-	-	89	7,776	-	1,490,370	1,104,286
-	6,067	11,205	40,100	2,887	139,967	-	7,855	-	-	-	312,616	266,919
-	-	-	-	-	-	-	-	-	-	-	1,593,085	2,635,176
-	11,996	12,307	40,175	2,887	158,599	-	7,944	7,776	-	-	3,447,471	4,006,381
-	-	-	-	-	-	-	-	-	-	-	3,534,671	300,220
-	1,532	11,990	-	-	145,638	-	-	17,016	-	-	7,474,115	570,905
-	-	-	-	61,810	-	-	-	-	-	-	61,810	57,210
-	-	271,512	-	-	-	-	-	-	-	-	271,512	192,583
-	-	-	54,416	-	-	-	-	-	-	-	54,416	82,093
-	-	-	-	-	43,888	-	-	-	-	-	43,888	338,502
19,997	(1,532)	-	-	-	-	416	48,020	52,478	13,233	54,459	(7,304,520)	(902,317)
19,997	-	283,502	54,416	61,810	189,526	416	48,020	69,494	13,233	54,459	4,135,892	639,196
\$ 19,997	\$ 11,996	\$ 295,809	\$ 94,591	\$ 64,697	\$ 348,125	\$ 416	\$ 55,964	\$ 77,270	\$ 13,233	\$ 54,459	\$ 7,583,363	\$ 4,645,577

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures by Function
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	TIFI Federal and Other Assistance Fund	Other Direct Assistance Fund	RMI Investment Development Fund	Judiciary Fund	Telecomm- nications Fund	Airport Trust Fund	Seaport Trust Fund	Special Revenue Fund	Postal Service Fund	Ships Operations Fund	Health Care Revenue Fund
Revenues:											
Federal grants	\$ 8,271,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compact funding	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	-	-	-	16,126	-	99,896	-	-	83,331	-	203,141
Sales	-	-	-	-	-	-	-	-	171,293	-	-
Other	-	7,325,053	-	-	-	-	-	-	-	-	-
Total revenues	8,271,795	7,325,053	-	16,126	-	99,896	-	-	254,624	-	203,141
Expenditures by function:											
Ministry of education	4,634,793	15,000	-	-	-	-	-	-	-	-	-
Ministry of health and environment	1,413,211	(2,415)	-	-	-	-	-	-	-	-	1,587,850
Ministry of public works	-	2,670,508	-	-	-	-	-	-	-	-	-
Ministry of resources and development	216,769	2,548,497	-	-	-	-	-	-	-	-	-
Ministry of finance	666,532	-	-	-	-	-	-	-	368,780	-	-
Ministry of transportation and communication	344,848	-	-	-	-	273,551	-	-	-	-	-
Auditor-General	548,971	-	-	-	-	-	-	-	-	-	-
Ministry of justice	43,718	62,551	-	346,311	-	-	-	-	-	-	-
Chief secretary	255,757	-	-	-	-	-	-	-	-	-	-
Judiciary	35,000	1,346	-	-	-	-	-	-	-	-	-
Ministry of internal and social welfare	-	20,566	-	-	-	-	-	-	-	-	-
President and cabinet	2,009	9,000	-	-	-	-	-	-	-	-	-
Ministry of foreign affairs and trade	20,187	-	-	-	-	-	-	-	-	-	-
Total expenditures	8,181,795	5,325,053	-	346,311	-	273,551	-	-	368,780	-	1,587,850
Excess (deficiency) of revenues over (under) expenditures	90,000	2,000,000	-	(330,185)	-	(173,655)	-	-	(114,156)	-	(1,384,709)
Other financing sources (uses):											
Operating transfers in	-	-	-	494,510	-	132,467	-	-	243,955	445,543	2,802,810
Operating transfers out	(90,000)	(2,000,000)	-	-	-	(50,000)	-	-	-	-	-
Total other financing sources (uses), net	(90,000)	(2,000,000)	-	494,510	-	82,467	-	-	243,955	445,543	2,802,810
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	164,325	-	(91,188)	-	-	129,799	445,543	1,418,101
Fund balances (deficit) at beginning of year	(2,272)	(1,233)	358,634	(164,325)	98	91,188	89,220	29,487	(129,799)	(445,543)	1,448,984
Fund balances (deficit) at end of year	\$ (2,272)	\$ (1,233)	\$ 358,634	\$ -	\$ 98	\$ -	\$ 89,220	\$ 29,487	\$ -	\$ -	\$ 2,867,085

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures by Function
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

Section 216(b) Maritime	Resident Workers Training Account	Section 215(a)(1) Communi- cations	Section 216(a)(2) Health and Medical	Section 216(a)(3) Scholarship	Section 221(b) Education and Health Care	Section 214(a) Energy	National Environmental Protection Authority Fund	Ministry of Justice Fund	Alternative Energy Fund	Changed Circumstances Fund	Totals	
											2000	1999
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,271,795	\$ 7,825,101
-	-	300,000	531,600	797,400	3,000,000	2,000,000	-	-	-	-	6,629,000	6,629,000
-	73,443	-	-	-	-	-	-	80,921	-	-	556,858	337,364
-	-	-	-	-	-	-	-	-	-	-	171,293	183,208
-	-	-	-	-	-	-	-	11,293	-	-	7,336,346	1,794,213
-	73,443	300,000	531,600	797,400	3,000,000	2,000,000	-	92,214	-	-	22,965,292	16,768,886
-	161,259	-	-	59,565	1,787,205	-	-	-	-	-	6,657,822	6,860,198
-	-	-	559,277	-	1,187,691	-	143,216	-	-	-	4,888,830	3,444,294
-	-	-	-	-	-	-	-	-	-	-	2,670,508	1,111
-	-	-	-	-	-	-	-	-	-	-	2,765,266	1,638,479
-	-	-	-	-	-	-	-	-	-	-	1,035,312	341,670
-	-	214,804	-	-	-	-	-	-	-	-	833,203	542,196
-	-	-	-	-	-	-	-	-	-	-	548,971	439,477
-	-	-	-	-	-	-	-	73,617	-	-	526,197	137,397
-	-	-	-	-	-	-	-	-	-	-	255,757	937,515
-	-	-	-	-	-	-	-	-	-	-	36,346	284,329
-	-	-	-	-	-	-	-	-	-	-	20,566	366,793
-	-	-	-	-	-	-	-	-	-	-	11,009	33,500
-	-	-	-	-	-	-	-	-	-	-	20,187	96,364
-	161,259	214,804	559,277	59,565	2,974,896	-	143,216	73,617	-	-	20,269,974	15,123,323
-	(87,816)	85,196	(27,677)	737,835	25,104	2,000,000	(143,216)	18,597	-	-	2,695,318	1,645,563
-	210,942	-	-	-	-	-	137,907	-	-	-	4,468,134	542,640
-	-	-	-	(733,235)	(242,505)	(2,000,000)	-	-	-	-	(5,115,740)	(3,956,204)
-	210,942	-	-	(733,235)	(242,505)	(2,000,000)	137,907	-	-	-	(647,606)	(3,413,564)
-	123,126	85,196	(27,677)	4,600	(217,401)	-	(5,309)	18,597	-	-	2,047,712	(1,768,001)
19,997	(123,126)	198,306	82,093	57,210	406,927	416	53,329	50,897	13,233	54,459	2,088,180	2,407,197
\$ 19,997	\$ -	\$ 283,502	\$ 54,416	\$ 61,810	\$ 189,526	\$ 416	\$ 48,020	\$ 69,494	\$ 13,233	\$ 54,459	\$ 4,135,892	\$ 639,196

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures by Account
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	TTPI Federal and Other Assistance Fund	Other Direct Assistance Fund	RMI Investment Development Fund	Judiciary Fund	Telecomm- nications Fund	Airport Trust Fund	Seaport Trust Fund	Special Revenue Fund	Postal Service Fund	Ships Operations Fund	Health Care Revenue Fund
Revenues:											
Federal grants	\$ 8,271,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compact funding	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	-	-	-	16,126	-	99,896	-	-	83,331	-	203,141
Sales	-	-	-	-	-	-	-	-	171,293	-	-
Other	-	7,325,053	-	-	-	-	-	-	-	-	-
Total revenues	8,271,795	7,325,053	-	16,126	-	99,896	-	-	254,624	-	203,141
Expenditures by account:											
Salaries and wages	1,387,034	-	-	168,153	-	236,964	-	-	252,345	-	-
Contractual services	1,351,216	2,676,793	-	-	-	2,500	-	-	-	-	-
Capital outlay	310,361	2,027,995	-	22,951	-	-	-	-	20,000	-	157,702
Grants and subsidies	1,967,296	-	-	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	-	-	-	-	1,371,288
Supplies and materials	927,836	71,168	-	13,315	-	15,683	-	-	6,602	-	-
Travel	798,287	-	-	37,529	-	7,217	-	-	18,240	-	-
Construction	-	299,391	-	-	-	-	-	-	-	-	-
Freight	35,905	173,834	-	220	-	-	-	-	1,193	-	-
POL	25,420	-	-	5,754	-	3,944	-	-	2,726	-	-
Food stuffs	675	16,983	-	-	-	-	-	-	-	-	-
Rentals	13,938	-	-	1,269	-	-	-	-	36,514	-	-
Communications	20,739	2,556	-	17,381	-	6,368	-	-	17,706	-	-
Leased housing	3,600	-	-	54,120	-	-	-	-	-	-	-
Printing and reproduction	36,790	-	-	113	-	-	-	-	156	-	-
Insurance	960	20,971	-	-	-	-	-	-	-	-	-
Utilities	325	-	-	5,871	-	300	-	-	715	-	-
Professional services	2,161	-	-	3,671	-	-	-	-	-	-	-
Other	1,299,342	35,362	-	15,964	-	575	-	-	12,583	-	58,860
Total expenditures	8,181,795	5,325,053	-	346,311	-	273,551	-	-	368,780	-	1,587,850
Excess (deficiency) of revenues over (under) expenditures	90,000	2,000,000	-	(330,185)	-	(173,655)	-	-	(114,156)	-	(1,384,709)
Other financing sources (uses):											
Operating transfers in	-	-	-	494,510	-	132,467	-	-	243,955	445,543	2,802,810
Operating transfers out	(90,000)	(2,000,000)	-	-	-	(50,000)	-	-	-	-	-
Total other financing sources (uses), net	(90,000)	(2,000,000)	-	494,510	-	82,467	-	-	243,955	445,543	2,802,810
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	164,325	-	(91,188)	-	-	129,799	445,543	1,418,101
Fund balances (deficit) at beginning of year	(2,272)	(1,233)	358,634	(164,325)	98	91,188	89,220	29,487	(129,799)	(445,543)	1,448,984
Fund balances (deficit) at end of year	\$ (2,272)	\$ (1,233)	\$ 358,634	\$ -	\$ 98	\$ -	\$ 89,220	\$ 29,487	\$ -	\$ -	\$ 2,867,085

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures by Account
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

Section 216(b) Maritime	Resident Workers Training Account	Section 215(a)(1) Communi- cations	Section 216(a)(2) Health and Medical	Section 216(a)(3) Scholarship	Section 221(b) Education and Health Care	Section 214(a) Energy	National Environmental Protection Authority Fund	Ministry of Justice Fund	Alternative Energy Fund	Changed Circumstances Fund	Totals	
											2000	1999
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,271,795	\$ 7,825,101
-	-	300,000	531,600	797,400	3,000,000	2,000,000	-	-	-	-	6,629,000	6,629,000
-	73,443	-	-	-	-	-	-	80,921	-	-	556,858	337,364
-	-	-	-	-	-	-	-	-	-	-	171,293	183,208
-	-	-	-	-	-	-	-	11,293	-	-	7,336,346	1,794,213
-	73,443	300,000	531,600	797,400	3,000,000	2,000,000	-	92,214	-	-	22,965,292	16,768,886
-	105,491	144,848	557,677	59,565	2,104,349	-	121,708	-	-	-	5,138,134	5,392,761
-	-	-	1,600	-	5,057	-	-	-	-	-	4,037,166	1,915,614
-	-	27,214	-	-	66,995	-	15,495	560	-	-	2,649,273	443,375
-	14,297	-	-	-	168,485	-	-	-	-	-	2,150,078	1,719,919
-	-	-	-	-	145,323	-	-	-	-	-	1,516,611	43,107
-	10,668	18,457	-	-	202,196	-	-	16,730	-	-	1,282,655	1,240,520
-	9,189	1,489	-	-	70,131	-	-	29,036	-	-	971,118	1,005,202
-	-	-	-	-	-	-	-	-	-	-	299,391	638,129
-	-	514	-	-	14,317	-	-	40	-	-	226,023	95,068
-	1,492	3,439	-	-	4,171	-	-	9,082	-	-	56,028	46,354
-	-	225	-	-	97,761	-	-	3,489	-	-	119,133	134,948
-	12,200	620	-	-	35,837	-	946	1,810	-	-	103,134	119,430
-	4,992	7,253	-	-	17,375	-	-	3,810	-	-	98,180	108,704
-	-	-	-	-	-	-	-	-	-	-	57,720	64,443
-	-	-	-	-	5,255	-	-	3,900	-	-	46,124	23,635
-	-	-	-	-	715	-	-	-	-	-	22,646	-
-	-	-	-	-	-	-	-	-	-	-	7,211	15,902
-	-	-	-	-	-	-	-	-	-	-	5,832	21,225
-	2,930	10,745	-	-	36,929	-	5,067	5,160	-	-	1,483,517	2,094,987
-	161,259	214,804	559,277	59,565	2,974,896	-	143,216	73,617	-	-	20,269,974	15,123,323
-	(87,816)	85,196	(27,677)	737,835	25,104	2,000,000	(143,216)	18,597	-	-	2,695,318	1,645,563
-	210,942	-	-	-	-	-	137,907	-	-	-	4,468,134	542,640
-	-	-	-	(733,235)	(242,505)	(2,000,000)	-	-	-	-	(5,115,740)	(3,956,204)
-	210,942	-	-	(733,235)	(242,505)	(2,000,000)	137,907	-	-	-	(647,606)	(3,413,564)
-	123,126	85,196	(27,677)	4,600	(217,401)	-	(5,309)	18,597	-	-	2,047,712	(1,768,001)
19,997	(123,126)	198,306	82,093	57,210	406,927	416	53,329	50,897	13,233	54,459	2,088,180	2,407,197
\$ 19,997	\$ -	\$ 283,502	\$ 54,416	\$ 61,810	\$ 189,526	\$ 416	\$ 48,020	\$ 69,494	\$ 13,233	\$ 54,459	\$ 4,135,892	\$ 639,196

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
DEBT SERVICE FUNDS

September 30, 2000

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for the payment. Debt service funds have been established to account for the accumulation of resources and payment of general obligation bond principal and interest of the Marshall Islands Development Authority (MIDA) and the Kwajalein Atoll Development Authority (KADA).

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
DEBT SERVICE FUNDS

Combining Balance Sheet
September 30, 2000
(With comparative totals as of September 30, 1999)

	<u>Marshall Islands Development Authority</u>	<u>Kwajalein Atoll Development Authority</u>	<u>Totals</u>	
			2000	1999
<u>Assets</u>				
Cash and cash equivalents	\$ 918,524	\$ -	\$ 918,524	\$ 1,384,304
Due from other funds	-	989	989	-
	<u>\$ 918,524</u>	<u>\$ 989</u>	<u>\$ 919,513</u>	<u>\$ 1,384,304</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	\$ 70,569	\$ -	\$ 70,569	\$ 152,292
Other liabilities and accruals	-	-	-	43,000
Total liabilities	70,569	-	70,569	195,292
Fund balances:				
Reserved for debt service	847,955	989	848,944	1,189,012
Total fund balances	847,955	989	848,944	1,189,012
	<u>\$ 918,524</u>	<u>\$ 989</u>	<u>\$ 919,513</u>	<u>\$ 1,384,304</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
DEBT SERVICE FUNDS

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Marshall Islands Development Authority	Kwajalein Atoll Development Authority	<u>Totals</u>	
			2000	1999
Revenues:				
Interest	\$ -	\$ -	\$ -	\$ 45,667
Net decrease in the fair value of investments	<u>-</u>	<u>(21,676)</u>	<u>(21,676)</u>	<u>-</u>
Total revenues	<u>-</u>	<u>(21,676)</u>	<u>(21,676)</u>	<u>45,667</u>
Expenditures:				
Principal retirement	12,971,195	3,729,519	16,700,714	19,920,131
Interest	1,548,197	213,798	1,761,995	4,181,369
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,535,470</u>
Total expenditures	<u>14,519,392</u>	<u>3,943,317</u>	<u>18,462,709</u>	<u>29,636,970</u>
Deficiency of revenues under expenditures	<u>(14,519,392)</u>	<u>(3,964,993)</u>	<u>(18,484,385)</u>	<u>(29,591,303)</u>
Other financing sources (uses):				
Payment to refunded bond escrow agent	-	-	-	(17,225,401)
Operating transfers in	<u>14,201,000</u>	<u>3,943,317</u>	<u>18,144,317</u>	<u>41,400,483</u>
Total other financing sources (uses), net	<u>14,201,000</u>	<u>3,943,317</u>	<u>18,144,317</u>	<u>24,175,082</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(318,392)	(21,676)	(340,068)	(5,416,221)
Fund balances at beginning of year	<u>1,166,347</u>	<u>22,665</u>	<u>1,189,012</u>	<u>6,605,233</u>
Fund balances at end of year	<u>\$ 847,955</u>	<u>\$ 989</u>	<u>\$ 848,944</u>	<u>\$ 1,189,012</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
CAPITAL PROJECTS FUNDS

September 30, 2000

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. A brief discussion of RepMar's Capital Projects Funds as of September 30, 2000, follows:

Section 211 Capital Account

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title 2, Article 1, Section 211(a)(1) and approved by Nitijela resolution 62. The aforementioned section requires no less than 40% of the total amounts appropriated by the United States Congress to be applied to the capital account.

Marshall Islands Development Authority

Marshall Islands Development Authority (MIDA) was established pursuant to the Marshall Islands Development Authority Act of 1984 (Public Law 1984-24). MIDA is operated by a Board of Directors that are appointed by the Cabinet of RepMar. MIDA was established 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. The following Capital Projects Funds were established for the acquisition or construction of major capital facilities, funding for which was appropriated to MIDA by the Nitijela of RepMar:

Section 216(a)(1) Surveillance and Enforcement

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title 2, Article 1, Section 216(a)(1) and approved by Nitijela resolution 62.

MIDA Development Fund

This fund accounts for capital projects as established under Public Law 1986-22 and appropriated to MIDA from local revenue sources.

Section 111 Investment Development Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Compact of Free Association, Section 111 and approved by Nitijela resolution 62. These funds were subsequently transferred to and vested in the Marshall Islands Development Bank under Public Law 1988-21.

MIDA Fund

This fund accounts for capital projects specified under Public Law 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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
CAPITAL PROJECTS FUNDS

September 30, 2000

General Obligation Bond - Capital Projects

This fund accounts for capital projects approved by RepMar's Cabinet to be funded by general obligation bond proceeds not used for the extinguishment of long-term debt.

Kwajalein Atoll Development Authority

Kwajalein Atoll Development Authority (KADA) was established pursuant to the Kwajalein Atoll Development Authority Act of 1989 (Public Law 1989-36). KADA is operated by a Board of Directors that are appointed by the President of RepMar. KADA was established to develop and implement programs and projects for the social and economic betterment of the inhabitants of Kwajalein Atoll.

Asian Development Bank (ADB) Development Projects

This fund accounts for capital projects funded by Asian Development Bank loans. These projects include the fisheries development (ADB Loan Number 1102 MAR(SF)), typhoon emergency rehabilitation program (ADB Loan Number 1218 MAR(SF)), improvement of basic education (ADB Loan Number 1249 MAR(SF)), Majuro water supply project (ADB Loan Numbers 1250 MAR(SF) and 1389 RMI(SF)), improvement of health care (ADB Loan Number 1316 RMI(SF)), Public Sector reform program (ADB Loan Number 1513 RMI(SF)), and the Ebeye health and infrastructure project (ADB Loan Number 1694 RMI(SF)).

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
CAPITAL PROJECTS FUNDS

Combining Balance Sheet
September 30, 2000
(With comparative totals as of September 30, 1999)

	Marshall Islands Development Authority								Totals	
	Section 211 Capital Account	Section 216(a)(1) Surveillance and Enforcement	MIDA Development Fund	Section 111 Investment Development Fund	MIDA Fund	General Obligation Bond Capital Projects	Kwajalein Atoll Development Authority	ADB Development Projects	2000	1999
Assets										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,560	\$ 1,840,000	\$ 1,914,560	\$ 842,486
Time certificates of deposit	-	-	-	-	-	-	-	-	-	311,493
Investments	-	-	-	-	11,308,630	-	100,000	-	11,408,630	11,408,630
Receivables, net:										
Federal agencies	-	-	-	-	-	-	-	-	-	349,063
Loans	-	-	-	-	-	-	-	11,129,543	11,129,543	10,622,863
Other	-	-	-	-	-	-	1,270,267	-	1,270,267	1,561,609
Due from component units	-	-	-	-	-	-	1,060,982	-	1,060,982	1,094,999
Due from other funds	393,908	6,094	78,624	472,253	-	-	-	2,166,067	3,116,946	1,107,559
Advances	-	165	-	-	-	-	470,129	-	470,294	180
Prepaid items	-	-	-	-	-	-	231,767	-	231,767	562,489
	<u>\$ 393,908</u>	<u>\$ 6,259</u>	<u>\$ 78,624</u>	<u>\$ 472,253</u>	<u>\$ 11,308,630</u>	<u>\$ -</u>	<u>\$ 3,207,705</u>	<u>\$ 15,135,610</u>	<u>\$ 30,602,989</u>	<u>\$ 27,861,371</u>
Liabilities and Fund Balances (Deficit)										
Liabilities:										
Accounts payable	\$ -	\$ 3,201	\$ -	\$ -	\$ -	\$ -	\$ 1,021,743	\$ 6,581	\$ 1,031,525	\$ 1,034,789
Other liabilities and accruals	28,500	3,058	-	-	-	-	724,264	10,000	765,822	649,759
Due to other funds	-	-	-	-	1,090,778	-	989	-	1,091,767	1,512,955
Escrow agent liability	-	-	-	-	-	-	-	-	-	6,078,000
Total liabilities	<u>28,500</u>	<u>6,259</u>	<u>-</u>	<u>-</u>	<u>1,090,778</u>	<u>-</u>	<u>1,746,996</u>	<u>16,581</u>	<u>2,889,114</u>	<u>9,275,503</u>
Fund balances (deficit):										
Reserved for:										
Encumbrances	-	-	-	-	-	-	476,512	7,400	483,912	499,816
Related assets	-	-	-	-	11,308,630	-	3,104,645	12,969,543	27,382,818	26,090,590
Unreserved	365,408	-	78,624	472,253	(1,090,778)	-	(2,120,448)	2,142,086	(152,855)	(8,004,538)
Total fund balances	<u>365,408</u>	<u>-</u>	<u>78,624</u>	<u>472,253</u>	<u>10,217,852</u>	<u>-</u>	<u>1,460,709</u>	<u>15,119,029</u>	<u>27,713,875</u>	<u>18,585,868</u>
	<u>\$ 393,908</u>	<u>\$ 6,259</u>	<u>\$ 78,624</u>	<u>\$ 472,253</u>	<u>\$ 11,308,630</u>	<u>\$ -</u>	<u>\$ 3,207,705</u>	<u>\$ 15,135,610</u>	<u>\$ 30,602,989</u>	<u>\$ 27,861,371</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures by Function
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Marshall Islands Development Authority								Totals	
	Section 211 Capital Account	Section 216(a)(1) Surveillance and Enforcement	MIDA Development Fund	Section 111 Investment Development Fund	MIDA Fund	General Obligation Bond Capital Projects	Kwajalein Atoll Development Authority	ADB Development Projects	2000	1999
Revenues:										
Compact funding	\$22,652,700	\$ 371,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$23,024,100	\$22,951,517
Federal grants	-	-	-	-	-	-	-	-	-	43,334
Interest	-	-	-	-	-	-	-	-	-	35,292
Other	-	8,667	-	-	-	-	20,654	-	29,321	208,016
Total revenues	22,652,700	380,067	-	-	-	-	20,654	-	23,053,421	23,238,159
Expenditures by function:										
Basic education project	-	-	-	-	-	-	-	2,375,291	2,375,291	1,728,307
Ebeye health and infrastructure	-	-	-	-	-	-	-	1,944,296	1,944,296	-
Health improvement	-	-	-	-	-	-	-	621,876	621,876	1,027,736
Maritime	-	449,818	-	-	-	-	-	-	449,818	428,778
Administrative and finance	-	-	-	-	-	-	253,713	-	253,713	270,732
Public sector reform	-	-	-	-	-	-	-	196,811	196,811	169,833
Sewerage/water system project	-	-	-	-	-	-	-	-	-	78,478
Other capital projects	-	-	-	-	-	-	955,495	16,607	972,102	931,075
Total expenditures	-	449,818	-	-	-	-	1,209,208	5,154,881	6,813,907	4,634,939
Excess (deficiency) of revenues over (under) expenditures	22,652,700	(69,751)	-	-	-	-	(1,188,554)	(5,154,881)	16,239,514	18,603,220
Other financing sources (uses):										
Loan proceeds	-	-	-	-	-	-	250,000	9,014,636	9,264,636	3,305,803
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-	11,650,312
Operating transfers in	-	118,469	-	-	14,201,000	44,568	4,373,700	-	18,737,737	30,658,117
Operating transfers out	(16,574,700)	-	-	-	(14,201,000)	-	(3,943,317)	(394,863)	(35,113,880)	(72,577,835)
Total other financing sources (uses), net	(16,574,700)	118,469	-	-	-	44,568	680,383	8,619,773	(7,111,507)	(26,963,603)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	6,078,000	48,718	-	-	-	44,568	(508,171)	3,464,892	9,128,007	(8,360,383)
Fund balances (deficit) at beginning of year	(5,712,592)	(48,718)	78,624	472,253	10,217,852	(44,568)	1,968,880	11,654,137	18,585,868	26,946,251
Fund balances at end of year	\$ 365,408	\$ -	\$ 78,624	\$ 472,253	\$10,217,852	\$ -	\$ 1,460,709	\$15,119,029	\$27,713,875	\$18,585,868

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures by Account
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Marshall Islands Development Authority								Totals	
	Section 211 Capital Account	Section 216(a)(1) Surveillance and Enforcement	MIDA Development Fund	Section 111 Investment Development Fund	MIDA Fund	General Obligation Bond Capital Projects	Kwajalein Atoll Development Authority	ADB Development Projects	2000	1999
Revenues:										
Compact funding	\$22,652,700	\$ 371,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$23,024,100	\$22,951,517
Federal grants	-	-	-	-	-	-	-	-	-	43,334
Interest	-	-	-	-	-	-	-	-	-	35,292
Other	-	8,667	-	-	-	-	20,654	-	29,321	208,016
Total revenues	22,652,700	380,067	-	-	-	-	20,654	-	23,053,421	23,238,159
Expenditures by account:										
Salaries and wages	-	331,674	-	-	-	-	-	196,811	528,485	455,440
POL	-	43,025	-	-	-	-	-	-	43,025	(6,849)
Food stuffs	-	18,506	-	-	-	-	-	-	18,506	27,033
Supplies and materials	-	16,420	-	-	-	-	-	-	16,420	25,472
Communications	-	15,319	-	-	-	-	-	-	15,319	10,308
Capital outlay	-	15,044	-	-	-	-	-	-	15,044	84,320
Travel	-	9,670	-	-	-	-	-	-	9,670	2,675
Construction	-	-	-	-	-	-	-	-	-	43,334
Other	-	160	-	-	-	-	1,209,208	4,958,070	6,167,438	3,993,206
Total expenditures	-	449,818	-	-	-	-	1,209,208	5,154,881	6,813,907	4,634,939
Excess (deficiency) of revenues over (under) expenditures	22,652,700	(69,751)	-	-	-	-	(1,188,554)	(5,154,881)	16,239,514	18,603,220
Other financing sources (uses):										
Loan proceeds	-	-	-	-	-	-	250,000	9,014,636	9,264,636	3,305,803
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-	11,650,312
Operating transfers in	-	118,469	-	-	14,201,000	44,568	4,373,700	-	18,737,737	30,658,117
Operating transfers out	(16,574,700)	-	-	-	(14,201,000)	-	(3,943,317)	(394,863)	(35,113,880)	(72,577,835)
Total other financing sources (uses), net	(16,574,700)	118,469	-	-	-	44,568	680,383	8,619,773	(7,111,507)	(26,963,603)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	6,078,000	48,718	-	-	-	44,568	(508,171)	3,464,892	9,128,007	(8,360,383)
Fund balances (deficit) at beginning of year	(5,712,592)	(48,718)	78,624	472,253	10,217,852	(44,568)	1,968,880	11,654,137	18,585,868	26,946,251
Fund balances at end of year	\$ 365,408	\$ -	\$ 78,624	\$ 472,253	\$10,217,852	\$ -	\$ 1,460,709	\$15,119,029	\$27,713,875	\$18,585,868

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
EXPENDABLE TRUST FUNDS

September 30, 2000

Expendable trust funds are used to account for assets held by RepMar in a trustee capacity and where the objectives of the fund can be achieved by spending both the principal and the earnings of the fund. A brief discussion of RepMar's Expendable Trust Funds as of September 30, 2000, follows:

Kwajalein Atoll Trust Fund

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

Local Government Fund

This fund accounts for the disbursement of funds to Local Governments. The fund was established under Public Law 1981-2 to channel monies appropriated by the Nitijela and granted by RepMar to local governments.

Health Indemnity Fund

This fund accounts for any premiums (both employer and employee share) contributed into RepMar's Group Health Insurance Plan for employees of the Government and its component jurisdictions, as established by a transfer agreement between the High Commissioner of the Trust Territory of the Pacific Islands and the President of RepMar.

Nuclear Claims Trust Fund

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

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.

Marine Resources Fund

This fund was established under Public Law 1988-12 to be administered by the Marshall Islands Marine Resources Authority and to account for monies appropriated by the Nitijela for operations, and for licenses and fees received from foreign fishing vessels authorized to enter the fishery waters of the Marshall Islands.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
EXPENDABLE TRUST FUNDS

September 30, 2000

Nuclear Claims Tribunal

This fund accounts for the operations of the Marshall Islands Nuclear Claims Tribunal. This fund was established under Public Law 1987-24 to satisfy the requirement in Article IV, Section 1(a) of the Section 177 Agreement to render final determination upon claims and disputes for loss or damage to person or property which are based on, or arise out of, or are in any way related to the United States Nuclear Testing Program conducted in the Northern Marshall Islands between September 30, 1946 and August 18, 1958.

Marshall Islands Social Security Administration (MISSA)

This fund has established under Public Law 1990-75 to administer the Marshall Islands Social Security Retirement Fund. In addition, Public Law 1991-118 established the Marshall Islands Social Security Health Fund to be administered by MISSA.

Claims Tribunal Fund

This fund accounts for transactions, prior to the establishment of the Nuclear Claims Tribunal, from the distribution of annual proceeds from the Nuclear Claims Trust Fund in accordance with Article II, Section 6(a) of the agreement between the Government of the United States and the Government of the Marshall Islands for the implementation of Section 177 of the Compact of Free Association.

Radiological Surveillance 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(e) of the agreement between the Government of the United States and RepMar for the implementation of Section 177 of the Compact of Free Association.

Section 177 Administration Fund

This fund accounts for transactions, prior to the establishment of the Nuclear Claims Tribunal, from the distribution of annual proceeds from the Nuclear Claims Trust Fund in accordance with Article II, Section 6(a) of the agreement between the Government of the United States and the Government of the Marshall Islands for the administration of Section 177 of the Compact of Free Association.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
EXPENDABLE TRUST FUNDS

Combining Balance Sheet
September 30, 2000
(With comparative totals as of September 30, 1999)

	Kwajalein	Local	Health	Nuclear	Four Atoll	Marine	Nuclear	Marshall	Claims	Radiological	Section 177	Totals	
	Atoll	Government	Indemnity	Claims	Medical	Resources	Claims	Islands	Tribunal	Surveillance	Administration	2000	1999
	Trust Fund	Fund	Fund	Trust Fund	Fund	Fund	Tribunal	Social Security Administration	Fund	Fund	Fund		
Assets													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 3,015,941	\$ -	\$ -	\$ 429,789	\$ 3,190,330	\$ -	\$ -	\$ -	\$ 6,636,060	\$ 9,446,361
Time certificates of deposit	-	-	-	-	-	-	10,161	540,329	-	-	-	550,490	10,161
Investments	-	-	-	65,418,568	-	-	-	31,568,947	-	-	-	96,987,515	67,528,894
Receivables, net:													
General	-	-	-	-	-	-	-	2,470,941	-	-	-	2,470,941	32,026
Loans	-	-	-	-	-	-	-	341,006	-	-	-	341,006	-
Other	-	-	-	282,403	806,846	-	47,187	1,106,409	-	-	-	2,242,845	476,006
Due from component units	-	-	-	-	-	-	-	646,859	-	-	-	646,859	-
Due from other funds	435,938	4,296	13,412	-	97,635	681,379	-	500,000	-	-	68,828	1,801,488	1,493,910
Advances	-	-	-	-	-	4,718	-	-	-	-	-	4,718	20,318
Prepaid items	-	-	-	-	-	-	-	1,550	-	-	-	1,550	-
	<u>\$ 435,938</u>	<u>\$ 4,296</u>	<u>\$ 13,412</u>	<u>\$ 68,716,912</u>	<u>\$ 904,481</u>	<u>\$ 686,097</u>	<u>\$ 487,137</u>	<u>\$ 40,366,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,828</u>	<u>\$ 111,683,472</u>	<u>\$ 79,007,676</u>
Liabilities and Fund Balances (Deficit)													
Liabilities:													
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,467	\$ -	\$ -	\$ -	\$ 59,467	\$ -
Accounts payable	-	4,296	-	-	-	131	46,783	648,415	-	-	-	699,625	174,737
Other liabilities and accruals	-	-	-	-	-	-	41,189	994,461	-	-	-	1,035,650	56,496
Due to other funds	-	-	-	-	-	-	-	2,977,639	-	-	-	2,977,639	106,915
	-	4,296	-	-	-	131	87,972	4,679,982	-	-	-	4,772,381	338,148
Total liabilities	-	4,296	-	-	-	131	87,972	4,679,982	-	-	-	4,772,381	338,148
Fund balances (deficit):													
Reserved for:													
Encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	24,195
Social security benefits	-	-	-	-	-	-	-	33,674,897	-	-	-	33,674,897	-
Related assets	435,938	-	-	494,500	-	-	-	3,946,757	-	-	-	4,877,195	5,240,559
Nuclear claims	-	-	-	68,222,412	-	-	399,165	-	-	-	-	68,621,577	72,640,412
Health and medical	-	-	-	-	904,481	-	-	-	-	-	-	904,481	-
Unreserved	-	-	13,412	-	-	685,966	-	(1,935,265)	-	-	68,828	(1,167,059)	764,362
	435,938	-	13,412	68,716,912	904,481	685,966	399,165	35,686,389	-	-	68,828	106,911,091	78,669,528
	<u>\$ 435,938</u>	<u>\$ 4,296</u>	<u>\$ 13,412</u>	<u>\$ 68,716,912</u>	<u>\$ 904,481</u>	<u>\$ 686,097</u>	<u>\$ 487,137</u>	<u>\$ 40,366,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,828</u>	<u>\$ 111,683,472</u>	<u>\$ 79,007,676</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
EXPENDABLE TRUST FUNDS

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Kwajalein	Local	Health	Nuclear	Four Atoll	Marine	Nuclear	Marshall	Claims	Radiological	Section 177	Totals	
	Trust Fund	Government Fund	Indemnity Fund	Claims Trust Fund	Medical Fund	Resources Fund	Claims Tribunal	Social Security Administration	Tribunal Fund	Surveillance Fund	Administration Fund	2000	1999
Revenues:													
Net increase in the fair value of investments	\$ -	\$ -	\$ -	\$ 12,159,831	\$ -	\$ -	\$ -	\$ 6,399,206	\$ -	\$ -	\$ -	\$ 18,559,037	\$ 15,067,507
Contributions	-	-	-	-	-	-	-	11,032,444	-	-	-	11,032,444	-
Compact funding	8,460,400	-	-	-	-	-	-	-	-	-	-	8,460,400	8,417,800
Interest and dividends	-	-	-	-	-	-	17,883	906,170	-	-	-	924,053	14,137
Fees and charges	-	-	-	-	-	-	-	-	-	-	-	-	1,460,354
Other	-	-	-	-	-	13,385	-	66,356	-	-	-	79,741	-
Total revenues	8,460,400	-	-	12,159,831	-	13,385	17,883	18,404,176	-	-	-	39,055,675	24,959,798
Expenditures:													
Local government distributions	-	311,203	-	12,250,000	-	-	-	-	-	-	-	12,561,203	12,431,824
Land use distributions	8,457,018	-	-	-	-	-	-	-	-	-	-	8,457,018	8,411,442
Social security benefit payments	-	-	-	-	-	-	-	7,657,881	-	-	-	7,657,881	-
Health care payments	-	-	-	-	2,056,530	-	-	4,980,200	-	-	-	7,036,730	-
Nuclear claims payments	-	-	-	-	-	-	3,551,498	-	-	-	-	3,551,498	3,754,986
Administrative	-	-	-	-	726,329	181,879	1,004,086	1,502,536	-	-	-	3,414,830	2,601,377
Professional services	-	-	-	367,286	-	-	1,204,851	744,304	-	-	-	2,316,441	465,343
Total expenditures	8,457,018	311,203	-	12,617,286	2,782,859	181,879	5,760,435	14,884,921	-	-	-	44,995,601	27,664,972
Excess (deficiency) of revenues over (under) expenditures	3,382	(311,203)	-	(457,455)	(2,782,859)	(168,494)	(5,742,552)	3,519,255	-	-	-	(5,939,926)	(2,705,174)
Other financing sources (uses):													
Operating transfers in	-	247,700	-	-	3,000,000	-	5,452,944	3,425,834	85,038	21,877	-	12,233,393	6,052,586
Operating transfers out	-	-	-	(7,452,944)	(250,200)	(27,600)	-	(1,791,076)	-	-	-	(9,521,820)	(8,052,586)
Total other financing sources (uses), net	-	247,700	-	(7,452,944)	2,749,800	(27,600)	5,452,944	1,634,758	85,038	21,877	-	2,711,573	(2,000,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	3,382	(63,503)	-	(7,910,399)	(33,059)	(196,094)	(289,608)	5,154,013	85,038	21,877	-	(3,228,353)	(4,705,174)
Fund balances (deficit) at beginning of year	432,556	63,503	13,412	76,627,311	937,540	882,060	688,773	30,532,376	(85,038)	(21,877)	68,828	110,139,444	83,374,702
Fund balances at end of year	\$ 435,938	\$ -	\$ 13,412	\$ 68,716,912	\$ 904,481	\$ 685,966	\$ 399,165	\$ 35,686,389	\$ -	\$ -	\$ 68,828	\$ 106,911,091	\$ 78,669,528

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONEXPENDABLE TRUST FUNDS

September 30, 2000

Nonexpendable trust funds are used to account for assets held by RepMar in a trustee capacity and where the objectives of the fund can be achieved by spending the earnings of the fund while the principal must be preserved intact. A brief discussion of RepMar's Nonexpendable Trust Funds as of September 30, 2000, follows:

Off-Shore Banking Trust Fund

This fund accounts for all bank capital reserve deposits from international banking corporations as required under Section 6(a) of the Rules and Regulations for the issuance of Corporate Charters to conduct international banking business, as approved by the Cabinet.

Eminent Domain Trust Fund

This fund accounts for funds received from the United States Department of Defense, the intention of which is to make payment for eminent domain proceedings in Kwajalein. These funds are accounted for separately until confirmation of the grantor and terms and conditions may be ascertained.

Non-Resident Workers Trust Fund

This fund accounts for funds received by the Chief Immigration Officer from employers who employ non-resident workers in accordance with Public Law 1987-6, amended by Public Law 1988-32.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONEXPENDABLE TRUST FUNDS

Combining Balance Sheet
September 30, 2000
(With comparative totals as of September 30, 1999)

	<u>Off-Shore Banking Trust Fund</u>	<u>Eminent Domain Trust Fund</u>	<u>Non-Resident Workers Trust Fund</u>	<u>Totals</u>	
				2000	1999
<u>Assets</u>					
Due from other funds	\$ 60,088	\$ 94,992	\$ 66,596	\$ 221,676	\$ 221,676
	<u>\$ 60,088</u>	<u>\$ 94,992</u>	<u>\$ 66,596</u>	<u>\$ 221,676</u>	<u>\$ 221,676</u>
<u>Liabilities and Fund Equity (Deficiency)</u>					
Liabilities:					
Accounts payable	\$ -	\$ 219,915	\$ -	\$ 219,915	\$ 219,915
Other liabilities and accruals	<u>92,962</u>	<u>-</u>	<u>-</u>	<u>92,962</u>	<u>92,962</u>
Total liabilities	<u>92,962</u>	<u>219,915</u>	<u>-</u>	<u>312,877</u>	<u>312,877</u>
Fund equity (deficiency):					
Fund balances (deficit):					
Unreserved	<u>(32,874)</u>	<u>(124,923)</u>	<u>66,596</u>	<u>(91,201)</u>	<u>(91,201)</u>
Total fund equity (deficiency)	<u>(32,874)</u>	<u>(124,923)</u>	<u>66,596</u>	<u>(91,201)</u>	<u>(91,201)</u>
	<u>\$ 60,088</u>	<u>\$ 94,992</u>	<u>\$ 66,596</u>	<u>\$ 221,676</u>	<u>\$ 221,676</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONEXPENDABLE TRUST FUNDS

Combining Statement of Revenues, Expenses
and Changes in Fund Equity (Deficiency)
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	<u>Off-Shore Banking Trust Fund</u>	<u>Eminent Domain Trust Fund</u>	<u>Non-Resident Workers Trust Fund</u>	<u>Totals</u>	
				2000	1999
Operating revenues:					
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Total operating revenues	-	-	-	-	-
Operating expenses	-	-	-	-	-
Income before other financing uses	-	-	-	-	-
Other financing uses:					
Operating transfers out	-	-	-	-	-
	-	-	-	-	-
Net income (loss)	-	-	-	-	-
Fund equity (deficiency) at beginning of year	(32,874)	(124,923)	66,596	(91,201)	(91,201)
Fund equity (deficiency) at end of year	\$ (32,874)	\$ (124,923)	\$ 66,596	\$ (91,201)	\$ (91,201)

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONEXPENDABLE TRUST FUNDS

Combining Statement of Cash Flows
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Off-Shore Banking Trust Fund	Eminent Domain Trust Fund	Non-Resident Workers Trust Fund	Totals	
				2000	1999
Cash flows from operating activities:					
Operating income (loss)	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash used for operating activities:					
Interest on investments	-	-	-	-	-
Net cash provided by operating activities	-	-	-	-	-
Cash flows from noncapital financing activities:					
Other	-	-	-	-	-
Net cash used for noncapital financing activities	-	-	-	-	-
Cash flows from investing activities:					
Interest income	-	-	-	-	-
Net cash provided by investing activities	-	-	-	-	-
Net decrease in cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at beginning of year	-	-	-	-	-
Cash and cash equivalents at end of year	\$ -	\$ -	\$ -	\$ -	\$ -

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL FIXED ASSETS ACCOUNT GROUP

September 30, 2000

The General Fixed Assets Account Group is a self-balancing group of accounts established to account for fixed assets of a government not accounted for through specific proprietary funds or trust funds. RepMar does not maintain continuing records of its property, plant and equipment used in governmental fund type operations (general fixed assets), including roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL LONG-TERM DEBT ACCOUNT GROUP

September 30, 2000

The General Long-Term Debt Account Group is a self-balancing group of accounts established to account for the unmatured general long-term debt of a government. It is also used to report that portion of the liabilities for claims, judgments, compensated absences and unfunded pension contributions of governmental funds and expendable trust funds not expected to be liquidated through the use of expendable available financial resources. The general purpose financial statements reflect the balance of RepMar's liability for bonds payable, loans payable and accrued annual leave at September 30, 2000.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - GOVERNMENTAL FUNDS

September 30, 2000

Component units - governmental funds are legally separate organizations for which the elected officials of RepMar are financially accountable. Governmental funds are used to account for a government's general activities, including the collection and disbursement of specific revenue sources that are legally restricted to expenditure for specified purposes. Revenues and expenditures are recognized on a modified accrual basis, and the measurement focus is on the flow of current financial resources rather than the measurement of net profit.

Marshall Islands Visitors Authority (MIVA)

MIVA was established by the Tourism Act of 1991 (Public Law 1991-109). MIVA began operations as a statutory corporation on October 1, 1997 in accordance with the Act upon receiving its first operational budget. The objectives of MIVA are to develop and promote the natural, scenic, cultural, historical and recreation attractions of the Marshall Islands.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

September 30, 2000

Component units - proprietary funds are legally separate organizations for which the elected officials of RepMar are financially accountable. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business and quasi - business activities - where net income and capital maintenance are measured - are accounted for through proprietary funds. GAAP here are generally those applicable to similar businesses in the private sector; the measurement focus is on determination of net income, financial position and cash flows.

Marshall Islands Airports Authority (MIAA)

MIAA was created under Public Law 1999-86 to operate and maintain airport facilities in the Marshall Islands. MIAA is governed by a seven-member Board of Directors, including three members appointed by the Minister of Transportation and Communications.

Tobolar Copra Processing Plant, Inc. (TCPPI)

TCPPI was incorporated on August 13, 1977 for the primary purpose of engaging in the production, processing, and marketing of copra products. TCPPI has been paid for 1,552,503 shares of \$1 par value common stock by the Marshall Islands Development Authority (MIDA), although share certificates have not been issued. TCPPI retains 379,093 shares in treasury.

Majuro Water and Sewer Company, Inc. (MWSC)

MWSC was incorporated on January 26, 1989 to engage in the business of collecting and distributing fresh water, waste water and maintaining the sewer system. MWSC has been paid for 100,000 shares of \$1 par value common stock by MIDA, although share certificates have not been issued.

Marshalls Energy Company, Inc. (MEC)

MEC was incorporated on February 2, 1984 to engage in the business of generating and transmitting electricity and the buying and selling of petroleum products. MEC has issued 100,000 shares of \$1 par value common stock. RepMar owns 75,000 of these shares and MEC retains the remaining 25,000 shares in treasury.

Marshall Islands National Telecommunications Authority (MINTA)

MINTA was incorporated under Public Law 1990-105 to operate and maintain the domestic and international telecommunications system. On December 2, 1991, MINTA issued 90,000 shares of common stock with a par value of \$10 per share to RepMar with the remaining 270,000 shares offered for sale to citizens of the Republic under a prospectus dated November 25, 1991. As of September 30, 2000, 35,575 of these remaining shares have been issued.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

September 30, 2000

Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR)

KAJUR was created by KADA's Board of Directors on October 13, 1989 and was incorporated under the laws of RepMar on September 1, 1990, to generate and distribute utilities on the island of Ebeye. On October 19, 1990, the Board of Directors of KADA authorized the transfer of \$14,265,518 in utility plant and equipment to KAJUR. KAJUR has sold 100,000 shares of \$1 par value common stock to KADA, which is the sole owner of common stock of KAJUR.

KADA Housing Division

The Housing Division accounts for all assets and financial transactions related to KADA's activities designated to be self-sufficient and render services to the public on a user charge basis. The Housing Division's main activity is the leasing of real property on the island of Ebeye and the loaning of funds to citizens residing on Ebeye for housing improvement projects.

Majuro Resort, Inc. (MRI)

MRI was incorporated on November 8, 1995 to engage in the operation of a 150 room hotel on the atoll of Majuro. MRI's articles of incorporation authorized the issuance of 2,000,000 shares of \$10 par value common stock, of which 1,101,500 and 30,022 shares had been issued to RepMar and the Marshall Islands Investment Development Fund, respectively, as of September 30, 2000.

Marshall Islands Ports Authority (MIPA)

MIPA was created under Public Law 1999-88 to operate and maintain commercial port facilities in the Marshall Islands. MIPA is governed by a five-member Board of Directors, including three members appointed by the Minister of Transportation and Communications.

Marshall Islands Social Security Administration (MISSA) Supplemental Health Benefits Plan

MISSA Supplemental Health Benefits Plan was created under Public Law 1991-118 to provide members, for the payment of a premium and without the need for a referral by a medical referral committee, a determined portion of the cost of supplemental health care at off-island health care facilities.

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS**

**Combining Balance Sheet
September 30, 2000
(With comparative totals as of September 30, 1999)**

	Marshall Islands Airports Authority	Tobolar Copro Processing Plant, Inc.	Majuro Water and Sewer Company, Inc.	Marshall's Energy Company, Inc.	Marshall Islands National Telecomm. Authority	Kwajalein Atoll Joint Utilities Resources, Inc.	KADA Housing Division	Majuro Resort, Inc.	Marshall Islands Ports Authority	MISSA Supplemental Health Benefits Plan	Totals	
											2000	1999
Assets												
Cash and cash equivalents	\$ 284,323	\$ 450	\$ 27,215	\$ 1,086,699	\$ 3,720,941	\$ 30,768	\$ 72,915	\$ 263,540	\$ 142,065	\$ -	\$ 5,628,916	\$ 5,034,230
Time certificates of deposit	-	-	-	-	614,695	-	-	-	602,202	-	1,216,897	1,357,236
Investments	-	-	-	-	-	-	-	-	-	-	-	1,516,586
Receivables, net:												
General	34,562	154,998	77,697	810,964	2,148,008	743,069	-	16,855	361,126	-	4,347,279	5,666,460
Loans	-	-	-	-	-	-	-	-	-	-	-	-
Other	1,580	-	-	-	32,480	109,614	-	8,127	-	-	151,801	307,269
Due from primary government	-	-	126,509	605,861	107,078	198,842	-	103,996	-	-	1,142,286	1,051,970
Due from component units	-	-	-	655,945	33,554	-	-	-	-	-	690,499	431,130
Inventories	-	535,516	127,130	1,364,383	129,109	161,117	-	95,687	-	-	2,412,942	3,630,746
Prepaid items	-	-	25,188	41,600	14,573	-	-	39,655	-	-	121,016	1,099,138
Investment in fixed assets, net	5,016,652	655,865	9,535,285	15,283,655	21,069,057	9,722,394	1,187,737	9,126,488	6,670,005	-	78,267,138	83,243,251
Other assets	260	75,000	-	-	-	-	-	-	-	-	75,260	-
	<u>\$ 5,337,377</u>	<u>\$ 1,421,829</u>	<u>\$ 9,919,024</u>	<u>\$ 19,850,107</u>	<u>\$ 27,869,495</u>	<u>\$ 10,965,804</u>	<u>\$ 1,260,652</u>	<u>\$ 9,654,348</u>	<u>\$ 7,775,398</u>	<u>\$ -</u>	<u>\$ 94,054,034</u>	<u>\$ 103,338,016</u>
Liabilities and Fund Equity (Deficiency)												
Liabilities:												
Bank overdraft	\$ -	\$ 4,174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,174	\$ 10,621
Accounts payable	101,581	565,307	41,650	3,557,233	835,249	469,363	-	12,987	22,181	-	5,605,551	5,935,719
Air traffic liability	-	-	-	-	-	-	-	-	-	-	-	659,964
Other liabilities and accruals	74,779	10,743	785,647	133,814	482,049	197,736	16,834	112,173	24,850	779	1,839,404	2,779,372
Due to primary government	-	516,745	624,318	5,035	53,529	-	1,060,982	327,908	-	1,538,004	4,126,521	3,453,835
Due to component units	-	48,042	487,240	-	-	-	-	155,217	-	-	690,499	431,130
Loans payable	-	1,100,000	8,540,756	11,455,181	18,786,280	-	-	-	-	-	39,882,217	39,927,105
Interest payable	-	64,415	1,688,170	-	-	-	-	-	-	-	1,752,585	1,156,543
Total liabilities	<u>176,360</u>	<u>2,309,426</u>	<u>12,167,781</u>	<u>15,151,263</u>	<u>20,157,107</u>	<u>667,099</u>	<u>1,077,816</u>	<u>608,285</u>	<u>47,031</u>	<u>1,538,783</u>	<u>53,900,951</u>	<u>54,354,289</u>
Fund equity (deficiency):												
Contributed capital	4,952,500	1,552,503	551,791	950,468	3,743,643	9,854,178	1,612,505	11,315,220	6,513,339	-	41,046,147	58,785,604
Retained earnings (deficit):												
Unreserved	208,517	(2,440,100)	(2,800,548)	3,748,376	3,968,745	444,527	(1,429,669)	(2,269,157)	1,215,028	(1,538,783)	(893,064)	(9,801,877)
Total fund equity (deficiency)	<u>5,161,017</u>	<u>(887,597)</u>	<u>(2,248,757)</u>	<u>4,698,844</u>	<u>7,712,388</u>	<u>10,298,705</u>	<u>182,836</u>	<u>9,046,063</u>	<u>7,728,367</u>	<u>(1,538,783)</u>	<u>40,153,083</u>	<u>48,983,727</u>
	<u>\$ 5,337,377</u>	<u>\$ 1,421,829</u>	<u>\$ 9,919,024</u>	<u>\$ 19,850,107</u>	<u>\$ 27,869,495</u>	<u>\$ 10,965,804</u>	<u>\$ 1,260,652</u>	<u>\$ 9,654,348</u>	<u>\$ 7,775,398</u>	<u>\$ -</u>	<u>\$ 94,054,034</u>	<u>\$ 103,338,016</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

Combining Statement of Revenues, Expenses
and Changes in Fund Equity (Deficiency)
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Marshall Islands Airports Authority	Tobolar Copra Processing Plant, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Energy Company, Inc.	Marshall Islands National Telecomm. Authority	Kwajalein Atoll Joint Utilities Resources, Inc.	KADA Housing Division	Majuro Resort, Inc.	Marshall Islands Ports Authority	MISSA Supplemental Health Benefits Plan	Totals	
											2000	1999
Operating revenues:												
Services	\$ 432,366	\$ -	\$ 787,986	\$ 8,202,141	\$ 5,495,730	\$ 1,766,319	\$ 86,537	\$ 1,428,858	\$ 1,211,579	\$ -	\$ 19,411,516	\$ 22,685,870
Sales	-	1,252,551	-	7,323,031	-	-	-	891,687	-	-	9,467,269	4,892,323
Other	35,545	-	131,595	-	671,445	177,324	22,109	-	-	339,733	1,377,751	664,565
Total operating revenues	467,911	1,252,551	919,581	15,525,172	6,167,175	1,943,643	108,646	2,320,545	1,211,579	339,733	30,256,536	28,242,758
Operating expenses:												
Cost of goods sold	-	2,588,459	-	6,132,297	-	-	-	1,202,231	-	-	9,922,987	4,688,640
Depreciation and amortization	221,497	78,345	466,714	841,260	1,955,766	849,211	51,915	465,815	495,187	-	5,425,710	6,374,518
Fuel and lubricants	-	-	24,110	3,677,862	-	1,415,564	269	-	2,535	-	5,120,340	3,642,014
Salaries, wages and benefits	179,993	55,961	580,806	1,761,999	-	612,201	73,024	-	151,211	-	3,415,135	3,072,276
Plant expenses	-	-	-	-	1,950,533	-	-	-	-	-	1,950,533	1,620,569
Repairs and supplies	27,398	-	110,707	1,473,728	-	86,194	4,880	-	11,530	-	1,714,437	1,602,653
Corporate operations	-	-	-	-	564,659	-	-	705,836	-	-	1,270,495	1,857,697
Health care payments	-	-	-	-	-	-	-	-	-	911,283	911,283	-
Bad debts	-	-	107,906	248,269	314,084	-	-	13,999	150,646	-	834,904	1,324,517
Customer operations	-	-	-	-	630,949	-	-	-	-	-	630,949	679,793
Insurance	-	40,975	6,195	130,496	-	-	-	66,933	2,265	-	246,864	252,696
Maintenance	-	-	19,514	-	-	23,303	-	118,198	16,042	-	177,057	2,084,379
Professional fees	-	2,797	13,287	23,133	-	64,092	-	69,599	-	-	172,908	88,723
Travel	-	-	22,765	46,976	-	43,434	300	-	20,109	-	133,584	116,923
Reservation and sales	-	-	-	-	-	-	-	114,595	-	-	114,595	854,761
Office supplies	-	3,036	12,265	92,819	-	-	509	-	-	-	108,629	122,310
Flight operations	-	-	-	-	-	-	-	-	-	-	-	1,335,281
Aircraft and traffic handling	-	-	-	-	-	-	-	-	-	-	-	648,089
Miscellaneous	109,052	66,182	285,445	493,332	-	338,217	2,990	-	544,978	-	1,840,196	969,002
Total operating expenses	537,940	2,835,755	1,649,714	14,922,111	5,415,991	3,432,216	133,887	2,757,206	1,394,503	911,283	33,990,606	31,334,841
Operating income (loss)	(70,029)	(1,583,204)	(730,133)	603,061	751,184	(1,488,573)	(25,241)	(436,661)	(182,924)	(571,550)	(3,734,070)	(3,092,083)
Nonoperating revenues (expenses):												
Net increase in the fair value of investments	-	-	-	-	-	-	-	-	-	-	-	1,452,782
Interest expense	-	(124,987)	(569,974)	(528,547)	(840,610)	(9,266)	-	-	-	-	(2,073,384)	(1,430,115)
Miscellaneous, net	14,657	-	1,319	-	161,924	141,371	-	-	79,762	-	399,033	318,490
Total nonoperating revenues (expenses), net	14,657	(124,987)	(568,655)	(528,547)	(678,686)	132,105	-	-	79,762	-	(1,674,351)	341,157
Income (loss) before other financing sources	(55,372)	(1,708,191)	(1,298,788)	74,514	72,498	(1,356,468)	(25,241)	(436,661)	(103,162)	(571,550)	(5,408,421)	(2,750,926)
Other financing sources:												
Operating transfers in	50,000	845,000	100,000	-	-	1,759,594	-	99,500	-	-	2,854,094	1,368,348
	(5,372)	(863,191)	(1,198,788)	74,514	72,498	403,126	(25,241)	(337,161)	(103,162)	(571,550)	(2,554,327)	(1,382,578)
Add depreciation on fixed assets acquired by capital grants that reduces contributed capital from capital grants	213,889	-	-	93,488	-	694,695	-	-	455,795	-	1,457,867	1,862,384
Net income (loss)	208,517	(863,191)	(1,198,788)	168,002	72,498	1,097,821	(25,241)	(337,161)	352,633	(571,550)	(1,096,460)	479,806
Retained earnings (deficit) at beginning of year	-	(1,576,909)	(1,601,760)	3,580,374	3,896,247	(653,294)	(1,404,428)	(1,931,996)	862,395	(967,233)	203,396	(10,281,683)
Retained earnings (deficit) at end of year	208,517	(2,440,100)	(2,800,548)	3,748,376	3,968,745	444,527	(1,429,669)	(2,269,157)	1,215,028	(1,538,783)	(893,064)	(9,801,877)
Contributed capital at beginning of year	-	1,552,503	519,315	1,043,956	3,743,643	9,293,930	1,612,505	11,315,220	6,969,134	-	36,050,206	59,424,312
Additions	5,166,389	-	32,476	-	-	1,254,943	-	-	-	-	6,453,808	1,893,676
Reductions	(213,889)	-	-	(93,488)	-	(694,695)	-	-	(455,795)	-	(1,457,867)	(2,532,384)
Contributed capital at end of year	4,952,500	1,552,503	551,791	950,468	3,743,643	9,854,178	1,612,505	11,315,220	6,513,339	-	41,046,147	58,785,604
Total fund equity (deficiency) at end of year	\$ 5,161,017	\$ (887,597)	\$ (2,248,757)	\$ 4,698,844	\$ 7,712,388	\$ 10,298,705	\$ 182,836	\$ 9,046,063	\$ 7,728,367	\$ (1,538,783)	\$ 40,153,083	\$ 48,983,727

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

Combining Statement of Cash Flows
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Marshall Islands Airports Authority	Tobolar Copra Processing Plant, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Energy Company, Inc.	Marshall Islands National Telecomm. Authority	Kwajalein Atoll Joint Utilities Resources, Inc.	KADA Housting Division	Majuro Resort, Inc.	Marshall Islands Ports Authority	MISSA Supplemental Health Benefits Plan	Totals	
											2000	1999
Cash flows from operating activities:												
Operating income (loss)	\$ (70,029)	\$ (1,583,204)	\$ (730,133)	\$ 603,061	\$ 751,184	\$ (1,488,573)	\$ (25,241)	\$ (436,661)	\$ (182,924)	\$ (571,550)	\$ (3,734,070)	\$ (3,092,083)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:												
Gain on disposal of fixed assets	-	-	-	(2,750)	-	-	-	-	-	-	(2,750)	-
Depreciation and amortization	221,497	78,345	466,714	841,260	1,955,766	849,211	51,915	465,815	495,187	-	5,425,710	6,374,518
Bad debts	-	-	107,906	248,269	314,084	-	-	13,999	150,646	-	834,904	1,324,517
(Increase) decrease in assets:												
General receivables	(34,562)	(128,379)	(116,257)	(601,463)	451,329	(38,730)	-	21,155	(170,509)	-	(617,416)	(1,023,895)
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	18,608
Other receivables	(1,580)	-	-	-	15,838	(278)	130,192	(3,157)	-	-	141,015	(205,282)
Due from primary government	-	-	(97,163)	165,921	67,406	(198,842)	-	(23,203)	-	-	(85,881)	(199,620)
Due from component units	-	-	-	(246,472)	(12,897)	-	-	-	-	-	(259,369)	25,267
Inventories	-	375,500	13,486	(23,624)	27,111	(160,256)	-	8,263	2,739	-	243,219	(430,799)
Prepaid items	-	-	(25,188)	25,342	41,194	-	-	8,301	-	-	49,649	(126,764)
Other assets	(260)	-	-	-	47,929	-	-	-	-	-	47,669	-
Increase (decrease) in liabilities:												
Accounts payable	101,581	452,262	4,100	301,733	(57,628)	224,488	-	(70,405)	2,632	-	958,763	896,713
Air traffic liability	-	-	-	-	-	-	-	-	-	-	-	47,610
Due to primary government	-	(266)	76,956	(67,124)	(21,525)	-	(34,017)	103,324	-	-	57,348	424,593
Due to component units	-	32,833	193,109	-	-	-	-	35,188	-	-	261,130	(75,305)
Other liabilities and accruals	74,779	(2,700)	(4,789)	82,338	(2,268)	53,151	-	(71,073)	(17,482)	-	109,956	(116,638)
Net cash provided by (used for) operating activities	291,426	(775,609)	(111,259)	1,326,491	3,577,523	(761,829)	122,849	51,546	280,289	(571,550)	3,429,877	3,841,440
Cash flows from noncapital financing activities:												
Bank overdraft	-	3,238	-	-	-	(9,685)	-	-	-	-	(6,447)	(143,195)
Operating transfers in	50,000	845,000	100,000	-	-	767,632	-	99,500	-	-	1,862,132	1,231,000
Advance from primary government	-	-	-	-	-	-	-	-	-	-	-	500,000
Interest paid	-	(98,919)	-	-	-	(9,266)	-	-	-	-	(108,185)	(208,284)
Net repayment of loans payable	-	-	-	-	-	(50,734)	-	-	-	-	(50,734)	(331,840)
Other	14,657	-	-	-	-	-	-	-	-	571,550	586,207	-
Net cash provided by noncapital financing activities	64,657	749,319	100,000	-	-	697,947	-	99,500	-	571,550	2,282,973	1,047,681
Cash flows from capital and related financing activities:												
Proceeds from sale of fixed assets	-	-	3,000	2,780	-	-	-	-	9,998	-	15,778	885,566
Proceeds from loans payable	-	-	506,681	1,937,214	-	-	-	-	-	-	2,443,895	4,030,950
Acquisition of fixed assets	(71,760)	-	(573,488)	(1,492,863)	(2,515,133)	(1,182,425)	(96,370)	(50,883)	(71,308)	-	(6,054,230)	(10,102,440)
Capital contributions	-	-	32,476	-	-	1,254,943	-	-	-	-	1,287,419	1,893,676
Advance from primary government	-	-	-	-	-	-	-	-	-	-	-	500,000
Repayment of debt	-	-	-	(326,946)	(548,694)	-	-	-	-	-	(875,640)	(2,732,956)
Interest paid	-	-	-	(528,547)	(954,659)	-	-	-	-	-	(1,483,206)	(1,137,451)
Other	-	(75,000)	-	-	-	-	-	-	-	-	(75,000)	(492,437)
Net cash used for capital and related financing activities	(71,760)	(75,000)	(31,331)	(408,362)	(4,018,486)	72,518	(96,370)	(50,883)	(61,310)	-	(4,740,984)	(7,158,092)
Cash flows from investing activities:												
Net (purchases) proceeds from investments	-	-	-	-	439,353	-	-	-	(299,014)	-	140,339	(398,683)
Interest income	-	-	-	-	161,924	-	-	-	59,334	-	221,258	281,314
Net cash provided by (used for) investing activities	-	-	-	-	601,277	-	-	-	(239,680)	-	361,597	(117,369)
Net increase (decrease) in cash and cash equivalents	284,323	(101,290)	(42,590)	918,129	160,314	8,636	26,479	100,163	(20,701)	-	1,333,463	(2,386,340)
Cash and cash equivalents at beginning of year	-	101,740	69,805	168,570	3,560,627	22,132	46,436	163,377	162,766	-	4,295,453	7,420,570
Cash and cash equivalents at end of year	\$ 284,323	\$ 450	\$ 27,215	\$ 1,086,699	\$ 3,720,941	\$ 30,768	\$ 72,915	\$ 263,540	\$ 142,065	\$ -	\$ 5,628,916	\$ 5,034,230
Noncash items:												
Interest payable:												
Noncash increase in interest expense	\$ -	\$ -	\$ 569,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 569,974	\$ 47,442
Noncash increase in construction work in progress	-	-	-	-	-	-	-	-	-	-	-	417,639
Noncash increase in interest payable	-	-	(569,974)	-	-	-	-	-	-	-	(569,974)	(465,081)
Retention payable:												
Noncash increase in construction work in progress	\$ -	\$ -	\$ 38,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,289	\$ 41,530
Noncash increase in retention payable	-	-	(38,289)	-	-	-	-	-	-	-	(38,289)	(41,530)
Subtransfer of fixed assets:												
Noncash increase (decrease) in fixed assets	\$ 5,166,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,166,389	\$ (670,000)
Noncash (increase) decrease in contributed capital	(5,166,389)	-	-	-	-	-	-	-	-	-	(5,166,389)	670,000
Transfer of completed project to fixed assets:												
Electric plant in service	\$ -	\$ -	\$ -	\$ 13,007,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,007,418	\$ 131,600
Construction work in progress	-	-	-	(13,007,418)	-	-	-	-	-	-	(13,007,418)	(131,600)
Write-off of fixed assets:												
Fixed assets	\$ -	\$ -	\$ 67,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,522	\$ 57,763
Accumulated depreciation and amortization	-	-	(67,522)	-	-	-	-	-	-	-	(67,522)	(57,763)
Forgiveness of taxes:												
Noncash decrease in due to primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,348
Noncash increase in operating transfers in	-	-	-	-	-	-	-	-	-	-	-	(137,348)
Forgiveness of liabilities under management contract:												
Noncash increase in operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,133,333	\$ -	\$ -	\$ -	\$ -	\$ 1,133,333	\$ -
Noncash decrease in loans payable	-	-	-	-	-	(581,418)	-	-	-	-	(581,418)	-
Noncash decrease in other liabilities and accruals	-	-	-	-	-	(551,915)	-	-	-	-	(551,915)	-
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See Accompanying Independent Auditors' Report.