

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL PURPOSE FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2001

REPUBLIC OF THE MARSHALL ISLANDS
 GENERAL PURPOSE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2001

TABLE OF CONTENTS

	<u>Page No.</u>
I. Independent Auditors' Report	1
II. General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units	5
Statement of Revenues, Expenditures and Changes in Deficit - Budget and Actual - General Fund	6
Combined Statement of Revenues, Expenses and Changes in Fund Equity (Deficiency) - All Nonexpendable Trust Funds and Discretely Presented Component Units	7
Combined Statement of Cash Flows - All Nonexpendable Trust Funds and Discretely Presented Component Units	8
Notes to General Purpose Financial Statements	9
III. Additional Information	
Combining Schedule of Expenditures by Account - All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units	55
General Fund:	56
Statement of Revenues, Expenditures by Function and Changes in Fund Balance	57
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual	59
Special Revenue Funds:	61
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures by Function and Changes in Fund Balances (Deficit)	65
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances (Deficit)	66

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2001

TABLE OF CONTENTS, CONTINUED

	<u>Page No.</u>
Debt Service Funds:	67
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	69
Capital Project Funds:	70
Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures by Function and Changes in Fund Balances	73
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances	74
Expendable Trust Funds:	75
Combining Balance Sheet	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	78
Nonexpendable Trust Funds:	79
Combining Balance Sheet	80
Combining Statement of Revenues, Expenses and Changes in Fund Equity (Deficiency)	81
Combining Statement of Cash Flows	82
General Fixed Assets Account Group	83
General Long-Term Debt Account Group	84
Component Units - Governmental Funds	85
Component Units - Proprietary Funds:	86
Combining Balance Sheet	88
Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit)	89
Combining Statement of Cash Flows	90

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, 2001, 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 Ministry of Education Headstart Program, a Governmental Fund Type - Special Revenue Fund, the Four Atoll Medical Fund, a Fiduciary Fund Type - Expendable Trust Fund, 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, 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, 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.

We were unable to obtain minutes of Board of Directors' meetings of Air Marshall Islands, Inc., a Component Unit - Proprietary Fund, held from October 1, 2000 through May 20, 2002.

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, 2001.

Because of inadequacies in the accounting records, we were unable to determine that deferred revenue was fairly stated for the Governmental Fund Type - Special Revenue Fund as of September 30, 2001. Deferred revenue enters into the determination of revenues 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, 2001.

Because of inadequacies in the accounting records, we were unable to determine that accounts payable was fairly stated for the Kwajalein Atoll Development Authority, a Governmental Fund Type - Capital Projects Fund, as of September 30, 2001. Accounts payable enters into the determination of 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, 2001.

Because of inadequacies in the accounting records, we were unable to determine that inventories were fairly stated for Air Marshall Islands, Inc., a Component Unit - Proprietary Fund, as of September 30, 2001. Inventories enter into the determination of expenses of the Combined Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit) - All Nonexpendable Trust Funds and Discretely Presented Component Units for the year ended September 30, 2001.

Because of inadequacies in the accounting records and in the internal control over financial reporting, we were unable to form an opinion regarding revenues and expenses of the Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR) and receivables, accounts payable, other liabilities and accruals, and revenues and expenses of the Marshall Islands Marine Resources Authority (MIMRA). The financial activities of KAJUR and MIMRA are included in the Component Units - Proprietary Funds and represent 13% and 10% 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) we been able to obtain minutes of Board of Directors' meetings for Air Marshall Islands, Inc.; 2) the propriety of fixed assets and fund equity of the General Fixed Assets Account Group, been determinable; 3) the propriety of deferred revenue of the Governmental Fund Type - Special Revenue Fund and its effect on the determination of revenues of the Governmental Fund Type - Special Revenue Fund, been determinable; 4) the propriety of accounts payable of the Kwajalein Atoll Development Authority and its effect on the determination of expenditures of the Governmental Fund Type - Capital Projects Fund, been determinable; 5) the propriety of inventories of Air Marshall Islands, Inc. and its effect on the determination of expenses of the Component Units - Proprietary Funds, been determinable; and 6) the propriety of revenues and expenses of KAJUR and receivables, accounts payable, other liabilities and accruals, and revenues and expenses of MIMRA, been determinable, as discussed in the fourth through ninth paragraphs above, and the omission of the Ministry of Education Headstart Program, the Four Atoll Medical Fund, the Marshall Islands Scholarship, Grant and Loan Board, the National Environmental Protection Authority, the Marshall Islands Development Bank, the Marshall Islands Alternative Energy Company, Inc., the Marshall Islands Drydock, Inc., and the College of the Marshall Islands, as discussed in the third paragraph above, 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 fifth paragraph above, present fairly, in all material respects, the financial position of RepMar as of September 30, 2001, 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 1 to the general purpose financial statements, RepMar changed its method of accounting for contributions in aid to conform with the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

As discussed in note 9 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, 2001, has been liquidated through transfer of assets. The concurrence of RepMar with this arrangement has not been received.

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 fourth, sixth, seventh, eighth and ninth 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 27, 2002, on our consideration of RepMar's (Primary Government only) internal control over financial reporting and 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 27, 2002

REPUBLIC OF THE MARSHALL ISLANDS

Combined Balance Sheet - All Fund Types, Account Groups
and Discretely Presented Component Units
September 30, 2001
(With comparative totals as of September 30, 2000)

	Governmental Fund Types				Fiduciary Fund Types
	General	Special Revenue	Debt Service	Capital Projects	Expendable
					Trust
Assets and Other Debits					
Cash and cash equivalents	\$ 1,548,173	\$ 58,884	\$ 50,971	\$ 1,743,763	\$ 4,550,739
Time certificates of deposit	-	-	2,000,000	-	1,670,689
Investments (note 2)	100,000	300,220	-	11,408,630	69,945,521
Receivables, net (note 3):					
Taxes	1,741,028	-	-	-	-
Federal agencies	-	-	-	-	-
General	397,274	-	-	-	3,799,579
Loans	-	-	-	11,129,543	-
Other	1,573,083	3,568,114	-	1,737,146	1,428,980
Due from primary government (note 4)	-	-	-	-	-
Due from component units (note 4)	573,957	-	-	1,107,967	576,283
Due from other funds (note 4)	4,276,082	2,895,870	-	919,788	534,485
Advances	288,425	164,507	-	-	-
Inventories	-	-	-	-	-
Prepaid items	-	341,887	-	42,436	5,008
Restricted assets:					
Time certificates of deposit (note 10)	2,434,135	-	-	-	-
Investment in fixed assets, net (note 5)	-	-	-	-	-
Other assets	-	-	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-	-	-
Amount available in debt service fund	-	-	-	-	-
	<u>\$ 12,932,157</u>	<u>\$ 7,329,482</u>	<u>\$ 2,050,971</u>	<u>\$ 28,089,273</u>	<u>\$ 82,511,284</u>
Liabilities, Equity and Other Credits					
Liabilities:					
Bank overdraft	\$ 537,585	\$ 29,142	\$ -	\$ -	\$ 48,385
Accounts payable	3,159,335	1,469,968	-	1,144,738	790,358
Claims and judgments payable (notes 9 and 14)	-	-	-	-	1,225,771
Other liabilities and accruals	986,474	345,452	-	835,051	182,265
Due to primary government (note 4)	-	-	-	-	-
Due to component units (note 4)	2,366,225	650,000	-	-	-
Due to other funds (note 4)	4,571,819	2,493,458	1,203,016	579,608	-
Deferred revenue	97,635	1,056,806	-	-	-
Loans payable (note 6)	-	-	-	-	-
Bonds payable (note 7)	-	-	-	-	-
Interest payable	-	-	-	-	-
Deposits pledged	200	-	-	-	-
Total liabilities	<u>11,719,273</u>	<u>6,044,826</u>	<u>1,203,016</u>	<u>2,559,397</u>	<u>2,246,779</u>
Equity (deficit) and other credits:					
Contributed capital	-	-	-	-	-
Investment in general fixed assets (note 5)	-	-	-	-	-
Retained earnings (deficit):					
Unreserved	-	-	-	-	-
Fund balances (deficit):					
Reserved for:					
Related assets	6,382,415	530,932	-	27,150,722	6,772,559
Debt service	-	-	847,955	-	-
Encumbrances	113,173	1,635,577	-	476,612	-
Social security benefits	-	-	-	-	29,246,442
Nuclear claims	-	-	-	-	44,241,553
Scholarships	-	71,515	-	-	-
Communications	-	401,200	-	-	-
Health and medical	-	20,837	-	-	-
Health and education	-	192,660	-	-	-
Unreserved	(5,282,704)	(1,568,065)	-	(2,097,458)	3,951
Total equity (deficit) and other credits	<u>1,212,884</u>	<u>1,284,656</u>	<u>847,955</u>	<u>25,529,876</u>	<u>80,264,505</u>
Contingencies and commitments (notes 9, 10 and 14)	\$ 12,932,157	\$ 7,329,482	\$ 2,050,971	\$ 28,089,273	\$ 82,511,284

REPUBLIC OF THE MARSHALL ISLANDS

Combined Balance Sheet - All Fund Types, Account Groups
and Discretely Presented Component Units
September 30, 2001
(With comparative totals as of September 30, 2000)

Fiduciary Fund Types	Accounts Groups		Total Primary	Component Units		Totals	
	General Fixed Assets	General Long-Term Debt	Government (Memorandum Only)	Governmental	Proprietary	Reporting Entity (Memorandum Only)	
	Nonexpend- able Trust					2001	2000
\$ -	\$ -	\$ -	\$ 7,952,530	\$ 95,492	\$ 6,690,583	\$ 14,738,605	\$ 18,047,787
-	-	-	3,670,689	-	1,944,841	5,615,530	2,589,409
-	-	-	81,754,371	-	194,322	81,948,693	108,796,365
-	-	-	1,741,028	-	-	1,741,028	1,455,027
-	-	-	-	-	-	-	1,982,424
-	-	-	4,196,853	-	4,516,501	8,713,354	7,107,436
-	-	-	11,129,543	-	-	11,129,543	11,470,549
-	-	-	8,307,323	6,500	1,129,527	9,443,350	5,514,468
-	-	-	-	73,868	2,642,357	2,716,225	1,159,661
-	-	-	2,258,207	-	631,939	2,890,146	2,898,340
221,676	-	-	8,847,901	-	-	8,847,901	12,110,950
-	-	-	452,932	-	-	452,932	822,302
-	-	-	-	-	3,367,884	3,367,884	2,412,942
-	-	-	389,331	1,351	253,372	644,054	586,016
-	-	-	2,434,135	-	-	2,434,135	2,552,793
-	51,154,148	-	51,154,148	-	79,226,771	130,380,919	118,266,909
-	-	-	-	-	-	-	75,260
-	-	50,939,322	50,939,322	-	-	50,939,322	65,827,930
-	-	847,955	847,955	-	-	847,955	848,944
\$ 221,676	\$ 51,154,148	\$ 51,787,277	\$ 236,076,268	\$ 177,211	\$ 100,598,097	\$ 336,851,576	\$ 364,525,512
\$ -	\$ -	\$ -	\$ 615,112	\$ -	\$ 126,231	\$ 741,343	\$ 115,041
219,915	-	-	6,784,314	11,308	5,762,146	12,557,768	9,795,614
-	-	529,000	1,754,771	-	204,666	1,959,437	1,079,000
92,962	-	1,617,954	4,060,158	3,559	2,396,206	6,459,923	6,516,418
-	-	-	-	-	4,326,517	4,326,517	4,126,521
-	-	-	3,016,225	-	631,939	3,648,164	3,279,240
-	-	-	8,847,901	-	-	8,847,901	12,110,950
-	-	-	1,154,441	-	268,578	1,423,019	206,469
-	-	49,640,323	49,640,323	-	40,121,269	89,761,592	81,712,227
-	-	-	-	-	-	-	22,639,052
-	-	-	-	-	2,323,640	2,323,640	1,752,585
-	-	-	200	-	-	200	200
312,877	-	51,787,277	75,873,445	14,867	56,161,192	132,049,504	143,333,317
-	-	-	-	-	29,218,818	29,218,818	41,046,147
-	51,154,148	-	51,154,148	-	-	51,154,148	39,999,771
-	-	-	-	-	15,218,087	15,218,087	(893,064)
-	-	-	40,836,628	-	-	40,836,628	41,179,960
-	-	-	847,955	-	-	847,955	848,944
-	-	-	2,225,362	-	-	2,225,362	9,929,871
-	-	-	29,246,442	-	-	29,246,442	33,674,897
-	-	-	44,241,553	-	-	44,241,553	68,621,577
-	-	-	71,515	-	-	71,515	61,810
-	-	-	401,200	-	-	401,200	271,512
-	-	-	20,837	-	-	20,837	958,897
-	-	-	192,660	-	-	192,660	43,888
(91,201)	-	-	(9,035,477)	162,344	-	(8,873,133)	(14,552,015)
(91,201)	51,154,148	-	160,202,823	162,344	44,436,905	204,802,072	221,192,195
\$ 221,676	\$ 51,154,148	\$ 51,787,277	\$ 236,076,268	\$ 177,211	\$ 100,598,097	\$ 336,851,576	\$ 364,525,512

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, 2001
(With comparative totals for the year ended September 30, 2000)

	Governmental Fund Types				Fiduciary	Total	Component	Totals	
	General	Special Revenue	Debt Service	Capital Projects	Fund Type	Primary	Units	Reporting Entity	
					Expendable Trust	Government (Memorandum Only)	Governmental	(Memorandum Only)	
								2001	2000
Revenues:									
Compact funding	\$ 1,430,100	\$ 6,629,000	\$ -	\$ 23,379,710	\$ 8,545,600	\$ 39,984,410	\$ -	\$ 39,984,410	\$ 39,556,400
Taxes	18,351,831	-	-	-	-	18,351,831	-	18,351,831	17,038,253
Contributions	-	-	-	-	13,354,412	13,354,412	-	13,354,412	11,032,444
Federal grants	-	7,414,327	-	-	-	7,414,327	-	7,414,327	8,271,795
Interest and dividends	414,796	-	-	-	2,744,521	3,159,317	-	3,159,317	1,431,683
Fishing rights	1,848,612	-	-	-	-	1,848,612	-	1,848,612	3,655,164
Fees and charges	482,590	531,421	-	-	-	1,014,011	-	1,014,011	904,804
Sales	-	161,650	-	-	-	161,650	-	161,650	171,293
Other local	84,156	-	-	-	-	84,156	-	84,156	121,847
Net (decrease) increase in the fair value of investments	-	-	-	-	(11,084,055)	(11,084,055)	-	(11,084,055)	18,537,361
Other	6,665,045	14,296,625	-	57,422	83,695	21,102,787	-	21,102,787	12,405,102
Total revenues	29,277,130	29,033,023	-	23,437,132	13,644,173	95,391,458	-	95,391,458	113,126,146
Expenditures:									
Ministries and offices	17,242,298	26,579,066	-	-	-	43,821,364	-	43,821,364	38,179,580
Principal retirement (notes 6 and 7)	819,463	-	23,230,058	-	-	24,049,521	-	24,049,521	16,700,714
Local government distributions	-	-	-	-	12,426,599	12,426,599	-	12,426,599	12,561,203
Land use distributions	-	-	-	-	8,529,293	8,529,293	-	8,529,293	8,457,018
Social security benefit payments	-	-	-	-	8,229,021	8,229,021	-	8,229,021	7,657,881
Capital projects	-	-	-	6,215,091	-	6,215,091	-	6,215,091	6,813,907
Special appropriations	5,841,221	-	-	-	-	5,841,221	-	5,841,221	4,956,027
Health care payments	-	-	-	-	3,931,702	3,931,702	-	3,931,702	7,036,730
Nuclear claims payments	-	-	-	-	3,924,152	3,924,152	-	3,924,152	3,551,498
President and cabinet	1,416,056	-	-	-	-	1,416,056	-	1,416,056	1,702,248
Interest	289,415	-	944,268	138,832	-	1,372,515	-	1,372,515	1,761,995
Nitijela	1,283,053	-	-	-	-	1,283,053	-	1,283,053	1,217,065
Commissions and authorities	850,483	-	-	-	-	850,483	-	850,483	868,608
Judiciary	87,121	712,202	-	-	-	799,323	-	799,323	36,346
Council of Iroij	352,781	-	-	-	-	352,781	-	352,781	396,764
Other	191,207	-	-	-	4,304,196	4,495,403	259,323	4,754,726	6,796,492
Total expenditures	28,373,098	27,291,268	24,174,326	6,353,923	41,344,963	127,537,578	259,323	127,796,901	118,694,076
Excess (deficiency) of revenues over (under) expenditures	904,032	1,741,755	(24,174,326)	17,083,209	(27,700,790)	(32,146,120)	(259,323)	(32,405,443)	(5,567,930)
Other financing sources (uses):									
Loan proceeds (note 6)	4,303,300	-	-	4,917,482	-	9,220,782	-	9,220,782	11,064,636
Operating transfers in (note 8)	1,081,089	1,904,873	24,173,337	25,071,433	10,403,424	62,634,156	299,993	62,934,149	53,977,206
Operating transfers out (note 8)	(8,549,089)	(6,497,864)	-	(47,181,637)	(8,444,739)	(70,673,329)	-	(70,673,329)	(59,394,027)
Total other financing sources (uses), net	(3,164,700)	(4,592,991)	24,173,337	(17,192,722)	1,958,685	1,181,609	299,993	1,481,602	5,647,815
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,260,668)	(2,851,236)	(989)	(109,513)	(25,742,105)	(30,964,511)	40,670	(30,923,841)	79,885
Fund balances at beginning of year (note 11)	3,473,552	4,135,892	848,944	25,639,389	106,006,610	140,104,387	121,674	140,226,061	141,050,657
Fund balances at end of year	\$ 1,212,884	\$ 1,284,656	\$ 847,955	\$ 25,529,876	\$ 80,264,505	\$ 109,139,876	\$ 162,344	\$ 109,302,220	\$ 141,130,542

See accompanying notes to general purpose financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Revenues, Expenditures and Changes in
Deficit - Budget and Actual - General Fund
Year Ended September 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 16,592,174	\$ 18,351,831	\$ 1,759,657
Fishing rights	4,250,000	1,848,612	(2,401,388)
Compact funding	1,144,100	1,430,100	286,000
Fees and charges	343,000	482,590	139,590
Interest and dividends	280,000	414,796	134,796
Other local	50,000	84,156	34,156
Other	6,357,147	6,665,045	307,898
Total revenues	<u>29,016,421</u>	<u>29,277,130</u>	<u>260,709</u>
Expenditures:			
Ministries and offices	17,141,199	16,205,302	935,897
Special appropriations	4,248,616	6,470,654	(2,222,038)
Nitijela	1,283,054	1,250,292	32,762
President and cabinet	1,451,298	1,216,457	234,841
Commissions and authorities	883,799	749,775	134,024
Council of Iroij	356,591	348,304	8,287
Other	-	273,643	(273,643)
Total expenditures	<u>25,364,557</u>	<u>26,514,427</u>	<u>(1,149,870)</u>
Excess of revenues over expenditures	<u>3,651,864</u>	<u>2,762,703</u>	<u>(889,161)</u>
Other financing sources (uses):			
Loan proceeds (note 6)	-	4,303,300	4,303,300
Operating transfers in (note 8)	250,000	1,081,089	831,089
Operating transfers out (note 8)	(4,006,638)	(8,549,089)	(4,542,451)
Total other financing sources (uses), net	<u>(3,756,638)</u>	<u>(3,164,700)</u>	<u>591,938</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	<u>(104,774)</u>	<u>(401,997)</u>	<u>(297,223)</u>
Other changes in unreserved deficit:			
Increase in reserve for related assets	-	(997,139)	(997,139)
Restatement (note 11)	-	2,074,486	2,074,486
Unreserved deficit at beginning of year	<u>(5,958,054)</u>	<u>(5,958,054)</u>	<u>-</u>
Unreserved deficit at end of year	<u>\$ (6,062,828)</u>	<u>\$ (5,282,704)</u>	<u>\$ 780,124</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, 2001
(With comparative totals for the year ended September 30, 2000)

	Fiduciary	Total	Component	Totals	
	Fund Type	Primary		Reporting Entity	
	Nonexpend- able Trust	Government (Memorandum Only)	Units Proprietary	(Memorandum Only)	
				2001	2000
Operating revenues:					
Services	\$ -	\$ -	\$ 25,822,293	\$ 25,822,293	\$ 19,411,516
Sales	-	-	7,333,797	7,333,797	9,467,269
Other	-	-	1,323,677	1,323,677	1,377,751
Total operating revenues	-	-	34,479,767	34,479,767	30,256,536
Operating expenses:					
Cost of goods sold	-	-	7,923,316	7,923,316	9,922,987
Depreciation and amortization	-	-	7,342,570	7,342,570	5,425,710
Fuel and lubricants	-	-	6,936,991	6,936,991	5,120,340
Salaries, wages and benefits	-	-	4,145,375	4,145,375	3,415,135
Bad debts	-	-	3,087,176	3,087,176	834,904
Repairs and supplies	-	-	2,135,452	2,135,452	1,714,437
Plant expenses	-	-	2,094,427	2,094,427	1,950,533
Corporate operations	-	-	1,557,768	1,557,768	1,270,495
Maintenance	-	-	1,422,685	1,422,685	177,057
Health care payments	-	-	714,961	714,961	911,283
Customer operations	-	-	703,131	703,131	630,949
Reservation and sales	-	-	563,738	563,738	114,595
Insurance	-	-	319,947	319,947	246,864
Travel	-	-	282,867	282,867	133,584
Professional fees	-	-	276,844	276,844	172,908
Office supplies	-	-	117,846	117,846	108,629
Miscellaneous	-	-	3,773,992	3,773,992	1,840,196
Total operating expenses	-	-	43,399,086	43,399,086	33,990,606
Operating loss	-	-	(8,919,319)	(8,919,319)	(3,734,070)
Nonoperating revenues (expense):					
Interest expense	-	-	(2,375,049)	(2,375,049)	(2,073,384)
Capital contributions	-	-	2,331,458	2,331,458	6,453,808
Gain on voluntary nonexchange transaction	-	-	600,000	600,000	-
Interest income	-	-	299,598	299,598	256,343
Gain on sale of fixed assets	-	-	25,261	25,261	1,319
Net decrease in the fair value of investments	-	-	(187,206)	(187,206)	-
Other	-	-	100,878	100,878	141,371
Total nonoperating revenues (expense), net	-	-	794,940	794,940	4,779,457
(Loss) income before other financing sources (uses)	-	-	(8,124,379)	(8,124,379)	1,045,387
Other financing sources (uses):					
Operating transfers in (note 8)	-	-	4,174,665	4,174,665	2,854,094
Operating transfers out (note 8)	-	-	(400,000)	(400,000)	-
Total other financing sources (uses), net	-	-	3,774,665	3,774,665	2,854,094
	-	-	(4,349,714)	(4,349,714)	3,899,481
Retained earnings (deficit) at beginning of year (note 11)	(91,201)	(91,201)	19,747,801	19,656,600	19,276,035
Dividends paid	-	-	(180,000)	(180,000)	-
Retained earnings (deficit) at end of year	\$ (91,201)	\$ (91,201)	\$ 15,218,087	\$ 15,126,886	\$ 23,175,516

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, 2001
(With comparative totals for the year ended September 30, 2000)

	Fiduciary	Total	Component	Totals	
	Fund Type	Primary	Units	Reporting Entity	
	Nonexpendable Trust	Government (Memorandum Only)	Proprietary	2001	2000
Cash flows from operating activities:					
Operating loss	\$ -	\$ -	\$ (8,919,319)	\$ (8,919,319)	\$ (3,734,070)
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Loss (gain) on disposal of fixed assets	-	-	1,099	1,099	(2,750)
Depreciation and amortization	-	-	7,342,570	7,342,570	5,425,710
Bad debts	-	-	3,087,176	3,087,176	834,904
Recovery of bad debts	-	-	(743,738)	(743,738)	-
(Increase) decrease in assets:					
General receivables	-	-	(64,702)	(64,702)	(617,416)
Other receivables	-	-	(529,091)	(529,091)	141,015
Due from primary government	-	-	(486,350)	(486,350)	(85,881)
Due from component units	-	-	(144,699)	(144,699)	(259,369)
Inventories	-	-	(350,515)	(350,515)	243,219
Prepaid items	-	-	(32,610)	(32,610)	49,649
Other assets	-	-	-	-	47,669
Increase (decrease) in liabilities:					
Accounts payable	-	-	(378,981)	(378,981)	958,763
Claims payable	-	-	448,203	448,203	-
Other liabilities and accruals	-	-	140,843	140,843	109,956
Due to primary government	-	-	421,303	421,303	57,348
Due to component units	-	-	12,683	12,683	261,130
Deferred revenue	-	-	162,024	162,024	-
Net cash (used for) provided by operating activities	-	-	(34,104)	(34,104)	3,429,877
Cash flows from noncapital financing activities:					
Net borrowings (repayment) under bank overdraft facility	-	-	122,057	122,057	(6,447)
Operating transfers in (out), net (note 8)	-	-	2,374,665	2,374,665	1,862,132
Interest paid on short-term borrowings	-	-	(172,340)	(172,340)	(108,185)
Net borrowings (repayment) under bank credit line agreement	-	-	441,120	441,120	(50,734)
Dividends paid	-	-	(180,000)	(180,000)	-
Other	-	-	23,593	23,593	586,207
Net cash provided by noncapital financing activities	-	-	2,609,095	2,609,095	2,282,973
Cash flows from capital and related financing activities:					
Proceeds from sale of fixed assets	-	-	62,170	62,170	15,778
Proceeds from long-term debt	-	-	-	-	2,443,895
Acquisition and construction of capital assets	-	-	(5,035,839)	(5,035,839)	(6,054,230)
Capital contributions	-	-	3,623,707	3,623,707	1,287,419
Principal paid on long-term debt	-	-	(960,948)	(960,948)	(875,640)
Interest paid on long-term debt	-	-	(1,638,373)	(1,638,373)	(1,483,206)
Other	-	-	-	-	(75,000)
Net cash used for capital and related financing activities	-	-	(3,949,283)	(3,949,283)	(4,740,984)
Cash flows from investing activities:					
Net change in time certificates of deposit	-	-	(140,762)	(140,762)	140,339
Interest on time certificates of deposit	-	-	279,991	279,991	221,258
Net cash provided by investing activities	-	-	139,229	139,229	361,597
Net increase (decrease) in cash and cash equivalents	-	-	(1,235,063)	(1,235,063)	1,333,463
Cash and cash equivalents at beginning of year	-	-	7,925,646	7,925,646	4,295,453
Cash and cash equivalents at end of year	\$ -	\$ -	\$ 6,690,583	\$ 6,690,583	\$ 5,628,916
Noncash items:					
Interest payable:					
Noncash increase in interest expense	\$ -	\$ -	\$ -	\$ -	\$ 569,974
Noncash increase in interest payable	-	-	-	-	(569,974)
Retention payable:					
Noncash increase in construction work in progress	\$ -	\$ -	\$ -	\$ -	\$ 38,289
Noncash increase in retention payable	-	-	-	-	(38,289)
Sale/transfer of fixed assets:					
Noncash increase in fixed assets	\$ -	\$ -	\$ (107,751)	\$ (107,751)	\$ (5,166,389)
Noncash increase in capital contributions	-	-	107,751	107,751	5,166,389
Transfer of completed project to fixed assets:					
Electric plant in service	\$ -	\$ -	\$ 439,549	\$ 439,549	\$ 13,007,418
Construction work in progress	-	-	(439,549)	(439,549)	(13,007,418)
Transfer of electric plant to materials and supplies:					
Electric plant in service	\$ -	\$ -	\$ (181,259)	\$ (181,259)	\$ -
Inventories	-	-	181,259	181,259	-
Write-off of fixed assets:					
Fixed assets	\$ -	\$ -	\$ -	\$ -	\$ 67,522
Accumulated depreciation and amortization	-	-	-	-	(67,522)
Treasury stock acquired in lieu of collection of receivables:					
Gain on voluntary nonexchange transaction	\$ -	\$ -	\$ 600,000	\$ 600,000	\$ -
Acquisition of treasury stock	-	-	(600,000)	(600,000)	-
Forgiveness of liabilities under management contract:					
Noncash increase in operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ 1,133,333
Noncash decrease in loans payable	-	-	-	-	(581,418)
Noncash decrease in other liabilities and accruals	-	-	-	-	(551,915)

See accompanying notes to general purpose financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(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 that advises the High Court on matters concerning customary law and traditional practice. The Nitijela elects one of its members at its first session following an election to serve as President. The President, in turn, appoints six to ten members of the Nitijela to serve as Ministers who collectively comprise the Cabinet.

For financial reporting purposes, RepMar has included all funds, organizations, 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 Majuro Resort, Inc., which has a December 31 fifteen 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, 2001

(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).

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.

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

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, 2001

(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.

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

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

Ministry of Education Headstart Program - (A Governmental Fund). This fund was established to account for the United States Department of Health and Human Services Head Start program.

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.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

3. Omitted Component Units, Continued

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

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, 2001

(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. 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, 2001

(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 Deficit - Budget and Actual - General Fund (which are presented on a non-GAAP budgetary basis) are reconciled to unreserved deficit of the Combined Balance Sheet within the other changes in unreserved deficit 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.

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.

For the year ended September 30, 2001, expenditures of the General Fund exceeded budget at the program area level (i.e., the legal level of budgetary control) as follows:

<u>Program Area</u>	<u>Excess</u>
President and Cabinet:	
Print shop/National Gazette	\$ 32,679
Special appropriations:	
Micronesian Legal Services Commission	\$ 150
Asian Development Bank (ADB) counterpart funding	\$ 364,108
RepMar water billings - Majuro	\$ 146,812
United States Army Kwajalein Atoll (USAKA)	\$ 183,838

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

D. Budgetary Information, Continued

<u>Program Area</u>	<u>Excess</u>
Special appropriations, continued:	
Copra price stabilization subsidy	\$ 800,000
Prior year liabilities	\$ 95,777
Postal Services Fund	\$ 87,399
Commissions and authorities:	
Public Service Commission	\$ 2,833
Judiciary:	
General and traditional rights courts	\$ 107,319
Ministry of Health and Environment:	
Youth adolescent health	\$ 2,393
Preventive services - administration	\$ 1,325
Ministry of Education:	
Support services	\$ 2,380
Ministry of Resources and Development:	
Agro-forestry	\$ 15,369
Energy office	\$ 5,164
Marine Surveillance Fund	\$ 63,133
Ministry of Interior and Social Welfare:	
Women in development	\$ 4,034
Sound system - V7AB	\$ 10
Administration - electoral	\$ 6,100
Land and surveys	\$ 40,527
Local Government Fund	\$ 176,599
Ministry of Justice:	
Public defender - Majuro	\$ 7,248
Public safety - Majuro and Ebeye	\$ 322,819
Ministry of Finance:	
Finance and revenue offices - Ebeye	\$ 17,816
Drug enforcement office	\$ 36,179
Procurement and supply	\$ 21,557
Ministry of Foreign Affairs and Trade:	
USAKA liaison office	\$ 25,792
Majuro immigration	\$ 10,479
Washington, Fiji and Beijing offices	\$ 39,902
Tokyo embassy	\$ 91,599
Ministry of Public Works:	
Mercy K subsidy	\$ 90,016
Honolulu house repairs	\$ 750,373
CGMA and Maintenance Funds	\$ 73,673
Nitijela:	
General membership - Nitijela	\$ 52,672
ADB loan projects:	
Loan #s 1218, 1250, 1513, 1828 and 1829	\$ 4,188,842

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

E. Cash and Cash Equivalents and Time Certificates of Deposit

RepMar pools cash resources of its various funds in order to facilitate the management of cash. Unless otherwise required by law, interest income received on pooled cash accrues to the General Fund. Cash and cash equivalents applicable to a particular fund are readily identifiable. Cash and cash equivalents include cash 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.

As of September 30, 2001, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit were \$14,057,354 and the corresponding bank balances were \$12,409,112. Of the bank balance amounts, \$1,485,759 are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2001, bank deposits in the amount of \$669,296 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, 2001, the carrying amount of the discretely presented component unit's total cash and cash equivalents and time certificates of deposit were \$8,730,916 and the corresponding bank balances were \$9,092,237. Of the bank balance amounts, \$4,486,676 are maintained in financial institutions subject to FDIC insurance. As of September 30, 2001, bank deposits in the amount of \$933,659 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. 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, 2001

(1) Summary of Significant Accounting Policies, Continued

I. Interfund Receivables/Payables

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

J. Prepaid Items

Payments made to vendors or persons for services that will benefit periods beyond September 30, 2001, 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 \$2,000,109.

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 2001. Depreciation on the General Fixed Assets Account Group has not been recorded for the year ended September 30, 2001.

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, 2001. 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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

L. Fixed Assets, Continued

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.

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, 2001, \$18,285 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

For governmental and expendable trust funds, 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. 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, 2001, is \$1,617,954. 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 estimated accumulated amount of unused sick leave as of September 30, 2001, is presently not determinable.

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

For Component Units - Proprietary Funds, vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

O. Fund Equity

Contributed capital is recorded in proprietary funds that have issued common stock. Reserves represent those portions of fund equity not appropriable 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. The reserve for related assets as of September 30, 2001, is represented by the following assets:

	Governmental Fund Types			Fiduciary Fund Type	Totals
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash and cash equivalents	\$ 309,882	\$ -	\$ 1,725,000	\$ -	\$ 2,034,882
Investments	100,000	300,220	11,408,630	3,952,621	15,761,471
Receivables:					
General	189,315	-	-	847,513	1,036,828
Loans	-	-	11,129,543	-	11,129,543
Other	704,077	29,904	1,737,146	943,897	3,415,024
Due from component units	573,957	-	1,107,967	576,283	2,258,207
Due from other funds	1,782,624	-	-	452,245	2,234,869
Advances	288,425	-	-	-	288,425
Prepaid items	-	200,808	42,436	-	243,244
Restricted assets	<u>2,434,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,434,135</u>
	<u>\$ 6,382,415</u>	<u>\$ 530,932</u>	<u>\$ 27,150,722</u>	<u>\$ 6,772,559</u>	<u>\$ 40,836,628</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, 2001

(1) Summary of Significant Accounting Policies, Continued

R. Contributions and Premiums

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 equal to seven percent of wages received.

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 (see note 13). The maximum quarterly taxable wages is \$5,000. Every employer is required to contribute an amount equal to that contributed by employees.

Premiums to the Expendable Trust Funds for the MISSA Health Fund and to the Component Units - Propriety Funds for the MISSA Supplemental Health Benefits Plan are governed by the Social Security Health Fund Act of 1991, as amended, which allows citizens and legal residents, who are not otherwise eligible for benefits under this Act, to voluntarily pay a periodic premium to the Basic and Supplemental Health Benefit Plans and, thereby, become a covered person eligible for designated benefits of the Basic and Supplemental Health Benefits Plans. The amount of periodic premiums that must be paid to the Basic and Supplemental Health Benefits Plans are determined by the Board of Directors of MISSA.

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, 2001

(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 \$200 deductible for visits within a one year period. The co-insurance rate is 80%.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

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.

V. New Accounting Standard

Beginning in fiscal year 2001, RepMar implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The provisions of this standard had no material effect on RepMar's governmental funds. The standard required RepMar's component units, however, to recognize grants and contributions as non-operating revenue on the Statement of Revenue, Expenses and Changes in Retained Earnings (Deficit). In prior periods, grants and contributions had been recorded as a direct increase to contributions in aid in the equity section of the balance sheet.

(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, 2001, are as follows:

	Categories			Carrying Value
	1	2	3	
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, 2001

(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, 2001, 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, 2001, 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, 2001

(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, 2001, are as follows:

	Categories			Carrying Value
	1	2	3	
Nuclear Claims Trust Fund:				
Common stocks	\$ -	\$ 24,255,565	\$ -	\$ 24,255,565
U.S. Government notes and bonds	-	9,144,843	-	9,144,843
Corporate notes and bonds	-	6,689,473	-	6,689,473
Mutual funds	-	4,696,497	-	4,696,497
	<u>-</u>	<u>44,786,378</u>	<u>-</u>	<u>44,786,378</u>
Marshall Islands Social Security Administration (MISSA):				
Common stocks	3,013,013	14,582,351	-	17,595,364
U.S. Government notes and bonds	-	4,040,933	-	4,040,933
Corporate notes and bonds	-	3,171,414	-	3,171,414
U.S. Government agencies	-	351,432	-	351,432
	<u>3,013,013</u>	<u>22,146,130</u>	<u>-</u>	<u>25,159,143</u>
	<u>\$ 3,013,013</u>	<u>\$ 66,932,508</u>	<u>\$ -</u>	<u>\$ 69,945,521</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, 2001, MISSA maintained deposit accounts and a time certificate of deposit with BOMI of \$3,240,603.

A summary of financial information as of and for the year ended December 31, 2001, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>49,236,449</u>
Liabilities	\$ <u>39,656,121</u>
Net earnings	\$ <u>2,379,820</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(2) Investments, Continued

E. Component Units - Proprietary Funds

Investments of the Component Units - Proprietary Funds as of September 30, 2001, are as follows:

	Categories			Carrying Value
	1	2	3	
Air Marshall Islands, Inc.: Common stocks	\$ <u>-</u>	\$ <u>194,322</u>	\$ <u>-</u>	\$ <u>194,322</u>

(3) Receivables

Receivables as of September 30, 2001, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Fund Types			Fiduciary Fund Type	Component Units		Totals
	General	Special Revenue	Capital Projects	Expendable Trust	Governmental	Proprietary	
Receivables:							
Taxes:							
General	\$ 1,741,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,741,028
Loans	397,274	-	-	4,078,806	-	13,023,710	17,499,790
Other	-	-	12,909,543	-	-	100,000	13,009,543
	<u>1,573,083</u>	<u>3,892,778</u>	<u>2,125,496</u>	<u>2,497,879</u>	<u>6,500</u>	<u>1,735,233</u>	<u>11,830,969</u>
Gross receivables	3,711,385	3,892,778	15,035,039	6,576,685	6,500	14,858,943	44,081,330
Less: allowance for uncollectibles	-	(324,664)	(2,168,350)	(1,348,126)	-	(9,212,915)	(13,054,055)
Net receivables	\$ <u>3,711,385</u>	\$ <u>3,568,114</u>	\$ <u>12,866,689</u>	\$ <u>5,228,559</u>	\$ <u>6,500</u>	\$ <u>5,646,028</u>	\$ <u>31,027,275</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, 2001.

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, interest at 6% per annum, 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, 2001

(3) Receivables, Continued

ADB Development Projects Fund

Loan to Ebje Ruktok/Rukjenlein Fishing Company, Inc., interest at 8.5% per annum, with repayments commencing March 1995. The loan is a subsidiary loan of a loan agreement (Loan Number 1102 MAR(SF)) between RepMar and the Asian Development Bank (see notes 6 and 9). 2,588,787

Loan to Majuro Water and Sewer Company, Inc. (a Component Unit - Proprietary Fund), interest at 6.64% per annum, with repayments commencing March 24, 1997. The loan is a subsidiary loan of a loan agreement (Loan Number 1250 MAR(SF)) between RepMar and the Asian Development Bank (see notes 6 and 9). 714,493

Loan to Majuro Water and Sewer Company, Inc. (a Component Unit - Proprietary Fund), interest at 6.9% per annum, with repayments commencing March 1, 2001. The loan is a subsidiary loan of a loan agreement (Loan Number 1389 RMI(SF)) between RepMar and the Asian Development Bank (see notes 6 and 9). 7,826,263
\$ 12,909,543

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% per annum, unsecured (see notes 6 and 9). \$ 50,000

Note receivable from Tobolar Copra Processing Plant, Inc., advanced on February 27, 1998, due September 30, 1998, interest at 10% per annum, unsecured (see notes 6 and 9). 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, 2001, interest receivable relating to the above notes receivable is \$36,397.

(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, 2001, are summarized as follows:

<u>Component Unit - Governmental Fund</u>	<u>Due From</u>	<u>Due To</u>
Marshall Islands Visitors Authority:		
General Fund	\$ <u>73,868</u>	\$ <u>-</u>
	\$ <u>73,868</u>	\$ <u>-</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(4) Interfund Receivables and Payables, Continued

Component Units - Proprietary Funds

Air Marshall Islands, Inc.:		
General Fund	\$ 1,015,177	\$ -
Marshall Islands Airports Authority:		
General Fund	-	73,957
Tobolar Copra Processing Plant, Inc.:		
General Fund	-	500,000
Special Revenue Fund:		
Other Direct Assistance Fund	650,000	-
Majuro Water and Sewer Company, Inc.:		
General Fund	196,762	225,064
Expendable Trust Fund:		
Marshall Islands Social Security Administration	-	364,756
Marshalls Energy Company, Inc.:		
General Fund	284,909	-
Marshall Islands National Telecommunications Authority:		
General Fund	120,503	-
Kwajalein Atoll Joint Utilities Resources, Inc.:		
General Fund	263,842	-
KADA Housing Division:		
Capital Projects Fund:		
KADA	-	1,107,967
Majuro Resort, Inc.:		
General Fund	111,164	325,625
Expendable Trust Fund:		
Marshall Islands Social Security Administration	-	121,612
Marshall Islands Marine Resources Authority:		
General Fund	-	64,799
MISSA Supplemental Health Benefits Plan:		
Expendable Trust Fund:		
Marshall Islands Social Security Administration	-	1,542,737
	<u>\$ 2,642,357</u>	<u>\$ 4,326,517</u>

The amount recorded as due from primary government of the component units of \$2,716,225 does not equal the corresponding due to component units of the primary government of \$3,016,225 due to an allowance for doubtful accounts of \$300,000 recorded by the Marshall Islands Marine Resources Authority.

Receivables and payables between funds reflected as due to/from component units in the combined balance sheet at September 30, 2001, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
<u>Primary Government</u>		
General Fund:		
Marshall Islands Visitors Authority	\$ -	\$ 73,868
Air Marshall Islands, Inc.	-	1,015,177
Marshall Islands Airports Authority	73,957	-
Tobolar Copra Processing Plant, Inc.	500,000	-

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(4) Interfund Receivables and Payables, Continued

	<u>Due From</u>	<u>Due To</u>
<u>Primary Government, Continued</u>		
General Fund, Continued:		
Majuro Water and Sewer Company, Inc.	-	196,762
Marshalls Energy Company, Inc.	-	284,909
Marshall Islands National Telecommunication Authority	-	120,503
Majuro Resort, Inc.	-	111,164
Marshall Islands Marine Resources Authority	-	300,000
Kwajalein Atoll Joint Utilities Resources, Inc.	-	263,842
Special Revenue Fund:		
Tobolar Copra Processing Plant, Inc.	-	650,000
Capital Projects Fund:		
KADA Housing Division	1,107,967	-
Expendable Trust Fund:		
MISSA Supplemental Health Benefits Plan	<u>576,283</u>	<u>-</u>
	<u>\$ 2,258,207</u>	<u>\$ 3,016,225</u>
	<u>Due From</u>	<u>Due To</u>
<u>Component Units - Proprietary Funds</u>		
Majuro Water and Sewer Company, Inc.:		
Marshalls Energy Company, Inc.	\$ -	\$ 631,939
Marshalls Energy Company, Inc.:		
Majuro Water and Sewer Company, Inc.	<u>631,939</u>	<u>-</u>
	<u>\$ 631,939</u>	<u>\$ 631,939</u>

The amount recorded as due from component units of the primary government of \$2,258,207 does not equal the corresponding due to primary government of the Component Units - Proprietary Funds of \$4,326,517 due to delinquent taxes payable to the General Fund recorded by the Component Units - Proprietary Funds of \$615,488, delinquent contributions payable to the Marshall Islands Social Security Administration recorded by the Component Units - Proprietary Funds of \$486,368, 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, 2001, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Direct Assistance	\$ 2,218,969
General	Section 216(a)(3) Scholarship	274,489
General	MIDA Debt Service	1,203,016
General	MIDA	579,608
TTPI Federal and Other Assistance	General	1,531,681
RMI Investment Development	General	56,769
Judiciary	General	35,982
Telecommunications	General	98
Seaport Trust	General	89,220
Special Revenue	General	29,487
Postal Service	General	16,163
Section 216(b) Maritime	General	19,997

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(4) Interfund Receivables and Payables, Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Resident Workers Training Account	General	16,116
Section 215(a)(1) Communications	General	418,234
Section 216(a)(2) Health and Medical	General	52,609
Section 221(b) Education and Health Care	General	374,360
Section 214(a) Energy	General	416
National Environmental Protection Authority	General	67,226
Ministry of Justice	General	85,886
Alternative Energy	General	13,233
Changed Circumstances	General	53,957
Public Works	General	34,436
Section 211 Capital Account	General	365,418
Section 216(a)(1) Surveillance and Enforcement	General	3,493
MIDA Development	General	78,624
Section 111 Investment Development	General	472,253
Kwajalein Atoll Trust	General	452,245
Health Indemnity	General	13,412
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>\$ 8,847,901</u>

(5) Fixed Assets

Activity in the General Fixed Assets Account Group for the year ended September 30, 2001, was as follows:

	<u>Balance October 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2001</u>
Electrical distribution	\$ 27,216,665	\$ -	\$ -	\$ 27,216,665
Buildings	3,080,890	6,328,933	-	9,409,823
Office equipment	7,557,410	803,792	-	8,361,202
Roads, bridges and airport	5,467,525	-	-	5,467,525
Ships	886,258	3,073,600	-	3,959,858
Other equipment	3,507,043	39,598	-	3,546,641
Heavy equipment	1,590,421	612,688	-	2,203,109
Motor vehicles	1,620,689	295,766	-	1,916,455
	<u>50,926,901</u>	<u>11,154,377</u>	<u>-</u>	<u>62,081,278</u>
Less accumulated depreciation	<u>(10,927,130)</u>	<u>-</u>	<u>-</u>	<u>(10,927,130)</u>
	<u>\$ 39,999,771</u>	<u>\$ 11,154,377</u>	<u>\$ -</u>	<u>\$ 51,154,148</u>

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, 2001, follows. These assets are not included within the accompanying general purpose financial statement presentation. KADA generally capitalizes infrastructure fixed assets.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(5) Fixed Assets, Continued

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>1,123,422</u>
	6,838,776
Less accumulated depreciation	<u>(5,451,517)</u>
	<u>\$ 1,387,259</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, 2001, are comprised of buildings and improvements, office equipment, motor vehicles, computer equipment and furniture and fixtures, totaling \$894,224, 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, 2001, are comprised of motor vehicles and office equipment totaling \$34,782, 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, 2001, follows:

	Air Marshall Islands, Inc.	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. (December 31, 2001)	Marshall Islands Ports Authority	Marshall Islands Marine Resources Authority	Totals
Plant and equipment	\$ 1,037,705	\$ 4,933,333	\$ 1,192,152	\$ 53,996	\$ 1,406,943	\$ 28,456,445	\$ 13,203,003	\$ -	\$ -	\$ 13,167,272	\$ -	\$ 63,450,849
Building and structures	1	446,552	1,888,115	54,317	520,361	7,121,333	-	1,772,834	11,021,364	430,093	-	23,244,970
Power plant engine	-	-	-	-	14,720,739	-	-	-	-	-	-	14,720,739
Water system infrastructure	-	-	-	9,110,478	-	-	-	-	-	-	-	9,110,478
Aircraft	8,551,844	-	-	-	-	-	-	-	-	-	-	8,551,844
Other equipment	2,890,767	12,693	58,264	-	54,545	-	1,712,384	89,628	72,375	125,638	18,226	5,034,520
Office furniture and equipment	555,822	30,577	-	80,710	136,290	945,011	-	-	547,574	71,356	2,596	2,369,936
Motor vehicles	116,896	28,995	-	123,733	679,691	346,890	-	69,904	71,128	28,995	-	1,466,232
Leasehold improvements	-	28,250	-	-	350,559	-	-	-	-	-	-	378,809
Leasehold land	-	-	-	-	330,000	-	-	-	-	-	-	330,000
Fences and seawalls	-	-	-	-	272,876	-	-	-	-	-	-	272,876
	<u>13,153,035</u>	<u>5,480,400</u>	<u>3,138,531</u>	<u>9,423,234</u>	<u>18,472,004</u>	<u>36,869,679</u>	<u>14,915,387</u>	<u>1,862,462</u>	<u>11,711,217</u>	<u>13,855,487</u>	<u>49,817</u>	<u>128,931,253</u>
Less accumulated depreciation and amortization	<u>(10,182,128)</u>	<u>(671,300)</u>	<u>(2,523,309)</u>	<u>(976,846)</u>	<u>(4,019,620)</u>	<u>(17,271,002)</u>	<u>(6,960,019)</u>	<u>(737,263)</u>	<u>(3,021,777)</u>	<u>(7,642,149)</u>	<u>(10,113)</u>	<u>(54,015,526)</u>
Construction work in progress	<u>2,970,907</u>	<u>4,809,100</u>	<u>615,222</u>	<u>8,446,388</u>	<u>14,452,384</u>	<u>19,598,677</u>	<u>7,955,368</u>	<u>1,125,199</u>	<u>8,689,440</u>	<u>6,213,338</u>	<u>39,704</u>	<u>74,915,727</u>
	<u>-</u>	<u>-</u>	<u>480,840</u>	<u>-</u>	<u>-</u>	<u>61,008</u>	<u>3,467,332</u>	<u>-</u>	<u>-</u>	<u>206,620</u>	<u>95,244</u>	<u>4,311,044</u>
Total assets	<u>\$ 2,970,907</u>	<u>\$ 4,809,100</u>	<u>\$ 1,096,062</u>	<u>\$ 8,446,388</u>	<u>\$ 14,452,384</u>	<u>\$ 19,659,685</u>	<u>\$ 11,422,700</u>	<u>\$ 1,125,199</u>	<u>\$ 8,689,440</u>	<u>\$ 6,419,958</u>	<u>\$ 134,948</u>	<u>\$ 79,226,771</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(6) 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 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. On April 28, 1998, the ADB closed the Loan Account and reduced the loan amount to SDR 2,432,599 (approximates \$3,521,894 at September 30, 2001). 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. Loan proceeds in the amount of \$2,588,787 were made available to Ebje Ruktok/Rukjenlein Fishing Company, Inc. under a Subsidiary Loan Agreement, the terms of which included interest of 8.5% per annum and a repayment period of fifteen years, with a grace period of three years (see notes 3 and 9). At September 30, 2001, RepMar had drawn down \$3,521,894 against this loan.

On January 29, 1993, 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, 2001) 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. On March 11, 1994, the ADB closed the Loan Account. 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, 2001, RepMar had drawn down \$508,245 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 for the purpose of providing funding for the improvement of basic education within the Marshall Islands. On June 11, 2001, the ADB closed the Loan Account and reduced the loan amount to SDR 5,717,446 (approximates \$7,801,270 at September 30, 2001). 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 57,200, increasing to SDR 114,300 on April 15, 2014. At September 30, 2001, RepMar had drawn down \$7,801,270 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 \$5,367,747 at September 30, 2001) 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, 2001, RepMar had drawn down \$4,519,211 against this loan.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(6) Loans Payable, Continued

General Long-Term Debt Account Group, Continued

A. Asian Development Bank (ADB) Loans, Continued

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 for the Majuro Water Supply Project. On January 10, 1997, the ADB closed the Loan Account and reduced the loan amount to SDR 478,496 (approximates \$723,087 at September 30, 2001). 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. Loan proceeds in the amount of \$714,493 were made available to Majuro Water and Sewer Company, Inc. (a Component Unit - Proprietary Fund) under a Subsidiary Loan Agreement, the terms of which included interest of 6.64% per annum and a repayment period of fifteen years, with a grace period of three years (see notes 3 and 9). At September 30, 2001, RepMar had drawn down \$723,087 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, 2001) 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. Loan proceeds in the amount of \$7,826,263 were made available to Majuro Water and Sewer Company, Inc. (a Component Unit - Proprietary Fund) under a Subsidiary Loan Agreement, the terms of which included interest of 6.9% per annum and a repayment period of twenty-five years, with a grace period of five years (see notes 3 and 9). At September 30, 2001, RepMar had drawn down \$7,950,778 against this loan.

On January 30, 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, 2001) for the Public Sector Reform Program. The proceeds were 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. On June 28, 2000, the ADB closed the Loan Account. 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, 2001, RepMar had drawn down \$11,290,181 against this loan.

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 \$9,019,350 at September 30, 2001) for the Ebeye Health and Infrastructure Project. The proceeds are to be used to: (i) improve the delivery of quality medical care for Ebeye and proximate islands; (ii) strengthen primary health care and preventive services to the general population; (iii) rehabilitate and expand the existing water supply and sewerage systems on Ebeye; and (iv) upgrade the islets power generation and distribution system. 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, 2001, RepMar had drawn down \$5,841,820 against this loan.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(6) Loans Payable, Continued

General Long-Term Debt Account Group, Continued

A. Asian Development Bank (ADB) Loans, Continued

On January 11, 2001, RepMar entered into a loan agreement (Loan Number 1791 RMI(SF)) with the ADB in the amount of SDR 5,276,000 (approximates \$6,800,809 at September 30, 2001) for the Skills Training and Vocational Education Project. The proceeds are to be used to: 1) provide funding for career awareness, skills training, special training programs for women and youth; and 2) institutional capacity building within the Marshall Islands. 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, 2009 in an amount of SDR 109,916, at which time the service charge increases to 1.5% per annum. At September 30, 2001, RepMar had drawn down \$300,000 against this loan.

On June 22, 2001, RepMar entered into a loan agreement (Loan Number 1828 RMI) with the ADB in the amount of \$4,000,000 for the Fiscal and Financial Management Program. The proceeds are to be used to retire high-cost debt and to provide fiscal budgetary support. The loan bears interest determined in accordance with the ADB's pool-based variable lending rate system for U.S. dollar loans (6.7% at September 30, 2001), a front-end fee of 1%, and a commitment charge of 0.75% per annum on the amount of the loan unwithdrawn from the Loan Account. The loan is payable semiannually commencing November 15, 2004 in an initial amount of \$89,900 with graduated increases of 5% to \$276,100 through May 15, 2016. At September 30, 2001, RepMar had drawn down \$2,040,000 against this loan.

On June 22, 2001, RepMar entered into a loan agreement (Loan Number 1829 RMI(SF)) with the ADB in the amount of SDR 6,320,000 (approximates \$7,872,508 at September 30, 2001) for the Fiscal and Financial Management Program. The proceeds are to be used to: 1) establish a trust fund; 2) finance the payment of medical referral costs in arrears; and 3) improve the overall financial management of RepMar. 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, 2009 in an amount of SDR 197,500, at which time the service charge increases to 1.5% per annum. At September 30, 2001, RepMar had drawn down \$2,263,300 against this loan.

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, 2001, RepMar had drawn down \$1,900,000 against this loan.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(6) Loans Payable, Continued

General Long-Term Debt Account Group, Continued

C. 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 the Marshall Islands Social Security Administration (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.

D. 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. During the year ended September 30, 2001, this loan was repaid in full.

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. During the year ended September 30, 2001, this loan was repaid in full.

Changes in the General Long-Term Debt Account Group loans payable for the year ended September 30, 2001, are as follows:

	Balance October 1, 2000	Additions	Reductions	Balance September 30, 2001
ADB Loans	\$ 37,539,004	\$ 9,220,782	\$ -	\$ 46,759,786
PRC Loan	1,900,000	-	-	1,900,000
MIDB Loan	1,800,000	-	(819,463)	980,537
MISSA Loan	341,006	-	(341,006)	-
Other	250,000	-	(250,000)	-
	<u>\$ 41,830,010</u>	<u>\$ 9,220,782</u>	<u>\$ (1,410,469)</u>	<u>\$ 49,640,323</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(6) Loans Payable, Continued

General Long-Term Debt Account Group, Continued

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest and Service Charge</u>	<u>Total</u>
2002	\$ 1,510,818	\$ 408,180	\$ 1,918,998
2003	345,308	582,003	927,311
2004	443,494	581,975	1,025,469
2005	813,163	574,210	1,387,373
2006	999,047	556,746	1,555,793
Thereafter	<u>45,528,493</u>	<u>6,412,217</u>	<u>51,940,710</u>
	<u>\$ 49,640,323</u>	<u>\$ 9,115,331</u>	<u>\$ 58,755,654</u>

Component Units - Proprietary Funds

Tobolar Copra Processing Plant, Inc. (TCPPI)

Bank credit line of \$1,000,000 with various terms, due on various dates, interest at bank's preferred rate plus 2.5% (9% at September 30, 2001), collateralized by a general security agreement over all assets of TCPPI 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% per annum, unsecured (see notes 3 and 9). 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% per annum, unsecured (see notes 3 and 9). 50,000

Majuro Water and Sewer Company, Inc.

Loan from RepMar, interest at 6.64% per annum, with repayments commencing March 24, 1997. The loan is a subsidiary loan of a loan agreement (Loan Number 1250 MAR(SF)) between RepMar and the Asian Development Bank (see notes 3 and 9). 714,493

Loan from RepMar, interest at 6.9% per annum, with repayments commencing March 1, 2001. The loan is a subsidiary loan of a loan agreement (Loan Number 1389 RMI(SF)) between RepMar and the Asian Development Bank (see notes 3 and 9). 7,826,263

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(6) Loans Payable, Continued

Component Units - Proprietary Funds, Continued

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 rates 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 of \$273,770 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.

11,072,435

On August 31, 2001, MEC entered into a loan agreement with an affiliated institution in the amount of \$1,200,000. The loan bears interest at 12.95% per annum, is payable in monthly installments of \$116,404, including interest, commencing November 1, 2001, and is due September 1, 2002. RepMar has guaranteed this loan payable through an assignment of future payments relating to RepMar's government electric billings.

1,200,000

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. Mortgages over specific MINTA ground leases and essentially all assets of MINTA have collateralized both loans.

18,208,078

\$ 40,121,269

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(6) 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>
2002	\$ 11,952,216	\$ 4,164,835	\$ 16,117,051
2003	1,069,024	1,529,416	2,598,440
2004	1,128,995	1,469,451	2,598,446
2005	1,193,694	1,404,748	2,598,442
2006	1,128,869	1,195,799	2,324,668
Thereafter	<u>23,648,471</u>	<u>10,160,828</u>	<u>33,809,299</u>
	<u>\$ 40,121,269</u>	<u>\$ 19,925,077</u>	<u>\$ 60,046,346</u>

(7) 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% per annum to advance refund certain outstanding Limited Obligation (Compact Revenue Backed) bonds. During the year ended September 30, 2001, these outstanding bonds were repaid in full.

\$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). During the year ended September 30, 2001, these outstanding bonds were repaid in full.

\$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% per annum to advance refund certain outstanding Limited Obligation (Compact Revenue Backed) bonds. During the year ended September 30, 2001, these outstanding bonds were repaid in full.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(7) Bonds Payable, Continued

Changes in the General Long-Term Debt Account Group bonds payable for the year ended September 30, 2001, are as follows:

	<u>KADA</u>	<u>MIDA</u>	<u>Total</u>
Balance as of October 1, 2000	\$ 3,365,000	\$ 19,274,052	\$ 22,639,052
Matured long-term debt	<u>(3,365,000)</u>	<u>(19,274,052)</u>	<u>(22,639,052)</u>
Balance as of September 30, 2001	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

(8) Transfers In/Out

Operating Fund Transfers

Operating transfers in/out for all fund types, for the year ended September 30, 2001, are as follows:

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<u>General Fund</u>		
To General Fund from:		
Marine Resources Fund	\$ -	\$ 681,089
Marshall Islands Marine Resources Authority	-	400,000
From General Fund to:		
Other Direct Assistance Fund	750,373	-
Judiciary Fund	689,145	-
Postal Service Fund	87,399	-
Health Care Revenue Fund	119,631	-
Resident Workers Training Account	66,756	-
National Environmental Protection Authority Fund	191,569	-
Section 216(a)(1) Surveillance and Enforcement Fund	63,133	-
Local Government Fund	176,599	-
Marshall Islands Social Security Administration	2,658,146	-
Marshall Islands Scholarship, Grant and Loan Board	100,000	-
Marshall Islands Visitors Authority	299,993	-
Tobolar Copra Processing Plant, Inc.	1,649,964	-
Majuro Water and Sewer Company, Inc.	99,500	-
Kwajalein Atoll Joint Utilities Resources, Inc.	550,000	-
Majuro Resort, Inc.	185,981	-
College of the Marshall Islands	<u>860,900</u>	<u>-</u>
	<u>\$ 8,549,089</u>	<u>\$ 1,081,089</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(8) Transfers In/Out, Continued

Operating Fund Transfers, Continued

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<u>Special Revenue Funds</u>		
From General Fund to:		
Other Direct Assistance Fund	\$ -	\$ 750,373
Judiciary Fund	-	689,145
Postal Service Fund	-	87,399
Health Care Revenue Fund	-	119,631
Resident Workers Training Account	-	66,756
National Environmental Protection Authority Fund	-	191,569
From Health Care Revenue Fund to Marshall Islands Social Security Administration	1,805,029	-
From Other Direct Assistance Fund to:		
Tobolar Copra Processing Plant, Inc.	1,400,000	-
Kwajalein Atoll Joint Utilities Resources, Inc.	200,000	-
Marshall Islands Development Bank	36,000	-
College of the Marshall Islands	242,743	-
From Seaport Trust Fund to Marshall Islands Ports Authority	89,220	-
From Section 216(a)(3) Scholarship Fund to Marshall Islands Scholarship, Grant and Loan Board	724,872	-
From Section 214(a) Energy Fund to MIDA Fund	<u>2,000,000</u>	<u>-</u>
	<u>\$ 6,497,864</u>	<u>\$ 1,904,873</u>
<u>Debt Service Funds</u>		
To Debt Service Fund from:		
MIDA Fund	\$ -	\$ 20,066,730
KADA	<u>-</u>	<u>4,106,607</u>
	<u>\$ -</u>	<u>\$ 24,173,337</u>
<u>Capital Projects Funds</u>		
From General Fund to Section 216(a)(1) Surveillance and Enforcement Fund	\$ -	\$ 63,133
From Section 214(a) Energy to MIDA Fund	-	2,000,000
From Section 211 Capital Account to:		
MIDA Fund	18,577,900	18,577,900
KADA	4,430,400	4,430,400
From MIDA Fund to Debt Service Fund	20,066,730	-
From KADA to Debt Service Fund	<u>4,106,607</u>	<u>-</u>
	<u>\$ 47,181,637</u>	<u>\$ 25,071,433</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(8) Transfers In/Out, Continued

Operating Fund Transfers, Continued

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<u>Expendable Trust Funds</u>		
From General Fund to Local Government Fund	\$ -	\$ 176,599
From Nuclear Claims Trust Fund to:		
Nuclear Claims Tribunal	5,763,650	5,763,650
Four Atoll Medical Fund	2,000,000	-
To Marshall Islands Social Security Administration from:		
General Fund	-	2,658,146
Health Care Revenue Fund	-	1,805,029
From Marine Resources Fund to General Fund	<u>681,089</u>	<u>-</u>
	<u>\$ 8,444,739</u>	<u>\$ 10,403,424</u>
<u>Component Units - Governmental Funds</u>		
To Marshall Islands Visitors Authority from General Fund	\$ -	\$ 299,993
	<u>\$ -</u>	<u>\$ 299,993</u>
<u>Component Units - Proprietary Funds</u>		
From General Fund to:		
Tobolar Copra Processing Plant, Inc.	\$ -	\$ 2,849,964
Majuro Water and Sewer Company, Inc.	-	99,500
Kwajalein Atoll Joint Utilities Resources, Inc.	-	750,000
Majuro Resort, Inc.	-	185,981
From Other Direct Assistance Fund to Tobolar Copra Processing Plant, Inc.	-	200,000
From Seaport Trust Fund to Marshall Islands Ports Authority	-	89,220
From Marshall Islands Marine Resources Authority to General Fund	<u>400,000</u>	<u>-</u>
	<u>\$ 400,000</u>	<u>\$ 4,174,665</u>
Reconciliation of operating fund transfers is as follows:		
Operating fund transfers, as reported	\$ <u>71,073,329</u>	\$ <u>67,108,814</u>
Operating fund transfers not reported due to component unit financial statements not included within the accompanying general purpose financial statements:		
Four Atoll Medical Fund	-	2,000,000
Marshall Islands Scholarship, Grant & Loan Board	-	824,872
Marshall Islands Development Bank	-	36,000
College of the Marshall Islands	<u>-</u>	<u>1,103,643</u>
	<u>\$ 71,073,329</u>	<u>\$ 71,073,329</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(9) 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 \$8,917,293 relating to fiscal years 1998 through 2001 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2001, including \$7,351,147 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

Air Marshall Islands, Inc. (AMI) has incurred a net loss of \$4,131,864 during the year ended September 30, 2001 and has a cumulative deficit of \$8,297,953 at September 30, 2001. Management of AMI believes that the continuation of AMI's operations is dependent upon the future financial support of RepMar, the offering of additional common stock, and/or significant improvement in operations, achieved through significant reductions in operating expenses.

Tobolar Copra Processing Plant, Inc. (TCPPI) has incurred a net loss of \$1,789,927 during the year ended September 30, 2001 and has a working capital deficiency and cumulative deficit of \$723,622 and \$1,180,063, respectively, at September 30, 2001. For the year ended September 30, 2001, TCPPI received an operating subsidy and capital contributions from RepMar of \$1,849,964 and \$1,200,000, respectively. 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 13).

TCPPI is currently in default of repayment terms of two notes payable to the Marshall Islands Ports Authority (MIPA) (see notes 3 and 6). 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 September 30, 2001, TCPPI has not received written notice of commencement of suit from MIPA with respect to TCPPI's default.

Marshalls Energy Company, Inc. (MEC) has incurred a net loss of \$1,571,438 during the year ended September 30, 2001 and has a working capital deficiency of \$757,261 as of September 30, 2001. Management of MEC perceives that a decrease in the cost of power generation will result through a decrease in the world market price for petroleum products. Furthermore, management of MEC believes that the continuation of MEC'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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(9) Contingencies, Continued

Going Concern, Continued

Majuro Water and Sewer Company, Inc. (MWSC) has incurred a net loss of \$1,152,704 during the year ended September 30, 2001 and has a working capital deficiency and cumulative deficit of \$11,681,227 and \$3,334,839, respectively, at September 30, 2001. In addition, MWSC is in default of loan and interest payments on certain loans, as discussed below. For the year ended September 30, 2001, MWSC received an operating subsidy of \$99,500 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 (see note 13).

MWSC is currently in default of loan repayments under two loan agreements with RepMar (see notes 3 and 6). Under the terms and conditions of the loan agreements, RepMar must notify MWSC in writing of its default and that the principal amounts of the loans 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 September 30, 2001, MWSC has not received written notice of default from RepMar with respect to MWSC's default.

MWSC is currently delinquent on payment of certain payroll taxes to RepMar and the Marshall Islands Social Security Administration (MISSA) of \$225,064 and \$364,756, respectively. MWSC is currently negotiating with the involved parties to repay these liabilities. Penalties and interest related to delinquent taxes owed to RepMar and MISSA aggregated \$46,030 and \$162,709, respectively, at September 30, 2001. 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, 2001, KAJUR received an operating subsidy and capital contributions from RepMar of \$550,000 and \$200,000, respectively. 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 10). 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 net losses since inception and has a working capital deficiency and cumulative deficit of \$89,362 and \$2,585,642, respectively, at December 31, 2001. For the fifteen months ended December 31, 2001, MRI received an operating subsidy of \$185,981 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.

MISSA Supplemental Health Benefits Plan (the Plan) has incurred a net loss of \$188,239 during the year ended September 30, 2001 and has a working capital deficiency and cumulative deficit of \$1,727,022 at September 30, 2001. Management of the Plan believes that the 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(9) Contingencies, Continued

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 \$529,000, 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), Marshall Islands Ports Authority (MIPA) and the Marshall Islands Marine Resources Authority (MIMRA) do not maintain insurance on their property and equipment. In the event of a loss, MIAA, KAJUR, MWSC, MIPA and MIMRA 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 as of September 30, 2001, is presently not determinable.

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.

Ebje Ruktok/Rukjenlein Fishing Company, Inc.

Ebje Ruktok/Rukjenlein Fishing Company, Inc. (ERRFC), a former Component Unit - Proprietary Fund of the 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 2001 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 6). The loan is a subsidiary loan of a loan agreement (Loan Number 1102 MAR(SF)) between RepMar and the Asian Development Bank. 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. The ultimate collectibility of this loan receivable cannot be presently determined. Accordingly, the accompanying general purpose financial statements do not include any adjustment that might result from the outcome of this uncertainty.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(9) Contingencies, Continued

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, 2001, NCT received \$5,763,650 from the NCTF, which included \$5,263,650 to fund partial payment of monetary awards. As of September 30, 2001, NCT has committed to the distribution of monetary awards for personal injury claims of \$30,991,608 and of property damage claims of \$949,209,000, which will be paid out against the reserved fund balance and future sums which NCT expects to receive from the NCTF (see note 13). The reserved fund balance of the NCTF is \$939,608 as of September 30, 2001. 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 and drug vendors as of September 30, 2001 are in dispute. Disputed amounts in excess of liabilities recorded by MISSA as of September 30, 2001 amount to \$2,501,638. 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 2001 as a rental agreement has not been executed with RepMar.

In December 2000, MISSA obtained an actuarial valuation of its Retirement Fund as of September 30, 1998. The valuation reported actuarial liabilities for its Retirement Fund of \$191,987,000. As of September 30, 2001, MISSA recorded a total fund equity of \$35,033,325 in its Retirement Fund as funds available to fund future benefit obligations. This condition indicates that MISSA may be unable to meet its future benefit obligations. MISSA has not developed a formal plan as of September 30, 2001, to correct this potential funding deficiency.

In January 1998, MISSA obtained an actuarial valuation of its Basic Health Benefits Plan as of September 30, 1997. The valuation reported actuarial accrued liabilities for its Basic Health Benefits Plan of \$103,500,000. As of September 30, 2001, MISSA recorded a total fund deficiency of \$484,465 in its Basic Health Benefits Plan. This condition indicates that MISSA may be unable to meet its future benefit obligations. MISSA has not developed a formal plan as of September 30, 2001, to correct this potential funding deficiency.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(9) Contingencies, Continued

Air Marshall Islands, Inc. (AMI)

On May 15, 2000, AMI cancelled a purchase agreement to acquire two Dornier 328 aircraft at a cost of \$28,045,780. As of September 30, 2001, AMI had made predelivery payments totaling \$2,100,000. In October 2000, AMI sued the aircraft manufacturer for repayment of the predelivery payments and for other claims. On August 17, 2001, a court awarded damages in favor of AMI in the amount of \$4,065,000, plus pre-judgment interest in the amount of \$115,411. The ultimate outcome of collection of this judgment is uncertain. As of September 30, 2001, AMI has not been repaid the predelivery payments (see note 13).

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, 2001.

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 2001, RepMar appropriated \$881,619 to fund such leases.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(10) Commitments

Marshall Islands Nuclear Claims Tribunal (NCT)

NCT has entered into office lease agreements with third parties, which expire on September 30, 2002. Rental payments under these lease agreements for the year ended September 30, 2001, amounted to \$81,091. Future minimum lease payments under these noncancellable operating leases as of September 30, 2001 amount to \$55,824.

Marshall Islands Visitors Authority (MIVA)

On October 1, 1997, MIVA entered into a contract to lease office space for five years, which expires on September 30, 2002. Rental payments under this lease agreement for the year ended September 30, 2001 amounted to \$16,215. Future minimum lease payments under this noncancellable operating lease as of September 30, 2001 amount to \$16,215.

Marshall Islands Airports Authority (MIAA)

MIAA is the lessor of office, restaurant, bar and warehouse space at the Amata Kabua International Airport. Seven leases have greater than one year terms expiring on October 24, 2002 through December 31, 2024. The remaining leases have one year terms. Total future minimum rentals under these leases for subsequent years ending September 30, are as follows:

<u>Year ending September 30,</u>	
2002	\$ 64,795
2003	32,430
2004	13,462
2005	7,862
2006	7,862
Subsequent years	<u>135,626</u>
Total future minimum rentals	\$ <u>262,037</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, 2001, is approximately \$1,320,018. 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 12 megawatt 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. In addition, 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, 2001

(10) Commitments, Continued

Marshall Islands National Telecommunications Authority (MINTA)

As of September 30, 2001, the following long-term commitments with third parties exist with respect to ground leases:

<u>Year ending</u> <u>September 30,</u>	
2002	\$ 20,463
2003	20,463
2004	20,463
2005	20,463
2006	20,463
Thereafter	<u>213,164</u>
	<u>\$ 315,479</u>

Lease expense amounted to \$20,463 for the year ended September 30, 2001.

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 capital originally contributed by RepMar. Therefore, MINTA is committed to pay \$10 for each share sold to citizens and legal residents, corporations or entities of the Republic of the Marshall Islands to RepMar with the exception of treasury shares owned.

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 December 14, 2000, the Board of Directors authorized the distribution of dividends at \$0.50 per share amounting to \$180,000 to stockholders of record as of September 30, 2000. NTA met the required financial ratios and, accordingly, was not required to obtain a written request from RUS.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(10) Commitments, Continued

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 (see note 13). 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 \$400,000, as working capital infusion in fiscal year 2001.

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, 2001.

MRI has entered into a management agreement with a company for an initial term of five years, commencing June 1, 1996. On April 11, 2001, the Board of Directors of MRI passed a resolution to extend the management agreement from January 1, 2001 through December 31, 2006. 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.

Marshall Islands Ports Authority (MIPA)

On January 23, 2001, MIPA entered into a ten year lease agreement with a stevedoring company for the container yard located at the Port of Majuro, with an option to extend for an additional ten years subject to renegotiation of the payment provisions. The terms of the lease requires a minimum lease payment of \$19,860 per annum plus a gross receipts fee equal to 1.5% of total operating revenues. Lease rental income under this lease agreement for the year ended September 30, 2001, amounted to \$30,369. Total future minimum rentals under this lease agreement for subsequent years ending September 30, are as follows:

<u>Year ending</u> <u>September 30,</u>	
2002	\$ 19,860
2003	19,860
2004	19,860
2005	19,860
2006	19,860
Subsequent years	<u>84,405</u>
Total future minimum rentals	<u>\$ 183,705</u>

REPUBLIC OF THE MARSHALL ISLANDS
Notes to General Purpose Financial Statements
September 30, 2001

(10) Commitments, Continued

Marshall Islands Marine Resources Authority (MIMRA)

As of September 30, 2001, the following long-term commitment existed with respect to certain ground leases. These ground leases have original terms ranging from five to fifteen years, expiring in 2003 through 2008.

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

<u>Year ending September 30,</u>	
2002	\$ 15,367
2003	15,301
2004	14,579
2005	14,294
2006	12,578
Thereafter	<u>18,762</u>
	<u>\$ 90,881</u>

Lease expense amounted to \$22,804 for the year ended September 30, 2001.

On June 19, 2001, MIMRA entered into a contract for the renovation and rehabilitation of office space utilized by MIMRA at a cost of \$84,000. As of September 30, 2001, MIMRA has made progress payments amounting to \$39,705 against this contract.

Other Commitments

RepMar has made the following commitments as of September 30, 2001:

- a) Guaranteed a bank debt of Tobolar Copra Processing Plant, Inc. (TCPPI) with a letter of guarantee. At September 30, 2001, 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, 2001, MINTA recorded guaranteed debt totaling \$18,208,078.
- 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. In addition, guaranteed a debt of MEC in respect to a loan from an affiliated institution with an assignment of future payments relating to RepMar's government electric billings. At September 30, 2001, MEC recorded guaranteed debt totaling \$12,272,435.
- d) Guaranteed debt of a third party for the construction of the Majuro Tuna Processing Facility with a time certificate of deposit totaling \$2,000,109.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(10) Commitments, Continued

Other Commitments, Continued

- 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 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.
- g) On February 24, 1995, RepMar entered into a loan agreement (Loan Number 1316 RMI(SF)) with the Asian Development Bank (ADB) for SDR 3,911,000 (approximates \$5,367,747 at September 30, 2001) 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, 2001, RepMar had drawn down \$4,519,211 against this loan.
- h) On February 1, 1996, RepMar entered into a loan agreement (Loan Number 1389 RMI(SF)) with the ADB for SDR 6,062,000 (approximates \$8,338,715 at September 30, 2001) for the Majuro Water Supply Project. At September 30, 2001, RepMar had drawn down \$7,950,778 against this loan.
- i) On October 8, 1999, RepMar entered into a loan agreement (Loan Number 1694 RMI(SF)) with the ADB for SDR 6,924,000 (approximates \$9,019,350 at September 30, 2001) for the Ebeye Health and Infrastructure Project. At September 30, 2001, RepMar had drawn down \$5,841,820 against this loan.
- j) 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.
- k) On January 11, 2001, RepMar entered into a loan agreement (Loan Number 1791 RMI(SF)) with the ADB for SDR 5,276,000 (approximates \$6,800,809 at September 30, 2001) for the Skills Training and Vocational Education Project. At September 30, 2001, RepMar had drawn down \$300,000 against this loan.
- l) On June 22, 2001, RepMar entered into a loan agreement (Loan Number 1828 RMI) with the ADB for \$4,000,000 for the Fiscal and Financial Management Program. At September 30, 2001, RepMar had drawn down \$2,040,000 against this loan.
- m) On June 21, 2001, RepMar entered into a loan agreement (Loan Number 1829 RMI(SF)) with the ADB for SDR 6,320,000 (approximates \$7,872,508 at September 30, 2001) for the Fiscal and Financial Management Program. At September 30, 2001, RepMar had drawn down \$2,263,300 against this loan.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(11) Restatement/Reclassification of Fund Equity

General Fund

Fund balance - October 1, 2000, as previously reported	\$ 1,399,066
Overstatement of interfund payable balance due to the ADB Development Projects Fund	<u>2,074,486</u>
Fund balance - October 1, 2000, as restated	<u>\$ 3,473,552</u>

Capital Projects Funds

Fund balance - October 1, 2000, as previously reported	\$ 27,713,875
Overstatement of interfund receivable balance due from the General Fund	<u>(2,074,486)</u>
Unreserved deficit - October 1, 2000, as restated	<u>\$ 25,639,389</u>

Expendable Trust Funds

Fund balance - October 1, 2000, as previously reported	\$ 106,911,091
Exclusion of the financial statements of the Four Atoll Medical Fund for the year ended September 30, 2001	<u>(904,481)</u>
Fund balance - October 1, 2000, as restated	<u>\$ 106,006,610</u>

Component Units - Proprietary Funds

Contributed capital - October 1, 2000, as previously reported	\$ 41,046,147
Inclusion of the financial statements of Air Marshall Islands, Inc. for the year ended September 30, 2001	12,932,452
Implementation of GASB Statement No. 33, <i>Accounting and Financial Reporting for Nonexchange Transactions</i> , for grants and contributions previously recorded as a direct increase in contributed capital	<u>(24,159,781)</u>
Contributed capital - October 1, 2000, as restated	<u>\$ 29,818,818</u>
Deficit - October 1, 2000, as previously reported	\$ (893,064)
Inclusion of the financial statements of Air Marshall Islands, Inc. for the year ended September 30, 2001	(4,166,089)
Inclusion of the financial statements of the Marshall Islands Marine Resources Authority for the year ended September 30, 2001	580,051

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(11) Restatement/Reclassification of Fund Equity, Continued

Component Units - Proprietary Funds, Continued

Implementation of GASB Statement No. 33, <i>Accounting and Financial Reporting for Nonexchange Transactions</i> , for grants and contributions that are required to be recognized as non-operating revenue	24,159,781
Understatement of fixed assets for Majuro Water and Sewer Company, Inc.	18,687
Overstatement of depreciation and amortization expense for Majuro Water and Sewer Company, Inc.	<u>48,435</u>
Retained earnings - October 1, 2000, as restated	<u>\$ 19,747,801</u>

(12) Individual Deficit Fund Balances or Deficit Retained Earnings

Specific individual funds which had individual deficit fund balances or retained earnings as at September 30, 2001, are as follows:

Special Revenue Funds

TTPI Federal and Other Assistance Fund	\$ <u>2,272</u>
Other Direct Assistance Fund	\$ <u>1,233</u>
Health Care Revenue Fund	\$ <u>288,395</u>

Capital Projects Fund

MIDA Fund	\$ <u>579,608</u>
-----------	-------------------

Nonexpendable Trust Funds

Off-Shore Banking Trust Fund	\$ <u>32,874</u>
Eminent Domain Trust Fund	\$ <u>124,923</u>

Component Units - Proprietary Funds (Deficit Retained Earnings)

Air Marshall Islands, Inc.	\$ <u>8,297,953</u>
Tobolar Copra Processing Plant, Inc.	\$ <u>1,180,063</u>
Majuro Water and Sewer Company, Inc.	\$ <u>3,334,839</u>
Majuro Resort, Inc.	\$ <u>2,585,642</u>
MISSA Supplemental Health Benefits Plan	\$ <u>1,727,022</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

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

Component Units - Proprietary Funds (Deficit Retained Earnings), Continued

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

(13) Subsequent Events

On October 1, 2001, the Marshall Islands National Telecommunications Authority (MINTA) entered into an agreement with a contractor in the amount of \$624,000 for the purchase of equipment and services required to replace the existing earth station on Ebeye Island.

On October 2, 2001, the Cabinet of RepMar authorized the expenditure of \$600,000 as additional subsidy to support the operations of Majuro Water and Sewer Company, Inc.

On October 4, 2001, the Nitijela of RepMar passed Public Law 2001-35, which amends the Health Care Revenue Fund Act of 1989 and transfers the administration of the Health Care Revenue Fund from the Marshall Islands Social Security Administration (MISSA) back to RepMar's Ministry of Health and Environment.

On October 24, 2001, the Nitijela of RepMar passed Public Law 2001-33, which amends the National Telecommunications Authority Act of 1990 and removes restrictions on share ownership of MINTA and modifies MINTA's authority in relation to the setting of rates and charges.

On October 26, 2001, the Cabinet of RepMar authorized the expenditure of \$1,000,000 as additional subsidy to support the operations of Tobolar Copra Processing Plant, Inc.

On October 29, 2001, the Nuclear Claims Tribunal (NCT) disbursed funds in the amount of \$15,170,000 received from the Nuclear Claims Trust Fund for payments against unpaid monetary awards for personal injury claims. Furthermore, on February 25, 2002, NCT disbursed additional funds in the amount of \$2,570,559 for payments against unpaid monetary awards for property damage claims.

On November 9, 2001, the Cabinet of RepMar approved the extension of the agreement with the management company to manage the operations of the Kwajalein Atoll Joint Utilities Resources, Inc. for an additional two years.

Effective January 1, 2002, the MISSA Health Fund tax rate on the quarterly income of every employee increased from two and one-half percent to three and one-half percent.

On January 18, 2002, the Cabinet of RepMar approved funding in the amount of \$1,000,000 to MISSA for payments of outstanding claims payable to health care providers for medical referral charges.

On April 2, 2002, the aircraft manufacturer that owed Air Marshall Islands, Inc. predelivery payments on a cancelled purchase agreement filed for bankruptcy protection (see note 9).

REPUBLIC OF THE MARSHALL ISLANDS

Notes to General Purpose Financial Statements
September 30, 2001

(13) Subsequent Events, Continued

On April 11, 2002, the Nitijela of RepMar passed Public Law 2002-57, which repeals the Social Security Health Fund Act of 1989 and transfers the administration of the Health Fund from MISSA back to RepMar's Ministry of Health and Environment.

On May 9, 2002, the Cabinet of RepMar approved a loan guarantee for a loan by Air Marshall Islands, Inc. in the amount of \$2,500,000 from a commercial lending institution for a term of up to seven years.

(14) 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. The liability for claims and judgments is reported in the General Long-Term Debt Account Group because it is not expected to be liquidated with expendable available financial resources. Changes in the balance of claims liabilities during the past year are as follows:

	<u>Year Ended</u> <u>September 30</u>
Unpaid claims at beginning of year	\$ 1,079,000
Incurred claims	50,000
Claim payments	<u>(600,000)</u>
Unpaid claims at end of year	\$ <u>529,000</u>

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, 2001
 (With comparative totals for the year ended September 30, 2000)

	Governmental Fund Types				Fiduciary	Total	Components	Totals	
	General	Special Revenue	Debt Service	Capital Projects	Fund Type	Primary	Units	2001	2000
					Expendable Trust	Government	Governmental		
Principal retirement	\$ 819,463	\$ -	\$ 23,230,058	\$ -	\$ -	\$ 24,049,521	\$ -	\$ 24,049,521	\$ 16,700,714
Salaries and wages	13,296,932	5,514,507	-	304,087	-	19,115,526	104,672	19,220,198	17,964,244
Local government distributions	-	-	-	-	12,426,599	12,426,599	-	12,426,599	12,561,203
Land use distributions	-	-	-	-	8,529,293	8,529,293	-	8,529,293	8,457,018
Contractual services	1,754,742	6,647,701	-	-	-	8,402,443	-	8,402,443	5,451,311
Social security benefit payments	-	-	-	-	8,229,021	8,229,021	-	8,229,021	7,657,881
Grants and subsidies	3,002,842	2,413,366	-	-	-	5,416,208	-	5,416,208	4,996,491
Capital outlay	493,884	4,477,801	-	8,918	-	4,980,603	5,171	4,985,774	3,852,643
Health care payments	-	-	-	-	3,931,702	3,931,702	-	3,931,702	7,036,730
Nuclear claims payments	-	-	-	-	3,924,152	3,924,152	-	3,924,152	3,551,498
Professional services	1,150,031	9,326	-	-	2,155,167	3,314,524	-	3,314,524	2,566,488
Administrative	-	-	-	-	2,149,029	2,149,029	-	2,149,029	3,414,830
Construction	-	2,100,509	-	-	-	2,100,509	-	2,100,509	553,625
Travel	852,398	967,354	-	1,300	-	1,821,052	-	1,821,052	2,046,998
Medical supplies	102,753	1,521,734	-	-	-	1,624,487	-	1,624,487	1,564,918
Utilities	1,552,447	10,822	-	-	-	1,563,269	-	1,563,269	1,559,415
Interest	422,272	-	944,268	138,832	-	1,505,372	-	1,505,372	2,018,735
Supplies and materials	482,364	848,145	-	27,847	-	1,358,356	-	1,358,356	2,322,292
Rentals	1,058,035	92,842	-	-	-	1,150,877	16,215	1,167,092	1,378,971
Leased housing	723,552	60,100	-	-	-	783,652	-	783,652	786,021
Allowances	775,451	-	-	-	-	775,451	-	775,451	775,380
Communications	443,256	115,211	-	5,648	-	564,115	6,868	570,983	513,653
POL	343,655	66,851	-	78,192	-	488,698	-	488,698	367,164
Food stuffs	209,835	141,634	-	17,818	-	369,287	-	369,287	336,738
Printing and reproduction	75,782	73,283	-	-	-	149,065	20,263	169,328	142,656
Insurance	150,005	620	-	-	-	150,625	1,460	152,085	138,290
Freight	11,831	74,282	-	-	-	86,113	-	86,113	259,396
Other	651,568	2,155,180	-	5,771,281	-	8,578,029	104,674	8,682,703	9,718,773
	<u>\$ 28,373,098</u>	<u>\$ 27,291,268</u>	<u>\$ 24,174,326</u>	<u>\$ 6,353,923</u>	<u>\$ 41,344,963</u>	<u>\$ 127,537,578</u>	<u>\$ 259,323</u>	<u>\$ 127,796,901</u>	<u>\$ 118,694,076</u>

See Accompanyng Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL FUND

September 30, 2001

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, 2001
(With comparative totals for the year ended September 30, 2000)

	2001	2000
Revenues:		
Compact funding	\$ 1,430,100	\$ 1,442,900
Taxes:		
Income	9,642,269	8,703,509
Import	3,971,554	4,161,959
Gross revenue	3,813,172	3,226,784
Fuel	479,153	360,904
Penalties and interest	78,922	233,720
Other	366,761	351,377
	18,351,831	17,038,253
Other local	84,156	121,847
Fees and charges	482,590	347,946
Fishing rights	1,848,612	3,655,164
Interest and dividends	414,796	506,986
Other:		
Taiwan grant	5,000,000	3,000,000
Ship registry	976,606	1,064,921
Other	688,439	873,601
	6,665,045	4,938,522
Total revenues	29,277,130	28,051,618
Expenditures - by function:		
President and cabinet:		
President and ministers	572,572	546,994
Cabinet operations	347,322	380,152
Print shop/National Gazette	32,679	53,176
Office of the President	107,128	225,977
Office of the Attorney General	356,355	484,940
	1,416,056	1,691,239
Council of Iroij:		
Administration	59,676	70,157
Members	293,105	326,607
	352,781	396,764
Special appropriations:		
RepMar utility billings - Majuro	1,094,831	1,321,841
National Economic Summit	228,838	-
KAJUR management contract fees	-	453,750
Micronesia Legal Services Commission	30,000	-
Asian Development Bank counterpart funding	984,108	49,368
Land leases	847,494	894,638
RepMar water billings - Majuro	146,812	68,054
United States Army Kwajalein Atoll	283,838	-
School renovations	-	142,351
Contingencies fund	108,911	839,770
International subsidies	271,693	310,414
Disaster assistance	126,221	23,429
Census	-	8,421
Marshall Islands Development Bank debt service payments	970,000	22,862
Agriculture training center	-	25,000

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, 2001
(With comparative totals for the year ended September 30, 2000)

	2001	2000
Expenditures - by function, continued:		
Special appropriations, continued:		
Prior year liabilities	109,662	332,738
Kwajalein Atoll Local Government	300,000	273,874
RepMar utility billings - Ebeye	251,928	151,833
Banking commissioner	28,609	37,684
Claims and judgments	1,028,276	-
	6,811,221	4,956,027
Ministries and offices:		
Chief Secretary's office	290,376	328,038
Office of the Auditor-General	218,186	188,851
Ministry of Health and Environment	3,075,355	3,076,261
Ministry of Education	4,819,661	4,489,546
Ministry of Transportation and Communication	909,675	526,038
Ministry of Resources and Development	738,573	586,111
Ministry of Interior and Social Welfare	1,281,661	1,132,320
Ministry of Justice	1,719,003	1,993,111
Ministry of Finance	1,171,598	1,459,792
Ministry of Foreign Affairs and Trade	2,002,354	2,222,118
Ministry of Public Works	1,015,856	1,954,775
	17,242,298	17,956,961
Nitijela:		
Operations	273,010	206,573
General membership	936,316	839,510
Speaker's contingency	64,670	52,534
Committee expenditures	9,057	114,538
Nitijela pensions	-	3,910
	1,283,053	1,217,065
Commissions and authorities:		
Public service commission	795,636	786,978
Marshall Islands Development Authority	54,847	81,630
	850,483	868,608
Other:		
Asian Development Bank loan service charges	138,878	233,878
Judiciary	87,121	56,362
Other	191,207	426,718
	417,206	716,958
Total expenditures	28,373,098	27,803,622
Excess of revenues over expenditures	904,032	247,996
Other financing sources (uses):		
Loan proceeds	4,303,300	1,800,000
Operating transfers in	1,081,089	120,000
Operating transfers out	(8,549,089)	(9,642,587)
Total other financing sources (uses), net	(3,164,700)	(7,722,587)
Deficiency of revenues and other financing sources under expenditures and other financing uses	(2,260,668)	(7,474,591)
Fund balance at beginning of year	3,473,552	8,873,657
Fund balance at end of year	\$ 1,212,884	\$ 1,399,066

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, 2001
(With comparative totals for the year ended September 30, 2000)

	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Compact funding	\$ 1,144,100	\$ 1,430,100	\$ 286,000	\$ 1,344,084	\$ 1,442,900	\$ 98,816
Taxes:						
Income	8,536,612	9,642,269	1,105,657	7,500,000	8,703,509	1,203,509
Import	4,072,114	3,971,554	(100,560)	5,000,000	4,161,959	(838,041)
Gross revenue	3,249,700	3,813,172	563,472	3,000,000	3,226,784	226,784
Fuel	253,450	479,153	225,703	250,000	360,904	110,904
Penalties and interest	50,000	78,922	28,922	20,000	233,720	213,720
Other	430,298	366,761	(63,537)	-	351,377	351,377
	16,592,174	18,351,831	1,759,657	15,770,000	17,038,253	1,268,253
Other local	50,000	84,156	34,156	-	121,847	121,847
Fees and charges	343,000	482,590	139,590	300,000	347,946	47,946
Fishing rights	4,250,000	1,848,612	(2,401,388)	3,000,000	3,655,164	655,164
Interest and dividends	280,000	414,796	134,796	600,000	506,986	(93,014)
Other:						
Taiwan grant	5,000,000	5,000,000	-	3,000,000	3,000,000	-
Ship registry	1,250,000	976,606	(273,394)	950,000	1,064,921	114,921
Other	107,147	688,439	581,292	1,266,365	873,601	(392,764)
	6,357,147	6,665,045	307,898	5,216,365	4,938,522	(277,843)
Total revenues	29,016,421	29,277,130	260,709	26,230,449	28,051,618	1,821,169
Expenditures - budgetary basis by function:						
President and cabinet:						
President and ministers	574,150	572,291	1,859	586,316	546,957	39,359
Cabinet operations	380,058	303,759	76,299	566,596	416,849	149,747
Print shop/National Gazette	-	32,679	(32,679)	-	51,319	(51,319)
Office of the President	113,646	93,300	20,616	158,550	216,982	(58,432)
Office of the Attorney General	383,444	214,698	168,746	341,918	623,990	(282,072)
	1,451,298	1,216,457	234,841	1,653,380	1,856,097	(202,717)
Council of Iroij:						
Administration	60,464	58,602	1,862	70,863	71,230	(367)
Members	296,127	289,702	6,425	296,507	329,134	(32,627)
	356,591	348,304	8,287	367,370	400,364	(32,994)
Special appropriations:						
RepMar utility billings-Majuro	1,200,000	1,150,659	49,341	1,243,750	1,331,218	(87,468)
National Economic Summit	298,500	229,635	68,865	-	-	-
KAJUR management contract fees	-	-	-	-	453,750	(453,750)
Micronesia Legal Services Commission	29,850	30,000	(150)	9,950	-	9,950
Asian Development Bank counterpart funding	620,000	984,108	(364,108)	248,750	49,368	199,382
Land leases	881,619	847,494	34,125	1,810,900	891,187	919,713
RepMar water billings-Majuro	-	146,812	(146,812)	-	68,054	(68,054)
United States Army Kwajalein Atoll	100,000	283,838	(183,838)	99,500	-	99,500
School renovations	-	-	-	-	34,833	(34,833)
Contingencies fund	108,385	108,017	368	-	840,664	(840,664)
International subsidies	330,000	271,693	58,307	422,875	310,414	112,461
Reform program	-	-	-	995,000	-	995,000
Disaster assistance	200,000	125,254	74,746	199,000	24,396	174,604
Census	-	-	-	-	9,327	(9,327)
Marshall Islands Development Bank debt service payments	-	970,000	(970,000)	-	22,862	(22,862)
Agriculture training center	-	-	-	-	25,000	(25,000)
Prior year liabilities	-	95,777	(95,777)	497,500	336,681	160,819
Kwajalein Atoll Local Government	300,000	63,938	236,062	845,750	509,937	335,813
RepMar utility billings-Ebeye	150,000	107,113	42,887	149,250	196,648	(47,398)
Banking Commissioner	30,262	28,040	2,222	40,000	38,253	1,747
Uncover litigation	-	-	-	1,990,000	-	1,990,000
Claims and judgments	-	1,028,276	(1,028,276)	497,500	-	497,500
Drydocking of RepMar ships	-	-	-	313,425	-	313,425
	4,248,616	6,470,654	(2,222,038)	9,363,150	5,142,592	4,220,558
Ministries and offices:						
Chief Secretary's office	302,422	282,793	19,629	354,011	334,704	19,307
Office of the Auditor-General	309,356	212,199	97,157	196,151	177,294	18,857
Ministry of Health and Environment	3,106,482	2,705,768	400,714	3,148,236	3,068,395	79,841
Ministry of Education	4,707,940	4,769,192	(61,252)	4,384,920	4,407,782	(22,862)
Ministry of Transportation and Communication	873,886	800,436	73,450	499,490	635,277	(135,787)
Ministry of Resources and Development	758,451	668,661	89,790	515,315	583,959	(68,644)
Ministry of Interior and Social Welfare	1,354,801	1,164,867	189,934	1,409,116	1,219,266	189,850
Ministry of Justice	1,719,003	1,716,296	2,707	1,570,172	2,000,217	(430,045)
Ministry of Finance	1,124,347	1,128,780	(4,433)	1,062,940	1,457,545	(394,605)
Ministry of Foreign Affairs and Trade	1,977,448	1,808,698	168,750	1,990,668	2,352,847	(362,179)
Ministry of Public Works	907,063	947,612	(40,549)	1,353,461	2,028,883	(675,422)
	17,141,199	16,205,302	935,897	16,484,480	18,266,169	(1,781,689)

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, 2001
(With comparative totals for the year ended September 30, 2000)

	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - budgetary basis by function, continued						
Nitijela:						
Operations	280,282	261,691	18,591	321,745	214,713	107,032
General membership	906,519	931,573	(25,054)	882,376	842,163	40,213
Speaker's contingency	86,200	57,028	29,172	49,876	60,176	(10,300)
Committee expenditures	10,053	-	10,053	99,779	133,426	(33,647)
Legislative counsel	-	-	-	51,570	-	51,570
Nitijela pensions	-	-	-	-	3,910	(3,910)
	<u>1,283,054</u>	<u>1,250,292</u>	<u>32,762</u>	<u>1,405,346</u>	<u>1,254,388</u>	<u>150,958</u>
Commissions and authorities:						
Public service commission	819,040	697,292	121,748	799,437	823,064	(23,627)
Marshall Islands Development Authority	64,759	52,483	12,276	67,140	80,311	(13,171)
	<u>883,799</u>	<u>749,775</u>	<u>134,024</u>	<u>866,577</u>	<u>903,375</u>	<u>(36,798)</u>
Other:						
Asian Development Bank loan service charges	-	138,878	(138,878)	-	233,878	(233,878)
Judiciary	-	87,121	(87,121)	82,837	56,362	26,475
Other	-	47,644	(47,644)	74,625	434,229	(359,604)
	<u>-</u>	<u>273,643</u>	<u>(273,643)</u>	<u>157,462</u>	<u>724,469</u>	<u>(567,007)</u>
Total expenditures	<u>25,364,557</u>	<u>26,514,427</u>	<u>(1,149,870)</u>	<u>30,297,765</u>	<u>28,547,454</u>	<u>1,750,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,651,864</u>	<u>2,762,703</u>	<u>(889,161)</u>	<u>(4,067,316)</u>	<u>(495,836)</u>	<u>3,571,480</u>
Other financing sources:						
Loan proceeds	-	4,303,300	4,303,300	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	250,000	1,081,089	831,089	-	120,000	120,000
Other financing uses:						
Operating transfers out:						
Other Direct Assistance Fund	-	750,373	(750,373)	-	-	-
Judiciary Fund	668,947	689,145	(20,198)	261,020	494,510	(233,490)
Airport Trust Fund	-	-	-	-	132,467	(132,467)
Postal Service Fund	-	87,399	(87,399)	-	243,955	(243,955)
Ships Operations Fund	-	-	-	-	445,543	(445,543)
Health Care Revenue Fund	119,631	119,631	-	497,500	450,000	47,500
Resident Workers Training Account	80,141	66,756	13,385	-	210,942	(210,942)
National Environmental Protection Authority	191,574	191,569	5	137,907	137,907	-
Section 216(a)(1) Surveillance and Enforcement	-	63,133	(63,133)	-	118,469	(118,469)
General Obligation Bond Capital Projects	-	-	-	-	44,568	(44,568)
Marshall Islands Social Security Administration	400,000	2,658,146	(2,258,146)	3,183,436	3,360,000	(176,564)
Local Government Fund	-	176,599	(176,599)	-	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	100,000	100,000	-	99,948	81,403	18,545
Intergenerational Trust Fund	-	-	-	1,990,000	-	1,990,000
Marshall Islands Visitors Authority	300,000	299,993	7	522,375	273,625	248,750
Tobolar Copra Processing Plant, Inc.	849,964	1,649,964	(800,000)	796,000	845,000	(49,000)
Majuro Water and Sewer Company, Inc.	99,500	99,500	-	99,500	100,000	(500)
Kwajalein Atoll Joint Utilities Resources, Inc.	550,000	550,000	-	646,750	1,888,594	(1,241,844)
Majuro Resort, Inc.	185,981	185,981	-	99,500	99,500	-
Marshall Islands Development Bank	-	-	-	49,750	49,750	-
College of the Marshall Islands	460,900	860,900	(400,000)	548,998	571,739	(22,741)
	<u>4,006,638</u>	<u>8,549,089</u>	<u>(4,542,451)</u>	<u>8,932,684</u>	<u>9,902,587</u>	<u>(969,903)</u>
Total other financing sources (uses), net	<u>(3,756,638)</u>	<u>(3,164,700)</u>	<u>591,938</u>	<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	<u>(104,774)</u>	<u>(401,997)</u>	<u>(297,223)</u>	<u>-</u>	<u>(8,478,423)</u>	<u>(8,478,423)</u>
Other changes in unreserved fund balance (deficit):						
(Increase) decrease in reserve for related assets	-	(997,139)	(997,139)	-	1,900,438	1,900,438
Restatement	-	2,074,486	2,074,486	-	-	-
Unreserved fund balance (deficit) at beginning of year	<u>(5,958,054)</u>	<u>(5,958,054)</u>	<u>-</u>	<u>619,931</u>	<u>619,931</u>	<u>-</u>
Unreserved deficit at end of year	<u>\$ (6,062,828)</u>	<u>\$ (5,282,704)</u>	<u>\$ 780,124</u>	<u>\$ 619,931</u>	<u>\$ (5,958,054)</u>	<u>\$ (6,577,985)</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

September 30, 2001

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, 2001, 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.

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, 2001

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.

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.

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

September 30, 2001

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.

Public Works Fund

This fund was established under Public Law 2001-24 and accounts for all charges, fees and other monies collected or generated by the Ministry of Public Works.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

Combining Balance Sheet
September 30, 2001
(With comparative totals as of September 30, 2000)

	TIFI Federal and Other Assistance Fund	Other Direct Assistance Fund	RMI Investment Development Fund	Judiciary Fund	Telecommu- nications Fund	Seaport Trust Fund	Special Revenue Fund	Postal Service Fund	Health Care Revenue Fund	Section 216(b) Maritime	Resident Workers Training Account
Assets											
Cash and cash equivalents	\$ -	\$ -	\$ 1,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,239	\$ -	\$ -
Investments	-	-	300,220	-	-	-	-	-	-	-	-
Receivables, net:											
Federal agencies	-	-	-	-	-	-	-	-	-	-	-
Other	-	3,188,210	-	-	-	-	-	29,904	-	-	-
Due from other funds	1,531,681	-	56,769	35,982	98	89,220	29,487	16,163	-	19,997	16,116
Advances	159,023	-	-	-	-	-	-	-	-	-	-
Prepaid items	46,420	-	-	-	-	-	-	295,467	-	-	-
	<u>\$ 1,737,124</u>	<u>\$ 3,188,210</u>	<u>\$ 358,634</u>	<u>\$ 35,982</u>	<u>\$ 98</u>	<u>\$ 89,220</u>	<u>\$ 29,487</u>	<u>\$ 16,163</u>	<u>\$ 382,610</u>	<u>\$ 19,997</u>	<u>\$ 16,116</u>
Liabilities and Fund Balances (Deficit)											
Liabilities:											
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,142	\$ -	\$ -
Accounts payable	595,084	306,568	-	15,970	-	89,220	-	2,680	406,795	-	14,730
Other liabilities and accruals	87,506	13,906	-	20,012	-	-	-	13,483	4,356	-	1,386
Due to component units	-	650,000	-	-	-	-	-	-	-	-	-
Due to other funds	-	2,218,969	-	-	-	-	-	-	-	-	-
Deferred revenue	1,056,806	-	-	-	-	-	-	-	-	-	-
	<u>1,739,396</u>	<u>3,189,443</u>	<u>-</u>	<u>35,982</u>	<u>-</u>	<u>89,220</u>	<u>-</u>	<u>16,163</u>	<u>440,293</u>	<u>-</u>	<u>16,116</u>
Fund balances (deficit):											
Reserved for:											
Related assets	-	-	300,220	-	-	-	-	-	230,712	-	-
Encumbrances	32,627	1,599,215	-	-	-	-	-	-	-	-	-
Scholarships	-	-	-	-	-	-	-	-	-	-	-
Communications	-	-	-	-	-	-	-	-	-	-	-
Health and medical	-	-	-	-	-	-	-	-	-	-	-
Health and education	-	-	-	-	-	-	-	-	-	-	-
Unreserved	(34,899)	(1,600,448)	58,414	-	98	-	29,487	-	(288,395)	19,997	-
	<u>(2,272)</u>	<u>(1,233)</u>	<u>358,634</u>	<u>-</u>	<u>98</u>	<u>-</u>	<u>29,487</u>	<u>-</u>	<u>(57,683)</u>	<u>19,997</u>	<u>-</u>
	<u>\$ 1,737,124</u>	<u>\$ 3,188,210</u>	<u>\$ 358,634</u>	<u>\$ 35,982</u>	<u>\$ 98</u>	<u>\$ 89,220</u>	<u>\$ 29,487</u>	<u>\$ 16,163</u>	<u>\$ 382,610</u>	<u>\$ 19,997</u>	<u>\$ 16,116</u>

REPUBLIC OF THE MARSHALL ISLANDS
SPECIAL REVENUE FUNDS

Combining Balance Sheet
September 30, 2001
(With comparative totals as of September 30, 2000)

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	Public Works Fund	Totals	
										2001	2000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,884	\$ 51,239
-	-	-	-	-	-	-	-	-	-	300,220	300,220
-	-	-	-	-	-	-	-	-	-	-	1,982,424
-	-	350,000	-	-	-	-	-	-	-	3,568,114	680,561
418,234	52,609	-	374,360	416	67,226	85,886	13,233	53,957	34,436	2,895,870	4,215,419
-	-	-	-	-	-	4,982	-	502	-	164,507	123,168
-	-	-	-	-	-	-	-	-	-	341,887	230,332
<u>\$ 418,234</u>	<u>\$ 52,609</u>	<u>\$ 350,000</u>	<u>\$ 374,360</u>	<u>\$ 416</u>	<u>\$ 67,226</u>	<u>\$ 90,868</u>	<u>\$ 13,233</u>	<u>\$ 54,459</u>	<u>\$ 34,436</u>	<u>\$ 7,329,482</u>	<u>\$ 7,583,363</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,142	\$ 51,400
6,193	75	-	32,500	-	153	-	-	-	-	1,469,968	1,490,370
10,841	31,697	3,996	145,593	-	12,676	-	-	-	-	345,452	312,616
-	-	-	-	-	-	-	-	-	-	-	650,000
-	-	274,489	-	-	-	-	-	-	-	2,493,458	1,593,085
-	-	-	-	-	-	-	-	-	-	1,056,806	-
<u>17,034</u>	<u>31,772</u>	<u>278,485</u>	<u>178,093</u>	<u>-</u>	<u>12,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,044,826</u>	<u>3,447,471</u>
-	-	-	-	-	-	-	-	-	-	530,932	3,534,671
-	-	-	3,607	-	-	128	-	-	-	1,635,577	7,474,115
-	-	71,515	-	-	-	-	-	-	-	71,515	61,810
401,200	-	-	-	-	-	-	-	-	-	401,200	271,512
-	20,837	-	-	-	-	-	-	-	-	20,837	54,416
-	-	-	192,660	-	-	-	-	-	-	192,660	43,888
-	-	-	-	416	54,397	90,740	13,233	54,459	34,436	(1,568,065)	(7,304,520)
<u>401,200</u>	<u>20,837</u>	<u>71,515</u>	<u>196,267</u>	<u>416</u>	<u>54,397</u>	<u>90,868</u>	<u>13,233</u>	<u>54,459</u>	<u>34,436</u>	<u>1,284,656</u>	<u>4,135,892</u>
<u>\$ 418,234</u>	<u>\$ 52,609</u>	<u>\$ 350,000</u>	<u>\$ 374,360</u>	<u>\$ 416</u>	<u>\$ 67,226</u>	<u>\$ 90,868</u>	<u>\$ 13,233</u>	<u>\$ 54,459</u>	<u>\$ 34,436</u>	<u>\$ 7,329,482</u>	<u>\$ 7,583,363</u>

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, 2001
(With comparative totals for the year ended September 30, 2000)

	TTPI Federal and Other Assistance Fund	Other Direct Assistance Fund	RMI Investment Development Fund	Judiciary Fund	Telecomm- nications Fund	Seaport Trust Fund	Special Revenue Fund	Postal Service Fund	Health Care Revenue Fund	Section 216(b) Maritime	Resident Workers Training Account
Revenues:											
Federal grants	\$ 7,414,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compact funding	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	-	-	-	23,057	-	-	-	87,006	208,137	-	88,355
Sales	-	-	-	-	-	-	-	161,650	-	-	-
Other	-	14,291,795	-	-	-	-	-	-	4,830	-	-
Total revenues	7,414,327	14,291,795	-	23,057	-	-	-	248,656	212,967	-	88,355
Expenditures by function:											
Ministry of education	3,624,155	1,990,075	-	-	-	-	-	-	-	-	155,111
Ministry of health and environment	1,468,595	217,081	-	-	-	-	-	-	1,452,337	-	-
Ministry of public works	1,575	4,300,306	-	-	-	-	-	-	-	-	-
Ministry of transportation and communication	-	3,322,949	-	-	-	-	-	-	-	-	-
Ministry of internal and social welfare	337,514	1,117,954	-	-	-	-	-	-	-	-	-
Ministry of resources and development	16,248	1,257,474	-	-	-	-	-	-	-	-	-
Chief secretary	1,078,645	-	-	-	-	-	-	-	-	-	-
Ministry of justice	210	939,405	-	-	-	-	-	-	-	-	-
Judiciary	-	-	-	712,202	-	-	-	-	-	-	-
Auditor-General	632,593	-	-	-	-	-	-	-	-	-	-
Ministry of finance	200,000	7,722	-	-	-	-	-	336,055	-	-	-
Ministry of foreign affairs and trade	54,792	10,459	-	-	-	-	-	-	-	-	-
President and cabinet	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	7,414,327	13,163,425	-	712,202	-	-	-	336,055	1,452,337	-	155,111
Excess (deficiency) of revenues over (under) expenditures	-	1,128,370	-	(689,145)	-	-	-	(87,399)	(1,239,370)	-	(66,756)
Other financing sources (uses):											
Operating transfers in	-	750,373	-	689,145	-	-	-	87,399	119,631	-	66,756
Operating transfers out	-	(1,878,743)	-	-	-	(89,220)	-	-	(1,805,029)	-	-
Total other financing sources (uses), net	-	(1,128,370)	-	689,145	-	(89,220)	-	87,399	(1,685,398)	-	66,756
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	-	-	(89,220)	-	-	(2,924,768)	-	-
Fund balances (deficit) at beginning of year	(2,272)	(1,233)	358,634	-	98	89,220	29,487	-	2,867,085	19,997	-
Fund balances (deficit) at end of year	\$ (2,272)	\$ (1,233)	\$ 358,634	\$ -	\$ 98	\$ -	\$ 29,487	\$ -	\$ (57,683)	\$ 19,997	\$ -

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, 2001
(With comparative totals for the year ended September 30, 2000)

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	Public Works Fund	Totals	
										2001	2000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,414,327	\$ 8,271,795
300,000	531,600	797,400	3,000,000	2,000,000	-	-	-	-	-	6,629,000	6,629,000
-	-	-	-	-	-	90,430	-	-	34,436	531,421	556,858
-	-	-	-	-	-	-	-	-	-	161,650	171,293
-	-	-	-	-	-	-	-	-	-	14,296,625	7,336,346
<u>300,000</u>	<u>531,600</u>	<u>797,400</u>	<u>3,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>90,430</u>	<u>-</u>	<u>-</u>	<u>34,436</u>	<u>29,033,023</u>	<u>22,965,292</u>
-	-	62,823	1,743,078	-	-	-	-	-	-	7,575,242	6,657,822
-	565,179	-	1,250,181	-	185,192	-	-	-	-	5,138,565	4,888,830
-	-	-	-	-	-	-	-	-	-	4,301,881	2,670,508
40,364	-	-	-	-	-	-	-	-	-	3,363,313	833,203
141,938	-	-	-	-	-	-	-	-	-	1,597,406	20,566
-	-	-	-	-	-	-	-	-	-	1,273,722	2,765,266
-	-	-	-	-	-	-	-	-	-	1,078,645	255,757
-	-	-	-	-	-	69,056	-	-	-	1,008,671	526,197
-	-	-	-	-	-	-	-	-	-	712,202	36,346
-	-	-	-	-	-	-	-	-	-	632,593	548,971
-	-	-	-	-	-	-	-	-	-	543,777	1,035,312
-	-	-	-	-	-	-	-	-	-	65,251	20,187
-	-	-	-	-	-	-	-	-	-	-	11,009
<u>182,302</u>	<u>565,179</u>	<u>62,823</u>	<u>2,993,259</u>	<u>-</u>	<u>185,192</u>	<u>69,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,291,268</u>	<u>20,269,974</u>
<u>117,698</u>	<u>(33,579)</u>	<u>734,577</u>	<u>6,741</u>	<u>2,000,000</u>	<u>(185,192)</u>	<u>21,374</u>	<u>-</u>	<u>-</u>	<u>34,436</u>	<u>1,741,755</u>	<u>2,695,318</u>
-	-	-	-	-	191,569	-	-	-	-	1,904,873	4,468,134
-	-	(724,872)	-	(2,000,000)	-	-	-	-	-	(6,497,864)	(5,115,740)
-	-	(724,872)	-	(2,000,000)	191,569	-	-	-	-	(4,592,991)	(647,606)
117,698	(33,579)	9,705	6,741	-	6,377	21,374	-	-	34,436	(2,851,236)	2,047,712
<u>283,502</u>	<u>54,416</u>	<u>61,810</u>	<u>189,526</u>	<u>416</u>	<u>48,020</u>	<u>69,494</u>	<u>13,233</u>	<u>54,459</u>	<u>-</u>	<u>4,135,892</u>	<u>2,088,180</u>
<u>\$ 401,200</u>	<u>\$ 20,837</u>	<u>\$ 71,515</u>	<u>\$ 196,267</u>	<u>\$ 416</u>	<u>\$ 54,397</u>	<u>\$ 90,868</u>	<u>\$ 13,233</u>	<u>\$ 54,459</u>	<u>\$ 34,436</u>	<u>\$ 1,284,656</u>	<u>\$ 4,135,892</u>

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, 2001
(With comparative totals for the year ended September 30, 2000)

	TPI Federal and Other Assistance Fund	Other Direct Assistance Fund	RMI Investment Development Fund	Judiciary Fund	Telecomm- nications Fund	Seaport Trust Fund	Special Revenue Fund	Postal Service Fund	Health Care Revenue Fund	Section 216(b) Maritime	Resident Workers Training Account
Revenues:											
Federal grants	\$ 7,414,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compact funding	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	-	-	-	23,057	-	-	-	87,006	208,137	-	88,355
Sales	-	-	-	-	-	-	-	161,650	-	-	-
Other	-	14,291,795	-	-	-	-	-	4,830	-	-	-
Total revenues	7,414,327	14,291,795	-	23,057	-	-	-	248,656	212,967	-	88,355
Expenditures by account:											
Contractual services	1,956,686	4,691,015	-	-	-	-	-	-	-	-	-
Salaries and wages	1,345,017	157,218	-	503,476	-	-	-	250,694	-	-	90,467
Capital outlay	461,155	3,793,447	-	25,903	-	-	-	19,895	45,646	-	2,780
Grants and subsidies	1,628,620	673,100	-	-	-	-	-	-	-	-	15,476
Construction	-	2,100,509	-	-	-	-	-	-	-	-	-
Medical supplies	8,065	-	-	-	-	-	-	-	1,342,074	-	-
Travel	756,884	-	-	47,802	-	-	-	18,922	-	-	4,362
Supplies and materials	651,837	51,190	-	11,119	-	-	-	7,296	-	-	1,406
Food stuffs	3,832	49,252	-	657	-	-	-	-	-	-	-
Communications	31,235	1,999	-	28,244	-	-	-	17,954	-	-	6,103
Rentals	13,227	530	-	2,787	-	-	-	16,283	-	-	32,000
Freight	44,984	-	-	-	-	-	-	2,416	-	-	-
Printing and reproduction	65,530	-	-	226	-	-	-	180	-	-	-
POL	35,250	7,581	-	3,861	-	-	-	2,415	-	-	1,469
Leased housing	3,600	-	-	56,500	-	-	-	-	-	-	-
Utilities	650	-	-	5,286	-	-	-	-	-	-	-
Professional services	3,000	-	-	6,308	-	-	-	-	-	-	-
Insurance	-	-	-	620	-	-	-	-	-	-	-
Other	404,755	1,637,584	-	19,413	-	-	-	64,617	-	-	1,048
Total expenditures	7,414,327	13,163,425	-	712,202	-	-	-	336,055	1,452,337	-	155,111
Excess (deficiency) of revenues over (under) expenditures	-	1,128,370	-	(689,145)	-	-	-	(87,399)	(1,239,370)	-	(66,756)
Other financing sources (uses):											
Operating transfers in	-	750,373	-	689,145	-	-	-	87,399	119,631	-	66,756
Operating transfers out	-	(1,878,743)	-	-	-	(89,220)	-	-	(1,805,029)	-	-
Total other financing sources (uses), net	-	(1,128,370)	-	689,145	-	(89,220)	-	87,399	(1,685,398)	-	66,756
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	-	-	(89,220)	-	-	(2,924,768)	-	-
Fund balances (deficit) at beginning of year	(2,272)	(1,233)	358,634	-	98	89,220	29,487	-	2,867,085	19,997	-
Fund balances (deficit) at end of year	\$ (2,272)	\$ (1,233)	\$ 358,634	\$ -	\$ 98	\$ -	\$ 29,487	\$ -	\$ (57,683)	\$ 19,997	\$ -

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, 2001
(With comparative totals for the year ended September 30, 2000)

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	Public Works Fund	Totals	
										2001	2000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,414,327	\$ 8,271,795
300,000	531,600	797,400	3,000,000	2,000,000	-	-	-	-	-	6,629,000	6,629,000
-	-	-	-	-	-	90,430	-	-	34,436	531,421	556,858
-	-	-	-	-	-	-	-	-	-	161,650	171,293
-	-	-	-	-	-	-	-	-	-	14,296,625	7,336,346
<u>300,000</u>	<u>531,600</u>	<u>797,400</u>	<u>3,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>90,430</u>	<u>-</u>	<u>-</u>	<u>34,436</u>	<u>29,033,023</u>	<u>22,965,292</u>
-	-	-	-	-	-	-	-	-	-	6,647,701	4,037,166
153,272	565,179	62,823	2,213,525	-	172,836	-	-	-	-	5,514,507	5,138,134
6,927	-	-	118,479	-	-	3,569	-	-	-	4,477,801	2,649,273
-	-	-	96,170	-	-	-	-	-	-	2,413,366	2,150,078
-	-	-	-	-	-	-	-	-	-	2,100,509	299,391
-	-	-	171,595	-	-	-	-	-	-	1,521,734	1,516,611
-	-	-	123,333	-	-	-	-	-	-	967,354	971,118
9,538	-	-	98,907	-	-	16,051	-	-	-	848,145	1,282,655
-	-	-	87,068	-	-	825	-	-	-	141,634	119,133
8,288	-	-	7,576	-	5,692	8,120	-	-	-	115,211	98,180
2,800	-	-	22,827	-	918	1,470	-	-	-	92,842	103,134
250	-	-	24,802	-	-	1,830	-	-	-	74,282	226,023
-	-	-	6,947	-	-	400	-	-	-	73,283	46,124
417	-	-	4,268	-	860	10,730	-	-	-	66,851	56,028
-	-	-	-	-	-	-	-	-	-	60,100	57,720
-	-	-	-	-	4,886	-	-	-	-	10,822	7,211
-	-	-	18	-	-	-	-	-	-	9,326	5,832
-	-	-	-	-	-	-	-	-	-	620	22,646
<u>810</u>	<u>-</u>	<u>-</u>	<u>17,744</u>	<u>-</u>	<u>-</u>	<u>9,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,155,180</u>	<u>1,483,517</u>
<u>182,302</u>	<u>565,179</u>	<u>62,823</u>	<u>2,993,259</u>	<u>-</u>	<u>185,192</u>	<u>69,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,291,268</u>	<u>20,269,974</u>
<u>117,698</u>	<u>(33,579)</u>	<u>734,577</u>	<u>6,741</u>	<u>2,000,000</u>	<u>(185,192)</u>	<u>21,374</u>	<u>-</u>	<u>-</u>	<u>34,436</u>	<u>1,741,755</u>	<u>2,695,318</u>
-	-	-	-	-	191,569	-	-	-	-	1,904,873	4,468,134
-	-	(724,872)	-	(2,000,000)	-	-	-	-	-	(6,497,864)	(5,115,740)
-	-	(724,872)	-	(2,000,000)	191,569	-	-	-	-	(4,592,991)	(647,606)
117,698	(33,579)	9,705	6,741	-	6,377	21,374	-	-	34,436	(2,851,236)	2,047,712
<u>283,502</u>	<u>54,416</u>	<u>61,810</u>	<u>189,526</u>	<u>416</u>	<u>48,020</u>	<u>69,494</u>	<u>13,233</u>	<u>54,459</u>	<u>-</u>	<u>4,135,892</u>	<u>2,088,180</u>
<u>\$ 401,200</u>	<u>\$ 20,837</u>	<u>\$ 71,515</u>	<u>\$ 196,267</u>	<u>\$ 416</u>	<u>\$ 54,397</u>	<u>\$ 90,868</u>	<u>\$ 13,233</u>	<u>\$ 54,459</u>	<u>\$ 34,436</u>	<u>\$ 1,284,656</u>	<u>\$ 4,135,892</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
DEBT SERVICE FUNDS

September 30, 2001

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, 2001
(With comparative totals as of September 30, 2000)

	Marshall Islands Development Authority	Kwajalein Atoll Development Authority	Totals	
			2001	2000
<u>Assets</u>				
Cash and cash equivalents	\$ 50,971	\$ -	\$ 50,971	\$ 918,524
Time certificate of deposit	2,000,000	-	2,000,000	-
Due from other funds	-	-	-	989
	<u>\$ 2,050,971</u>	<u>\$ -</u>	<u>\$ 2,050,971</u>	<u>\$ 919,513</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	\$ 1,203,016	\$ -	\$ 1,203,016	\$ 70,569
Total liabilities	<u>1,203,016</u>	<u>-</u>	<u>1,203,016</u>	<u>70,569</u>
Fund balances:				
Reserved for debt service	847,955	-	847,955	848,944
Total fund balances	<u>847,955</u>	<u>-</u>	<u>847,955</u>	<u>848,944</u>
	<u>\$ 2,050,971</u>	<u>\$ -</u>	<u>\$ 2,050,971</u>	<u>\$ 919,513</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, 2001
(With comparative totals for the year ended September 30, 2000)

	Marshall Islands Development Authority	Kwajalein Atoll Development Authority	Totals	
			2001	2000
Revenues:				
Net decrease in the fair value of investments	\$ -	\$ -	\$ -	\$ (21,676)
Total revenues	-	-	-	(21,676)
Expenditures:				
Principal retirement	19,274,052	3,956,006	23,230,058	16,700,714
Interest	792,678	151,590	944,268	1,761,995
Total expenditures	20,066,730	4,107,596	24,174,326	18,462,709
Deficiency of revenues under expenditures	(20,066,730)	(4,107,596)	(24,174,326)	(18,484,385)
Other financing sources:				
Operating transfers in	20,066,730	4,106,607	24,173,337	18,144,317
Total other financing sources	20,066,730	4,106,607	24,173,337	18,144,317
Deficiency of revenues and other financing sources under expenditures	-	(989)	(989)	(340,068)
Fund balances at beginning of year	847,955	989	848,944	1,189,012
Fund balances at end of year	\$ 847,955	\$ -	\$ 847,955	\$ 848,944

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
CAPITAL PROJECTS FUNDS

September 30, 2001

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, 2001, 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, 2001

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)), 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, 2001
(With comparative totals as of September 30, 2000)

	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	Kwajalein Atoll Development Authority	ADB Development Projects	2001	2000
<u>Assets</u>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,763	\$ 1,725,000	\$ 1,743,763	\$ 1,914,560
Investments	-	-	-	-	11,308,630	100,000	-	11,408,630	11,408,630
Receivables, net:									
Loans	-	-	-	-	-	-	11,129,543	11,129,543	11,129,543
Other	-	-	-	-	-	1,737,146	-	1,737,146	1,270,267
Due from component units	-	-	-	-	-	1,107,967	-	1,107,967	1,060,982
Due from other funds	365,418	3,493	78,624	472,253	-	-	-	919,788	3,116,946
Advances	-	-	-	-	-	-	-	-	470,294
Prepaid items	-	-	-	-	-	42,436	-	42,436	231,767
	<u>\$ 365,418</u>	<u>\$ 3,493</u>	<u>\$ 78,624</u>	<u>\$ 472,253</u>	<u>\$ 11,308,630</u>	<u>\$ 3,006,312</u>	<u>\$ 12,854,543</u>	<u>\$ 28,089,273</u>	<u>\$ 30,602,989</u>
<u>Liabilities and Fund Balances (Deficit)</u>									
<u>Liabilities:</u>									
Accounts payable	\$ -	\$ 2,149	\$ -	\$ -	\$ -	\$ 1,142,589	\$ -	\$ 1,144,738	\$ 1,031,525
Other liabilities and accruals	-	1,344	-	-	-	833,707	-	835,051	765,822
Due to other funds	-	-	-	-	579,608	-	-	579,608	1,091,767
Total liabilities	-	3,493	-	-	579,608	1,976,296	-	2,559,397	2,889,114
<u>Fund balances (deficit):</u>									
<u>Reserved for:</u>									
Related assets	-	-	-	-	11,308,630	2,987,549	12,854,543	27,150,722	27,382,818
Encumbrances	-	-	-	-	-	476,612	-	476,612	483,912
Unreserved	365,418	-	78,624	472,253	(579,608)	(2,434,145)	-	(2,097,458)	(152,855)
Total fund balances	<u>365,418</u>	<u>-</u>	<u>78,624</u>	<u>472,253</u>	<u>10,729,022</u>	<u>1,030,016</u>	<u>12,854,543</u>	<u>25,529,876</u>	<u>27,713,875</u>
	<u>\$ 365,418</u>	<u>\$ 3,493</u>	<u>\$ 78,624</u>	<u>\$ 472,253</u>	<u>\$ 11,308,630</u>	<u>\$ 3,006,312</u>	<u>\$ 12,854,543</u>	<u>\$ 28,089,273</u>	<u>\$ 30,602,989</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
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	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	Kwajalein Atoll Development Authority	ADB Development Projects	2001	2000
Revenues:									
Compact funding	\$ 23,008,310	\$ 371,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,379,710	\$ 23,024,100
Other	-	9,747	-	-	-	47,675	-	57,422	29,321
Total revenues	<u>23,008,310</u>	<u>381,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,675</u>	<u>-</u>	<u>23,437,132</u>	<u>23,053,421</u>
Expenditures by function:									
Ebeye health and infrastructure	-	-	-	-	-	-	3,147,524	3,147,524	1,944,296
Basic education project	-	-	-	-	-	-	1,272,287	1,272,287	2,375,291
Health improvement	-	-	-	-	-	-	637,671	637,671	621,876
Maritime	-	444,280	-	-	-	-	-	444,280	449,818
Administrative and finance	-	-	-	-	-	249,133	-	249,133	253,713
Public sector reform	-	-	-	-	-	-	-	-	196,811
Other capital projects	-	-	-	-	-	553,028	50,000	603,028	972,102
Total expenditures	<u>-</u>	<u>444,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>802,161</u>	<u>5,107,482</u>	<u>6,353,923</u>	<u>6,813,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,008,310</u>	<u>(63,133)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(754,486)</u>	<u>(5,107,482)</u>	<u>17,083,209</u>	<u>16,239,514</u>
Other financing sources (uses):									
Loan proceeds	-	-	-	-	-	-	4,917,482	4,917,482	9,264,636
Operating transfers in	-	63,133	-	-	20,577,900	4,430,400	-	25,071,433	18,737,737
Operating transfers out	(23,008,300)	-	-	-	(20,066,730)	(4,106,607)	-	(47,181,637)	(35,113,880)
Total other financing sources (uses), net	<u>(23,008,300)</u>	<u>63,133</u>	<u>-</u>	<u>-</u>	<u>511,170</u>	<u>323,793</u>	<u>4,917,482</u>	<u>(17,192,722)</u>	<u>(7,111,507)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	10	-	-	-	511,170	(430,693)	(190,000)	(109,513)	9,128,007
Fund balances at beginning of year	<u>365,408</u>	<u>-</u>	<u>78,624</u>	<u>472,253</u>	<u>10,217,852</u>	<u>1,460,709</u>	<u>13,044,543</u>	<u>25,639,389</u>	<u>18,585,868</u>
Fund balances at end of year	<u>\$ 365,418</u>	<u>\$ -</u>	<u>\$ 78,624</u>	<u>\$ 472,253</u>	<u>\$ 10,729,022</u>	<u>\$ 1,030,016</u>	<u>\$ 12,854,543</u>	<u>\$ 25,529,876</u>	<u>\$ 27,713,875</u>

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
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	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	Kwajalein Atoll Development Authority	ADB Development Projects	2001	2000
Revenues:									
Compact funding	\$ 23,008,310	\$ 371,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,379,710	\$ 23,024,100
Other	-	9,747	-	-	-	47,675	-	57,422	29,321
Total revenues	<u>23,008,310</u>	<u>381,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,675</u>	<u>-</u>	<u>23,437,132</u>	<u>23,053,421</u>
Expenditures by account:									
Salaries and wages	-	304,087	-	-	-	-	-	304,087	528,485
Interest	-	-	-	-	-	-	138,832	138,832	-
POL	-	78,192	-	-	-	-	-	78,192	43,025
Supplies and materials	-	27,847	-	-	-	-	-	27,847	16,420
Food stuffs	-	17,818	-	-	-	-	-	17,818	18,506
Capital outlay	-	8,918	-	-	-	-	-	8,918	15,044
Communications	-	5,648	-	-	-	-	-	5,648	15,319
Travel	-	1,300	-	-	-	-	-	1,300	9,670
Other	-	470	-	-	-	802,161	4,968,650	5,771,281	6,167,438
Total expenditures	<u>-</u>	<u>444,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>802,161</u>	<u>5,107,482</u>	<u>6,353,923</u>	<u>6,813,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,008,310</u>	<u>(63,133)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(754,486)</u>	<u>(5,107,482)</u>	<u>17,083,209</u>	<u>16,239,514</u>
Other financing sources (uses):									
Loan proceeds	-	-	-	-	-	-	4,917,482	4,917,482	9,264,636
Operating transfers in	-	63,133	-	-	20,577,900	4,430,400	-	25,071,433	18,737,737
Operating transfers out	(23,008,300)	-	-	-	(20,066,730)	(4,106,607)	-	(47,181,637)	(35,113,880)
Total other financing sources (uses), net	<u>(23,008,300)</u>	<u>63,133</u>	<u>-</u>	<u>-</u>	<u>511,170</u>	<u>323,793</u>	<u>4,917,482</u>	<u>(17,192,722)</u>	<u>(7,111,507)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>511,170</u>	<u>(430,693)</u>	<u>(190,000)</u>	<u>(109,513)</u>	<u>9,128,007</u>
Fund balances at beginning of year	<u>365,408</u>	<u>-</u>	<u>78,624</u>	<u>472,253</u>	<u>10,217,852</u>	<u>1,460,709</u>	<u>13,044,543</u>	<u>25,639,389</u>	<u>18,585,868</u>
Fund balances at end of year	<u>\$ 365,418</u>	<u>\$ -</u>	<u>\$ 78,624</u>	<u>\$ 472,253</u>	<u>\$ 10,729,022</u>	<u>\$ 1,030,016</u>	<u>\$ 12,854,543</u>	<u>\$ 25,529,876</u>	<u>\$ 27,713,875</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
EXPENDABLE TRUST FUNDS

September 30, 2001

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, 2001, 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.

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.

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
EXPENDABLE TRUST FUNDS

September 30, 2001

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.

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, 2001
(With comparative totals as of September 30, 2000)

	Kwajalein Atoll Trust Fund	Local Government Fund	Health Indemnity Fund	Nuclear Claims Trust Fund	Marine Resources Fund	Nuclear Claims Tribunal	Marshall Islands Social Security Administration	Section 177 Administration Fund	Totals	
									2001	2000
Assets										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 511,880	\$ 4,038,859	\$ -	\$ 4,550,739	\$ 6,636,060
Time certificates of deposit	-	-	-	-	-	10,161	1,660,528	-	1,670,689	550,490
Investments	-	-	-	44,786,378	-	-	25,159,143	-	69,945,521	96,987,515
Receivables, net:										
General	-	-	-	-	-	136,606	3,662,973	-	3,799,579	2,470,941
Loans	-	-	-	-	-	-	-	-	-	341,006
Other	-	-	-	197,328	-	-	1,231,652	-	1,428,980	2,242,845
Due from component units	-	-	-	-	-	-	576,283	-	576,283	646,859
Due from other funds	452,245	-	13,412	-	-	-	-	68,828	534,485	1,801,488
Advances	-	-	-	-	-	-	-	-	-	4,718
Prepaid items	-	-	-	-	-	-	5,008	-	5,008	1,550
	<u>\$ 452,245</u>	<u>\$ -</u>	<u>\$ 13,412</u>	<u>\$ 44,983,706</u>	<u>\$ -</u>	<u>\$ 658,647</u>	<u>\$ 36,334,446</u>	<u>\$ 68,828</u>	<u>\$ 82,511,284</u>	<u>\$ 111,683,472</u>
Liabilities and Fund Balances (Deficit)										
Liabilities:										
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,385	\$ -	\$ 48,385	\$ 59,467
Accounts payable	-	-	-	-	-	434,996	355,362	-	790,358	699,625
Claims payable	-	-	-	-	-	-	1,225,771	-	1,225,771	-
Other liabilities and accruals	-	-	-	-	-	26,196	156,069	-	182,265	1,035,650
Due to other funds	-	-	-	-	-	-	-	-	-	2,977,639
Total liabilities	-	-	-	-	-	461,192	1,785,587	-	2,246,779	4,772,381
Fund balances (deficit):										
Reserved for:										
Related assets	452,245	-	-	939,608	-	-	5,380,706	-	6,772,559	4,877,195
Social security benefits	-	-	-	-	-	-	29,246,442	-	29,246,442	33,674,897
Nuclear claims	-	-	-	44,044,098	-	197,455	-	-	44,241,553	68,621,577
Health and medical	-	-	-	-	-	-	-	-	-	904,481
Unreserved	-	-	13,412	-	-	-	(78,289)	68,828	3,951	(1,167,059)
Total fund balances	<u>452,245</u>	<u>-</u>	<u>13,412</u>	<u>44,983,706</u>	<u>-</u>	<u>197,455</u>	<u>34,548,859</u>	<u>68,828</u>	<u>80,264,505</u>	<u>106,911,091</u>
	<u>\$ 452,245</u>	<u>\$ -</u>	<u>\$ 13,412</u>	<u>\$ 44,983,706</u>	<u>\$ -</u>	<u>\$ 658,647</u>	<u>\$ 36,334,446</u>	<u>\$ 68,828</u>	<u>\$ 82,511,284</u>	<u>\$ 111,683,472</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
EXPENDABLE TRUST FUNDS

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Kwajalein Atoll Trust Fund	Local Government Fund	Health Indemnity Fund	Nuclear Claims Trust Fund	Marine Resources Fund	Nuclear Claims Tribunal	Marshall Islands Social Security Administration	Section 177 Administration Fund	Totals	
									2001	2000
Revenues:										
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,354,412	\$ -	\$ 13,354,412	\$ 11,032,444
Compact funding	8,545,600	-	-	-	-	-	-	-	8,545,600	8,460,400
Interest and dividends	-	-	-	1,739,714	-	23,829	980,978	-	2,744,521	924,053
Net increase (decrease) in the fair value of investments	-	-	-	(5,129,523)	-	-	(5,954,532)	-	(11,084,055)	18,559,037
Other	-	-	-	-	-	-	83,695	-	83,695	79,741
Total revenues	8,545,600	-	-	(3,389,809)	-	23,829	8,464,553	-	13,644,173	39,055,675
Expenditures:										
Local government distributions	-	176,599	-	12,250,000	-	-	-	-	12,426,599	12,561,203
Land use distributions	8,529,293	-	-	-	-	-	-	-	8,529,293	8,457,018
Social security benefit payments	-	-	-	-	-	-	8,229,021	-	8,229,021	7,657,881
Health care payments	-	-	-	-	-	-	3,931,702	-	3,931,702	7,036,730
Nuclear claims payments	-	-	-	-	-	3,924,152	-	-	3,924,152	3,551,498
Professional services	-	-	-	329,747	-	1,075,858	749,562	-	2,155,167	2,316,441
Administrative	-	-	-	-	4,877	989,179	1,154,973	-	2,149,029	3,414,830
Total expenditures	8,529,293	176,599	-	12,579,747	4,877	5,989,189	14,065,258	-	41,344,963	44,995,601
Excess (deficiency) of revenues over (under) expenditures	16,307	(176,599)	-	(15,969,556)	(4,877)	(5,965,360)	(5,600,705)	-	(27,700,790)	(5,939,926)
Other financing sources (uses):										
Operating transfers in	-	176,599	-	-	-	5,763,650	4,463,175	-	10,403,424	12,233,393
Operating transfers out	-	-	-	(7,763,650)	(681,089)	-	-	-	(8,444,739)	(9,521,820)
Total other financing sources (uses), net	-	176,599	-	(7,763,650)	(681,089)	5,763,650	4,463,175	-	1,958,685	2,711,573
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	16,307	-	-	(23,733,206)	(685,966)	(201,710)	(1,137,530)	-	(25,742,105)	(3,228,353)
Fund balances at beginning of year	435,938	-	13,412	68,716,912	685,966	399,165	35,686,389	68,828	106,006,610	110,139,444
Fund balances at end of year	\$ 452,245	\$ -	\$ 13,412	\$ 44,983,706	\$ -	\$ 197,455	\$ 34,548,859	\$ 68,828	\$ 80,264,505	\$ 106,911,091

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONEXPENDABLE TRUST FUNDS

September 30, 2001

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, 2001, 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, 2001
(With comparative totals as of September 30, 2000)

	<u>Off-Shore Banking Trust Fund</u>	<u>Eminent Domain Trust Fund</u>	<u>Non-Resident Workers Trust Fund</u>	<u>Totals</u>	
				2001	2000
<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, 2001
(With comparative totals for the year ended September 30, 2000)

	<u>Off-Shore Banking Trust Fund</u>	<u>Eminent Domain Trust Fund</u>	<u>Non-Resident Workers Trust Fund</u>	<u>Totals</u>	
				<u>2001</u>	<u>2000</u>
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	<u>(32,874)</u>	<u>(124,923)</u>	<u>66,596</u>	<u>(91,201)</u>	<u>(91,201)</u>
Fund equity (deficiency) at end of year	<u>\$ (32,874)</u>	<u>\$ (124,923)</u>	<u>\$ 66,596</u>	<u>\$ (91,201)</u>	<u>\$ (91,201)</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONEXPENDABLE TRUST FUNDS

Combining Statement of Cash Flows
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Off-Shore Banking Trust Fund	Eminent Domain Trust Fund	Non-Resident Workers Trust Fund	Totals	
				2001	2000
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL FIXED ASSETS ACCOUNT GROUP

September 30, 2001

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, 2001

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 loans payable, accrued annual leave and claims and judgments payable at September 30, 2001.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - GOVERNMENTAL FUNDS

September 30, 2001

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. MIVA is governed by a six-member Board of Directors, including three members appointed by RepMar's Minister of Resources and Development with the approval of the Cabinet.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

September 30, 2001

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.

Air Marshall Islands, Inc. (AMI)

AMI was incorporated on October 12, 1989 to provide international carrier service to and from the Marshall Islands. On April 1, 1990, AMI merged with Airline of the Marshall Islands, Inc. to provide domestic carrier service within the Marshall Islands.

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 RepMar's 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, of which RepMar owns 75,000 of these shares. MEC retains 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 considered to be unissued capital stock owned by RepMar that have full voting rights and dividend rights. These shares were offered for sale to citizens of the Republic of the Marshall Islands under a prospectus dated November 25, 1991. As of September 30, 2001, 35,575 of these originally unissued shares have been issued. MINTA retains 60,000 shares in treasury.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

September 30, 2001

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.

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 RepMar's Minister of Transportation and Communications.

Marshall Islands Marine Resources Authority (MIMRA)

MIMRA was created under Public Law 1997-60 to facilitate the sustainable and responsible use of the marine resources in the Marshall Islands. MIMRA is governed by a seven-member Board of Directors, including four members appointed by the President.

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, 2001
(With comparative totals as of September 30, 2000)

	Air Marshall Islands, Inc.	Marshall Islands Airports Authority	Tobolar Copra Processing Plant, Inc.	Majuro Water and Sewer Company, Inc.	Marshalls Energy Company, Inc.	Marshall Islands National Telecomm. Authority
Assets						
Cash and cash equivalents	\$ 400,397	\$ 376,147	\$ 50	\$ 42,977	\$ 663,256	\$ 4,401,095
Time certificates of deposit	-	-	-	-	-	663,678
Investments	194,322	-	-	-	-	-
Receivables, net:						
General	484,366	36,973	82,972	123,906	1,102,349	1,689,865
Other	47,634	7,219	-	3,133	414,045	-
Due from primary government	1,015,177	-	650,000	196,762	284,909	120,503
Due from component units	-	-	-	-	631,939	-
Inventories	423,581	-	1,063,112	122,199	1,344,786	99,080
Prepaid items	175,714	260	-	1,456	27,800	7,435
Investment in fixed assets, net	2,970,907	4,809,100	1,096,062	8,446,388	14,452,384	19,659,685
Other assets	-	-	-	-	-	-
	<u>\$ 5,712,098</u>	<u>\$ 5,229,699</u>	<u>\$ 2,892,196</u>	<u>\$ 8,936,821</u>	<u>\$ 18,921,468</u>	<u>\$ 26,641,341</u>
Liabilities and Fund Equity (Deficiency)						
Liabilities:						
Bank overdraft	\$ -	\$ -	\$ 42,886	\$ -	\$ -	\$ -
Accounts payable	293,623	44,926	720,660	89,576	3,086,190	727,538
Claims payable	-	-	-	-	-	-
Other liabilities and accruals	535,779	106,695	108,194	43,945	435,437	497,499
Due to primary government	-	73,957	500,000	589,820	-	-
Due to component units	-	-	-	631,939	-	-
Deferred revenue	248,197	19,536	-	-	-	-
Loans payable	-	-	1,100,000	8,540,756	12,272,435	18,208,078
Interest payable	-	-	48,016	2,275,624	-	-
	<u>1,077,599</u>	<u>245,114</u>	<u>2,519,756</u>	<u>12,171,660</u>	<u>15,794,062</u>	<u>19,433,115</u>
Fund equity (deficiency):						
Contributed capital	12,932,452	-	1,552,503	100,000	75,000	3,143,643
Retained earnings (deficit):						
Unreserved	(8,297,953)	4,984,585	(1,180,063)	(3,334,839)	3,052,406	4,064,583
	<u>4,634,499</u>	<u>4,984,585</u>	<u>372,440</u>	<u>(3,234,839)</u>	<u>3,127,406</u>	<u>7,208,226</u>
	<u>\$ 5,712,098</u>	<u>\$ 5,229,699</u>	<u>\$ 2,892,196</u>	<u>\$ 8,936,821</u>	<u>\$ 18,921,468</u>	<u>\$ 26,641,341</u>

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

Combining Balance Sheet
September 30, 2001
(With comparative totals as of September 30, 2000)

Kwajalein Atoll Joint Utilities Resources, Inc.	KADA Housing Division	Majuro Resort, Inc. (December 31, 2001)	Marshall Islands Ports Authority	Marshall Islands Marine Resources Authority	MISSA Supplemental Health Benefits Plan	Totals	
						2001	2000
\$ 14,852	\$ 21,259	\$ 274,407	\$ 421,763	\$ 74,380	\$ -	\$ 6,690,583	\$ 5,628,916
-	-	-	700,000	581,163	-	1,944,841	1,216,897
-	-	-	-	-	-	194,322	-
564,287	-	148,445	256,153	27,185	-	4,516,501	4,347,279
28,484	215,750	13,006	282,019	97,011	21,226	1,129,527	151,801
263,842	-	111,164	-	-	-	2,642,357	1,142,286
-	-	-	-	-	-	631,939	690,499
205,682	-	109,444	-	-	-	3,367,884	2,412,942
-	-	40,707	-	-	-	253,372	121,016
11,422,700	1,125,199	8,689,440	6,419,958	134,948	-	79,226,771	78,267,138
-	-	-	-	-	-	-	75,260
<u>\$ 12,499,847</u>	<u>\$ 1,362,208</u>	<u>\$ 9,386,613</u>	<u>\$ 8,079,893</u>	<u>\$ 914,687</u>	<u>\$ 21,226</u>	<u>\$ 100,598,097</u>	<u>\$ 94,054,034</u>
\$ 68,179	\$ -	\$ -	\$ -	\$ 15,166	\$ -	\$ 126,231	\$ 4,174
591,796	-	80,164	36,255	91,418	-	5,762,146	5,605,551
-	-	-	-	-	204,666	204,666	-
441,273	16,834	129,634	21,929	58,987	-	2,396,206	1,839,404
-	1,107,967	447,237	-	64,799	1,542,737	4,326,517	4,126,521
-	-	-	-	-	-	631,939	690,499
-	-	-	-	-	845	268,578	-
-	-	-	-	-	-	40,121,269	39,882,217
-	-	-	-	-	-	2,323,640	1,752,585
<u>1,101,248</u>	<u>1,124,801</u>	<u>657,035</u>	<u>58,184</u>	<u>230,370</u>	<u>1,748,248</u>	<u>56,161,192</u>	<u>53,900,951</u>
100,000	-	11,315,220	-	-	-	29,218,818	41,046,147
11,298,599	237,407	(2,585,642)	8,021,709	684,317	(1,727,022)	15,218,087	(893,064)
<u>11,398,599</u>	<u>237,407</u>	<u>8,729,578</u>	<u>8,021,709</u>	<u>684,317</u>	<u>(1,727,022)</u>	<u>44,436,905</u>	<u>40,153,083</u>
<u>\$ 12,499,847</u>	<u>\$ 1,362,208</u>	<u>\$ 9,386,613</u>	<u>\$ 8,079,893</u>	<u>\$ 914,687</u>	<u>\$ 21,226</u>	<u>\$ 100,598,097</u>	<u>\$ 94,054,034</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

Combining Statement of Revenues, Expenses
and Changes in Retained Earnings (Deficit)
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Air Marshall Islands, Inc.	Marshall Islands Airports Authority	Tobolar Copra Processing Plant, Inc.	Majuro Water and Sewer Company, Inc.	Marshalls Energy Company, Inc.	Marshall Islands National Telecomm. Authority
Operating revenues:						
Services	\$ 2,742,750	\$ 586,395	\$ -	\$ 1,050,810	\$ 7,237,341	\$ 6,531,366
Sales	-	-	208,822	-	6,122,021	-
Other	-	15,656	-	8,720	1,030,290	-
Total operating revenues	2,742,750	602,051	208,822	1,059,530	14,389,652	6,531,366
Operating expenses:						
Cost of goods sold	-	-	1,659,879	-	4,723,555	-
Depreciation and amortization	1,259,912	342,859	58,928	429,539	1,049,762	2,290,106
Fuel and lubricants	-	8,377	-	30,082	5,199,092	-
Salaries, wages and benefits	-	288,199	45,789	641,593	1,815,046	-
Bad debts	2,100,000	22,769	8,973	31,198	-	565,994
Repairs and supplies	-	43,068	-	193,581	1,643,652	-
Plant expenses	-	-	-	-	-	2,094,427
Corporate operations	713,782	-	-	-	-	457,018
Maintenance	1,067,339	-	-	-	-	-
Health care payments	-	-	-	-	-	-
Customer operations	-	-	-	-	-	703,131
Reservation and sales	427,099	-	-	-	-	-
Insurance	-	-	45,136	11,080	173,710	-
Travel	-	-	-	6,159	33,133	-
Professional fees	-	29,896	56,856	14,631	8,875	-
Office supplies	-	6,274	3,414	9,353	85,763	-
Miscellaneous	1,148,162	112,273	24,101	257,564	486,520	-
Total operating expenses	6,716,294	853,715	1,903,076	1,624,780	15,219,108	6,110,676
Operating income (loss)	(3,973,544)	(251,664)	(1,694,254)	(565,250)	(829,456)	420,690
Nonoperating revenues (expenses):						
Interest expense	(24,790)	-	(95,673)	(587,454)	(741,982)	(925,150)
Capital contributions	-	107,751	-	-	-	-
Gain on voluntary nonexchange transaction	-	-	-	-	-	600,000
Interest income	24,030	-	-	-	-	175,438
Gain (loss) on sale of fixed assets	(1,099)	-	-	-	-	4,860
Net decrease in the fair value of investments	(187,206)	-	-	-	-	-
Other	30,745	(32,519)	-	-	-	-
Total nonoperating revenues (expenses), net	(158,320)	75,232	(95,673)	(587,454)	(741,982)	(144,852)
Income (loss) before other financing sources	(4,131,864)	(176,432)	(1,789,927)	(1,152,704)	(1,571,438)	275,838
Other financing sources (uses):						
Operating transfers in	-	-	3,049,964	99,500	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	3,049,964	99,500	-	-
	(4,131,864)	(176,432)	1,260,037	(1,053,204)	(1,571,438)	275,838
Retained earnings (deficit) at beginning of year	(4,166,089)	5,161,017	(2,440,100)	(2,281,635)	4,623,844	3,968,745
Dividends paid	-	-	-	-	-	(180,000)
Retained earnings (deficit) at end of year	\$ (8,297,953)	\$ 4,984,585	\$ (1,180,063)	\$ (3,334,839)	\$ 3,052,406	\$ 4,064,583

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

Combining Statement of Revenues, Expenses
and Changes in Retained Earnings (Deficit)
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

Kwajalein Atoll Joint Utilities Resources, Inc.	KADA Housing Division	Majuro Resort, Inc. (Fifteen months ended December 31, 2001)	Marshall Islands Ports Authority	Marshall Islands Marine Resources Authority	MISSA Supplemental Health Benefits Plan	Totals	
						2001	2000
\$ 2,108,066	\$ 132,455	\$ 1,985,247	\$ 1,647,679	\$ 1,273,462	\$ 526,722	\$ 25,822,293	\$ 19,411,516
-	-	1,002,954	-	-	-	7,333,797	9,467,269
-	115,238	-	-	153,773	-	1,323,677	1,377,751
<u>2,108,066</u>	<u>247,693</u>	<u>2,988,201</u>	<u>1,647,679</u>	<u>1,427,235</u>	<u>526,722</u>	<u>34,479,767</u>	<u>30,256,536</u>
-	-	1,539,882	-	-	-	7,923,316	9,922,987
740,400	53,995	608,124	502,571	6,374	-	7,342,570	5,425,710
1,669,812	300	-	10,938	18,390	-	6,936,991	5,120,340
640,623	83,090	-	168,867	462,168	-	4,145,375	3,415,135
109,336	36,152	52,433	142,982	17,339	-	3,087,176	834,904
197,415	7,484	-	32,859	17,393	-	2,135,452	1,714,437
-	-	-	-	-	-	2,094,427	1,950,533
-	-	386,968	-	-	-	1,557,768	1,270,495
178,350	-	176,996	-	-	-	1,422,685	177,057
-	-	-	-	-	-	714,961	714,961
-	-	-	-	-	-	703,131	630,949
-	-	136,639	-	-	-	563,738	114,595
-	-	80,823	9,198	-	-	319,947	246,864
163,914	8,499	-	22,176	48,986	-	282,867	133,584
69,423	-	-	-	97,163	-	276,844	172,908
-	-	-	-	13,042	-	117,846	108,629
<u>212,606</u>	<u>3,602</u>	<u>611,454</u>	<u>606,967</u>	<u>310,743</u>	<u>-</u>	<u>3,773,992</u>	<u>1,840,196</u>
<u>3,981,879</u>	<u>193,122</u>	<u>3,593,319</u>	<u>1,496,558</u>	<u>991,598</u>	<u>714,961</u>	<u>43,399,086</u>	<u>33,990,606</u>
<u>(1,873,813)</u>	<u>54,571</u>	<u>(605,118)</u>	<u>151,121</u>	<u>435,637</u>	<u>(188,239)</u>	<u>(8,919,319)</u>	<u>(3,734,070)</u>
-	-	-	-	-	-	(2,375,049)	(2,073,384)
2,223,707	-	-	-	-	-	2,331,458	-
-	-	-	-	-	-	600,000	-
-	-	-	49,001	51,129	-	299,598	256,343
-	-	-	4,000	17,500	-	25,261	1,319
-	-	-	-	-	-	(187,206)	-
-	-	102,652	-	-	-	100,878	141,371
<u>2,223,707</u>	<u>-</u>	<u>102,652</u>	<u>53,001</u>	<u>68,629</u>	<u>-</u>	<u>794,940</u>	<u>(1,674,351)</u>
<u>349,894</u>	<u>54,571</u>	<u>(502,466)</u>	<u>204,122</u>	<u>504,266</u>	<u>(188,239)</u>	<u>(8,124,379)</u>	<u>(5,408,421)</u>
750,000	-	185,981	89,220	-	-	4,174,665	2,854,094
-	-	-	-	(400,000)	-	(400,000)	-
<u>750,000</u>	<u>-</u>	<u>185,981</u>	<u>89,220</u>	<u>(400,000)</u>	<u>-</u>	<u>3,774,665</u>	<u>2,854,094</u>
1,099,894	54,571	(316,485)	293,342	104,266	(188,239)	(4,349,714)	(2,554,327)
10,198,705	182,836	(2,269,157)	7,728,367	580,051	(1,538,783)	19,747,801	203,396
-	-	-	-	-	-	(180,000)	-
<u>\$ 11,298,599</u>	<u>\$ 237,407</u>	<u>\$ (2,585,642)</u>	<u>\$ 8,021,709</u>	<u>\$ 684,317</u>	<u>\$ (1,727,022)</u>	<u>\$ 15,218,087</u>	<u>\$ (2,350,931)</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

Combining Statement of Cash Flows
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

Kwajalein Atoll Joint Utilities Resources, Inc.	KADA Housing Division	Majuro Resort, Inc. (Fifteen months ended December 31, 2001)	Marshall Islands Ports Authority	Marshall Islands Marine Resources Authority	MISSA Supplemental Health Benefits Plan	Totals	
						2001	2000
\$ (1,873,813)	\$ 54,571	\$ (605,118)	\$ 151,121	\$ 435,637	\$ (188,239)	\$ (8,919,319)	\$ (3,734,070)
-	-	-	-	-	-	1,099	(2,750)
740,400	53,995	608,124	502,571	6,374	-	7,342,570	5,425,710
109,336	36,152	52,433	142,982	17,339	-	3,087,176	834,904
-	-	-	-	-	-	(743,738)	-
178,782	-	(105,490)	(184,711)	(24,815)	-	(64,702)	(617,416)
(28,206)	(241,402)	(4,879)	-	(88,902)	(21,226)	(529,091)	141,015
(65,000)	-	1,504	(121,045)	-	-	(486,350)	(85,881)
(44,565)	-	-	-	-	-	(144,699)	(259,369)
-	-	(23,630)	-	-	-	(350,515)	243,219
-	-	(1,052)	-	-	-	(32,610)	49,649
-	-	-	-	-	-	-	47,669
122,433	-	13,626	6,196	11,132	-	(378,981)	958,763
243,537	-	-	4,957	(10,950)	204,666	448,203	-
-	-	(48,884)	-	37,414	-	140,843	109,956
-	-	113,661	-	-	4,733	421,303	57,348
-	46,985	(103,608)	-	-	-	12,683	261,130
-	-	-	-	-	66	162,024	-
<u>(617,096)</u>	<u>(49,699)</u>	<u>(103,313)</u>	<u>502,071</u>	<u>383,229</u>	<u>-</u>	<u>(34,104)</u>	<u>3,429,877</u>
68,179	-	-	-	15,166	-	122,057	(6,447)
550,000	-	185,981	89,220	(400,000)	-	2,374,665	1,862,132
-	-	-	-	-	-	(172,340)	(108,185)
-	-	-	-	-	-	441,120	(50,734)
-	-	-	-	-	-	(180,000)	-
-	-	(7,407)	-	-	-	23,593	586,207
<u>618,179</u>	<u>-</u>	<u>178,574</u>	<u>89,220</u>	<u>(384,834)</u>	<u>-</u>	<u>2,609,095</u>	<u>2,282,973</u>
-	-	-	4,000	17,500	-	62,170	15,778
(2,440,706)	(1,957)	(64,394)	(252,524)	(127,744)	-	(5,035,839)	2,443,895
2,423,707	-	-	-	-	-	3,623,707	(6,054,230)
-	-	-	-	-	-	(960,948)	1,287,419
-	-	-	-	-	-	(1,638,373)	(875,640)
-	-	-	-	-	-	-	(1,483,206)
<u>(16,999)</u>	<u>(1,957)</u>	<u>(64,394)</u>	<u>(248,524)</u>	<u>(110,244)</u>	<u>-</u>	<u>(3,949,283)</u>	<u>(75,000)</u>
-	-	-	(97,798)	6,019	-	(140,762)	140,339
-	-	-	34,729	45,794	-	279,991	221,258
-	-	-	(63,069)	51,813	-	139,229	361,597
(15,916)	(51,656)	10,867	279,698	(60,036)	-	(1,235,063)	1,333,463
30,768	72,915	263,540	142,065	134,416	-	7,925,646	4,295,453
<u>\$ 14,852</u>	<u>\$ 21,259</u>	<u>\$ 274,407</u>	<u>\$ 421,763</u>	<u>\$ 74,380</u>	<u>\$ -</u>	<u>\$ 6,690,583</u>	<u>\$ 5,628,916</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 569,974
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(569,974)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,289
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(38,289)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(107,751)	(5,166,389)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	107,751	5,166,389
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	439,549	13,007,418
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(439,549)	(13,007,418)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(181,259)	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	181,259	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,522
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(67,522)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	600,000	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(600,000)	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,133,333
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(581,418)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(551,915)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See Accompanying Independent Auditors' Report.