

*Financial Statements, Required Supplementary
Information, and Supplementary and Other Information*

Republic of the Marshall Islands

*Year ended September 30, 2022
with Report of Independent Auditors*



Republic of the Marshall Islands

Financial Statements, Required Supplementary Information, and Supplementary and Other Information

Year ended September 30, 2022

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Report of Independent Auditors

Her Excellency Hilda C. Heine, Ed. D
President
Republic of the Marshall Islands

Report on the Audit of the Financial Statements

Adverse, Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise RepMar's basic financial statements as set forth in Section III of the foregoing table of contents (collectively referred to as the "financial statements").

Summary of Opinions

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Qualified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
Grants Assistance Fund	Qualified
Compact Trust Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the Republic of the Marshall Islands as of September 30, 2022, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinions on Governmental Activities and Grants Assistance Fund

In our opinion, except for the effects of the matter described in the Basis for Adverse, Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the Grants Assistance Fund of the Republic of the Marshall Islands as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the General Fund, Compact Trust Fund, and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Compact Trust Fund, and the aggregate remaining fund information of the Republic of the Marshall Islands as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse, Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RepMar and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units

RepMar's component units' column does not include the financial statements of the College of the Marshall Islands (CMI), Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR), and Majuro Water and Sewer Company, Inc. (MWSC). Accounting principles generally accepted in the United States of America require financial information about CMI, KAJUR and MWSC to be part of the aggregate discretely presented component units, thus increasing the component units' column assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units has not been determined.

Matter Giving Rise to Qualified Opinion on the Governmental Activities and the Grants Assistance Fund

As discussed in Note 3 to the financial statements, the governmental activities and the Grants Assistance Fund has recorded federal grant receivables in the amount of \$21,399,343 as of September 30, 2022. The collectability of certain portions of these receivables is uncertain due to ongoing reviews and unresolved matters with the federal grantor agencies regarding compliance with grant requirements. Accounting principles generally accepted in the United States of America require that receivables be reported at their net realizable value. Because of the uncertainty surrounding the collectability of these federal grant receivables, we were unable to determine whether any adjustments to grants receivable, revenue, or related accounts might be necessary.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RepMar's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RepMar's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RepMar's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

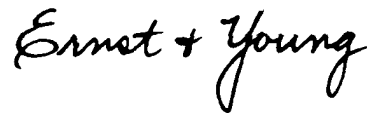
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RepMar's basic financial statements. The supplementary information, as set forth in Section V of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, except for the effects on the supplementary information of the matter described in the Basis for Adverse, Qualified and Unmodified Opinions section of our report, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2025 on our consideration of RepMar's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RepMar's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RepMar's internal control over financial reporting and compliance.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

June 4, 2025

Republic of the Marshall Islands

Management's Discussion and Analysis

Year ended September 30, 2022

As management of the Government of the Republic of the Marshall Islands (RepMar), we offer readers of RepMar's financial statements this narrative overview and analysis of the financial activities of RepMar for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with RepMar's basic financial statements, which follow this section. Fiscal year 2021 comparative information has been included, where appropriate.

FINANCIAL HIGHLIGHTS

- The assets of RepMar exceeded liabilities at the close of the fiscal year 2022 by \$195 million (net position), decreasing by \$9 million (or 5%) from \$204 million in the prior year. Of this amount, \$81 million represents RepMar's investment in capital assets while \$115 million represents amounts restricted for various purposes.
- During the current year, RepMar's expenses for governmental activities were \$177 million, including special appropriations made to State-Owned Enterprises and other Government entities, and were funded in part by \$91 million in program revenues and \$91 million in taxes and other general revenues. Program revenues decreased by \$19 million (or 17%) from \$110 million in the prior year to \$91 million, which was attributable primarily to the decrease in operating grants and contributions. Taxes and other general revenues increased by \$14 million (or 19%) from \$77 million in the prior year to \$91 million, which was attributable primarily to the increase in grants and contributions and foreign exchange gains associated with the SDR revaluation of ADB loans. There is no significant fluctuation in total expenses compared to the previous year, remaining at \$177 million.
- The Compact Trust Fund experienced a decrease in fund balance of \$15 million in the current year ending with a trust fund balance of \$94 million, down from \$109 million in the prior year.
- For the current year, General Fund expenditures (and other financing uses) of \$98 million exceeded General Fund revenues (and other financing sources) of \$93 million. General fund revenues (and other financing sources) were down \$11 million (or 10%) from the prior year primarily due to a decrease in budget support from grants in the amount of \$9 million (or 34%). Concurrently, General Fund expenditures (and other financing uses) were down \$4 million (or 4%) from the prior year primarily due to a decrease in COVID-19 expenditures of \$6 million (or 43%).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 19 and 20 of this report.

Fund Financial Statements

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

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

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

Governmental funds - These are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of RepMar's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance RepMar's programs. The basic governmental fund financial statements can be found on pages 21 and 22 of this report.

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

Fund Financial Statements, continued

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

Discretely presented component unit financial statements are presented for entities where RepMar has financial accountability but are independent of the core RepMar operations. Most operate like private-sector businesses. The discretely presented component unit financial statements can be found on pages 26 and 27 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 85 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons. The required supplementary information can be found on pages 86 through 88 of this report. The other supplementary information referred to earlier is presented immediately following the required supplementary information on budgetary comparisons and can be found on pages 89 through 121 of this report.

A FINANCIAL ANALYSIS OF REPMAR AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of RepMar, assets exceeded liabilities by \$195 million at the close of the most recent fiscal year; however, such is either restricted as to the purpose it can be used for or is invested in capital assets. RepMar uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although RepMar's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities. The majority of RepMar's net position is comprised of capital assets and long-term liabilities. Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year, respectively. RepMar's current assets amounted to \$72 million while its current liabilities were \$39 million. Restricted net position represents resources that are subject to external constraints.

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

Net Position, continued

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

RepMar's Net Position As of September 30

	Governmental Activities 2022	Governmental Activities 2021	Total \$ Change 2022-2021	Total % Change 2022-2021
Current and other assets	\$ 175,493,269	\$ 186,925,296	\$ (11,432,027)	(6)%
Capital assets	125,189,481	125,410,620	(221,139)	(0)%
Total assets	300,682,750	312,335,916	(11,653,166)	(4)%
Long-term debt outstanding	40,330,342	48,906,712	(8,576,370)	(18)%
Current and other liabilities	65,754,236	59,262,117	6,492,119	11%
Total liabilities	106,084,578	108,168,829	(2,084,251)	(2)%
Net position:				
Net investment in capital assets	80,760,179	76,562,082	4,198,097	5%
Restricted	114,665,039	130,053,831	(15,388,792)	(12)%
Unrestricted	(827,046)	(2,448,826)	1,621,780	(66)%
Total net position	\$ 194,598,172	\$ 204,167,087	\$ (9,568,915)	(5)%

At the end of the current year, RepMar's unrestricted net position was negative \$1 million, an increase of the prior year amount by \$2 million (or 66%) due to a decline in loans payable balance of \$8 million, including \$5 million from the SDR revaluation of ADB loans.

Total liabilities decreased by \$2 million (or 2%) from the prior year amount of \$108 million to \$106 million, which was primarily attributable to the reduction in long-term debt outstanding of \$8 million (or 18%) offset by the increase in current and other liabilities of \$6 million (or 11%). The reduction in long-term debt outstanding includes principal repayment on ADB and ICDF loans of \$3.7 million and the \$4.9 million SDR revaluation of ADB loans.

Effective FY2022, RepMar implemented GASB Statement No. 87, *Leases*, resulting in the initial recognition of \$31 million in lease assets and related lease liability. Additional information on RepMar's leases can be found in note 7 to the accompanying financial statements.

Changes in Net Position

As discussed earlier, the net position of the primary government decreased by \$9 million, which represents a decrease of 5% from the prior year's amount of \$204 million. This result indicates that RepMar's financial condition deteriorated from the prior year.

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

Changes in Net Position, continued

The table below summarizes RepMar's change in net position for the current year as compared with the prior year.

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

	Governmental Activities 2022	Governmental Activities 2021	Total \$ Change 2022-2021	Total % Change 2022-2021
Revenues:				
Program revenues:				
Charges for services	\$ 13,982,566	\$ 13,003,121	\$ 979,445	8%
Operating grants and contributions	72,473,679	91,466,892	(18,993,213)	(21)%
Capital grants and contributions	4,725,605	5,455,015	(729,410)	(13)%
	<u>91,181,850</u>	<u>109,925,028</u>	<u>(18,743,178)</u>	<u>(17)%</u>
General revenues:				
Taxes	35,926,901	35,441,927	484,974	1%
Grants and contributions	38,821,402	32,000,000	6,821,402	21%
Ship registry	11,416,127	8,171,815	3,244,312	40%
Foreign exchange gain on SDR revaluation	4,959,567	888,968	4,070,599	458%
Other general revenues	291,712	512,207	(220,495)	(43)%
	<u>91,415,709</u>	<u>77,014,917</u>	<u>14,400,792</u>	<u>19%</u>
Total revenues	<u>182,597,559</u>	<u>186,939,945</u>	<u>(4,342,386)</u>	<u>(2)%</u>
Expenses:				
Education, sports and training	36,775,853	38,951,670	(2,175,817)	(6)%
Health and human services	35,088,868	32,266,374	2,822,494	9%
Finance, banking and postal services	33,921,252	30,379,879	3,541,373	12%
Special appropriations	11,648,845	12,346,832	(697,987)	(6)%
Office of the Chief Secretary	10,389,301	13,260,028	(2,870,727)	(22)%
Capital projects	10,127,753	4,258,124	5,869,629	138%
Culture and internal affairs	5,502,049	5,144,078	357,971	7%
Foreign affairs and trade	5,138,058	5,680,340	(542,282)	(10)%
Justice, immigration and labor	4,241,925	4,019,170	222,755	6%
Natural resources and commerce	3,389,812	3,339,696	50,116	2%
Environmental Protection Authority	3,110,904	1,677,612	1,433,292	85%
Works, Infrastructure and Utilities	2,639,025	7,470,561	(4,831,536)	(65)%
President and Cabinet	2,331,646	2,332,080	(434)	(0)%
Nitijela	2,274,405	2,332,454	(58,049)	(2)%
Office of the Attorney General	2,258,721	6,870,690	(4,611,969)	(67)%
Other	7,869,789	6,455,999	1,413,790	22%
Total expenses	<u>176,708,206</u>	<u>176,785,587</u>	<u>(77,381)</u>	<u>(0)%</u>
	<u>5,889,353</u>	<u>10,154,358</u>	<u>(4,265,005)</u>	<u>(42)%</u>
Contributions to permanent funds	(15,458,268)	25,838,544	(41,296,812)	(160)%
Change in net position	<u>(9,568,915)</u>	<u>35,992,902</u>	<u>(45,561,817)</u>	<u>(127)%</u>
Net position, beginning of year	<u>204,167,087</u>	<u>168,174,185</u>	<u>35,992,902</u>	<u>21%</u>
Net position, end of year	<u>\$ 194,598,172</u>	<u>\$ 204,167,087</u>	<u>\$ (9,568,915)</u>	<u>(5)%</u>

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

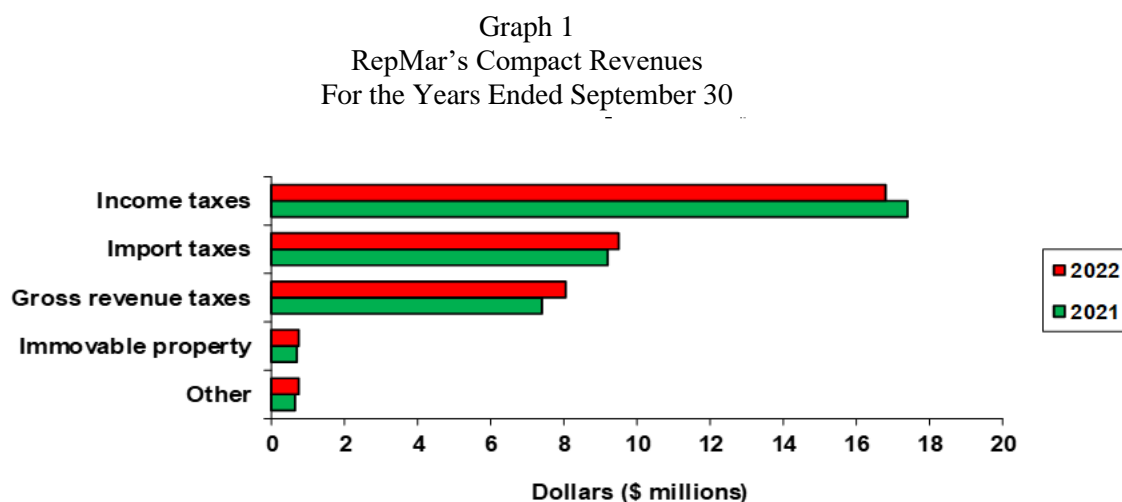
Changes in Net Position, continued

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

- Total revenues decreased by \$4 million (or 2%) compared with the prior year. General revenues increased by \$14 million (or 19%) compared with the prior year whereas program revenues decreased by \$18 million (or 17%) compared with the prior year. The increase in general revenues reflects a \$7 million (or 21%) increase in grants and contributions, a \$4 million (or 458%) increase in foreign exchange gains associated with the SDR revaluation of ADB loans, and a \$3 million (or 40%) increase in ship registry revenues. The decrease in program revenues results from a significant decrease in operating grants and contributions from \$91 million to \$73 million (or 21% decrease).
- At the same time, the cost of governmental activities remained steady at \$177 million.
- The Compact Trust Fund experienced a decrease in the fund balance of \$15 million in the current year, decreasing RepMar's trust fund balance to \$94 million from \$109 million in the prior year (down 14%).

A significant portion of RepMar's program revenues involve contributions from the Government of the United States under the Compact of Free Association. Overall funding from Compact sector grant revenues decreased by \$6 million (or 17%) from the prior year primarily due to a decrease in Compact Education and Health sector activities.

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



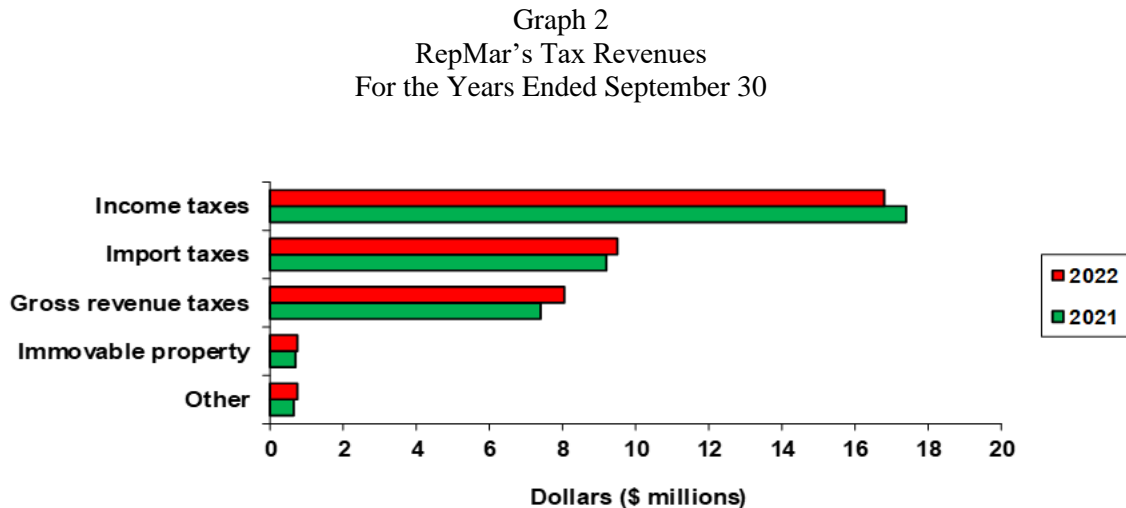
A significant portion of RepMar's general revenue involves tax revenue collections. At \$36 million in the current year, tax revenues increased by \$0.5 million (or 1%) compared with \$35.5 million collected in the prior year.

Republic of the Marshall Islands

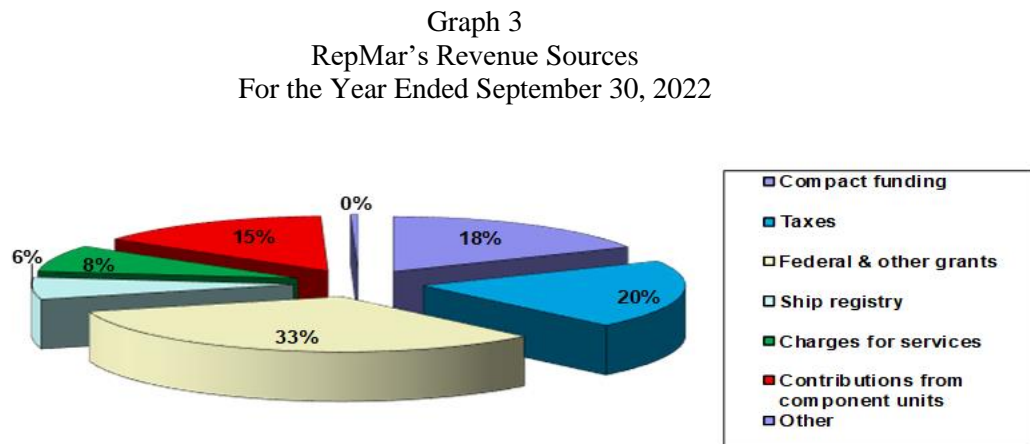
Management's Discussion and Analysis, continued

Changes in Net Position, continued

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



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



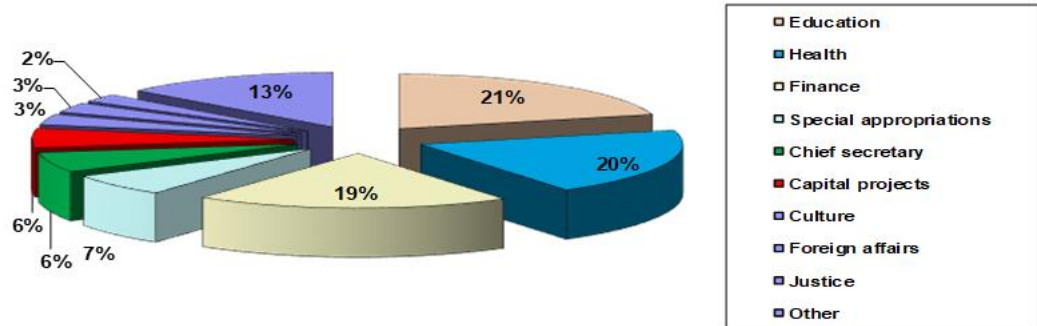
Compact funding, local taxes and federal and other grants are the major sources of revenue for RepMar, which comprise 71% of total revenues for the current year. The remaining 29% is primarily comprised of ship registry fees, fishing revenue contributions from MIMRA, and various fees and service charges.

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

Changes in Net Position, continued

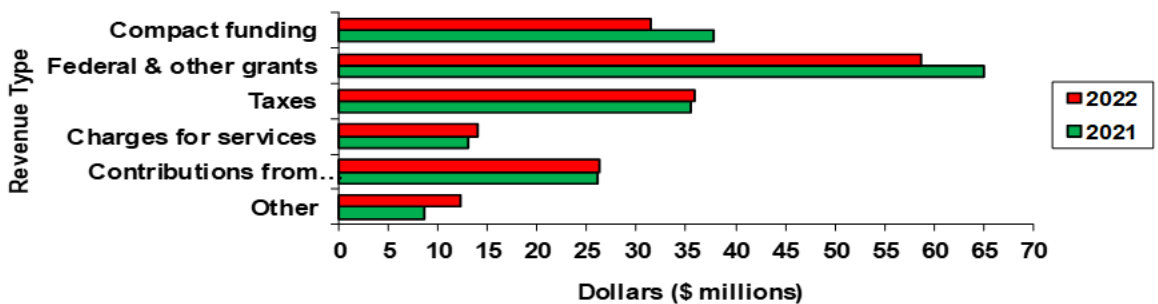
Graph 4
RepMar's Cost of Governmental Activities
For the Year Ended September 30, 2022



Other expenses that make up a portion of the costs of governmental activities include Natural resources and commerce (\$3.4 million), Environmental Protection Authority (\$3.1 million), Works, infrastructure and utilities (\$2.6 million), legislative expenses with the Nitijela (\$2.3 million), and executive expenses within the President's Office and Cabinet (\$2.3 million), Office of the Attorney General (\$2.3 million), Nuclear claims related (\$1.9 million), Office of the Auditor General (\$1.7 million), Judiciary (\$1.2 million), the Public Service Commission (\$0.7 million), and Council of Iroij (\$0.6 million).

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

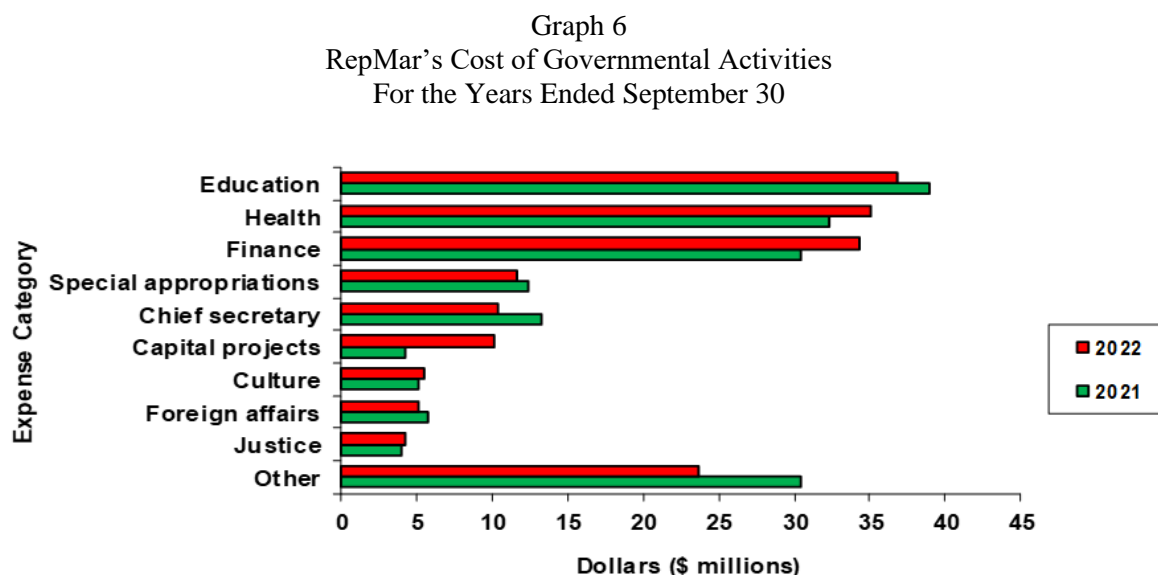
Graph 5
RepMar's Revenue Sources
For the Years Ended September 30



Republic of the Marshall Islands

Management's Discussion and Analysis, continued

Changes in Net Position, continued



Total other expenses in the current year decreased by \$7 million (or 22%) from \$31 million in the prior year to \$24 million in the current year. This resulted from a decrease in expense from Works, infrastructure and utilities in the amount of \$4.9 million (or 65%) from \$7.5 million to \$2.6 million at the same time, the Office of the Attorney General decreased its expense by \$4.6 million (or 67%) from \$6.9 million in the prior year to \$2.3 million in the current year.

Analysis of Changes in Net Position

During the current year, RepMar's total net position decreased by \$45 million compared with the prior year. The key elements of this decrease are: (1) an increase in general revenues of \$14 million; (2) a decrease in Compact Trust earnings of \$41 million; and (3) an increase in expenses, net of program revenues, of \$18 million.

General revenues increased by \$14 million (or 19%) from the prior year. The increase was primarily due to an increase in grants and contributions of \$7 million (or 110%), foreign exchange gains from the SDR revaluation of ADB loans of \$4 million (or 458%), and ship registry revenues of \$3 million (or 40%) from the prior year.

Expenses, net of program revenues, increased by \$18 million (or 28%) from the prior year. The net increase was primarily attributable to a decrease in program revenues of the Office of the Chief Secretary of \$10 million and the Environmental Protection Authority of \$3 million.

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

Analysis of Changes in Net Position, continued

The elements of these changes are reflected below:

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

	Governmental Activities 2022	Governmental Activities 2021	Total \$ Change 2022-2021	Total % Change 2022-2021
General revenues:				
Taxes	\$ 35,926,901	\$ 35,441,927	\$ 484,974	1%
Grants and contributions	12,621,402	6,000,000	6,621,402	110%
Contributions from component units	26,200,000	26,000,000	200,000	1%
Ship registry	11,416,127	8,171,815	3,244,312	40%
Foreign exchange gain on SDR revaluation	4,959,567	888,968	4,070,599	458%
Other general revenues	291,712	512,207	(220,495)	(43)%
Total general revenues	91,415,709	77,014,917	14,400,792	19%
Expenses, net of program revenues:				
Education, sports and training	18,867,648	15,797,767	3,069,881	19%
Health and human services	5,914,531	5,801,497	113,034	2%
Finance, banking and postal services	13,469,013	6,929,923	6,539,090	94%
Special appropriations	11,648,845	12,079,187	(430,342)	(4)%
Office of the Chief Secretary	1,524,823	(5,290,021)	6,814,844	(129)%
Capital projects	4,327,018	476,532	3,850,486	808%
Culture and internal affairs	4,894,845	4,611,530	283,315	6%
Foreign affairs and trade	4,694,974	5,544,012	(849,038)	(15)%
Justice, immigration and labor	2,963,832	2,838,589	125,243	4%
Natural resources and commerce	2,357,624	3,326,163	(968,539)	(29)%
Environmental Protection Authority	1,878,878	710,245	1,168,633	165%
Works, infrastructure and utilities	2,473,118	7,313,586	(4,840,468)	(66)%
President and cabinet	2,331,646	2,332,080	(434)	(0)%
Nitijela	2,274,405	2,332,454	(58,049)	(2)%
Office of the Attorney General	1,404,285	(130,041)	1,534,326	(1180)%
Other	4,500,871	2,187,056	2,313,815	106%
Total expenses	85,526,356	66,860,559	18,665,797	28%
	5,889,353	10,154,358	(4,265,005)	(42)%
Contributions to permanent fund	(15,458,268)	25,838,544	(41,296,812)	(160)%
Change in net position	\$ (9,568,915)	\$ 35,992,902	\$(45,561,817)	(127)%

FINANCIAL ANALYSIS OF REPMAR'S GOVERNMENTAL FUNDS

As noted earlier, RepMar uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of RepMar's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing RepMar's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current year, RepMar's governmental funds reported combined ending fund balances of \$145 million, which represents a net decrease of \$20 million (or 12%) in comparison with the prior year. This net decrease is primarily attributable to a decrease in the fair value of RepMar's investments in the Compact Trust Fund of \$15 million, and a deficiency of revenues under expenditures for the general fund of \$5 million.

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS OF REPMAR'S GOVERNMENTAL FUNDS, CONTINUED

Of this total combined fund balance, \$104 million is designated as nonspendable and cannot be spent either because it is not in a spendable form or because of legal or contractual constraints; \$15 million is designated as restricted and is constrained for specific purposes which are externally imposed; and \$12 million is designated as committed and is constrained for specific purposes which are internally imposed. The combined unassigned fund balance of RepMar's governmental funds is \$14 million.

The General Fund is the chief operating fund of RepMar. At the end of the current year, the unassigned fund balance of the General Fund was \$14.5 million, an increase of \$4.5 million from the prior year \$10 million. Total fund balance was \$27 million compared with a total fund balance of \$32 million at the end of the prior year, a decrease of \$5 million (or 16%). The Grants Assistance Fund has a total fund balance of \$15 million, which primarily represents unexpended European Union, World Bank, Republic of China (ROC) and Compact Sector grants at year end. The net increase in fund balance during the current year in the Grants Assistance Fund was \$0.4 million (or 4%). The Compact Trust Fund has a total fund balance of \$94 million, all of which is reserved for the funding of future operations of the primary government commencing in fiscal year 2023. The net decrease in the fund balance during the current year in the Compact Trust Fund was \$15 million (or 15%).

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current year, budget revisions of \$15 million were made by management and elected officials of RepMar to the General Fund budget. Revenues collected (including other financing sources) of \$87 million were lower than budgeted amounts of \$90 million (or \$3 million). In addition, charges to appropriations (including other financing uses) of \$100 million were lower than budgeted amounts of \$102 million due primarily to lower actual ministerial expenditures.

CAPITAL AND LEASE ASSETS

RepMar's investment in capital and lease assets for governmental activities as of September 30, 2022 amounted to \$230.2 million, net of accumulated depreciation of \$105 million, leaving a net book value of \$125.2 million. This represents a decrease of \$0.2 million from the \$125.4 million reported in the prior year. RepMar's capital and lease assets include electrical and water infrastructure, roads and bridges, heavy equipment, ships, buildings, and various projects under construction. The table below summarizes RepMar's capital and lease assets at the close of the current year compared with the prior year.

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

	Governmental Activities 2022	Governmental Activities 2021	Total \$ Change 2022-2021	Total % Change 2022-2021
Buildings	\$ 63,912,438	\$ 59,191,381	\$ 4,721,057	8%
Docks, roads and bridges	5,303,615	4,532,994	770,621	17%
Ships	1,052,000	2,004,560	(952,560)	(48)%
Software	1,217,996	1,399,651	(181,655)	(13)%
Heavy equipment	5,378,421	3,874,942	1,503,479	39%
Lease assets	28,974,866	30,514,040	(1,539,174)	(5)%
Construction in progress	19,350,145	23,893,052	(4,542,907)	(19)%
Total	\$ 125,189,481	\$ 125,410,620	\$ (221,139)	(0)%

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

CAPITAL AND LEASE ASSETS, CONTINUED

Major capital asset additions during the current year included ongoing construction in progress of the following infrastructure projects:

- Majuro track and field for 2022 Micronesian Games of \$1.1 million
- Maritime Training Center of \$0.3 million
- Mid-corridor housing and shelter of \$0.4 million
- KAJUR generator project of \$0.2 million
- Other miscellaneous projects of \$2.6 million

Additional information on RepMar's capital and lease assets can be found in notes 6 and 7 to the financial statements.

LONG-TERM DEBT

The Government Borrowing Act of 1985 authorizes RepMar to borrow for such purposes as approved by the Nitijela. Since 1991, RepMar has executed thirteen separate loans with the ADB and one loan with the ICDF (See table below). Long-term debt obligations decreased by \$8.6 million (or 18%) in the current fiscal year. The table below summarizes RepMar's long-term debt at the close of the current year compared with the prior year.

RepMar's Outstanding Debt Asian Development Bank September 30,

	Governmental Activities 2022	Governmental Activities 2021	Total \$ Change 2022-2021	Total % Change 2022-2021
Asian Development Bank:				
Fisheries Development Project	\$ 956,640	\$ 1,259,150	\$ (302,510)	(24)%
Typhoon Rehabilitation	208,235	235,428	(27,193)	(12)%
Basic Education Project	3,082,850	3,908,477	(825,627)	(21)%
Majuro Water Supply Project No. 1	239,558	299,642	(60,084)	(20)%
Health and Population Project	2,272,612	2,989,738	(717,126)	(24)%
Majuro Water Supply Project No. 2	3,743,139	5,007,176	(1,264,037)	(25)%
Public Sector Reform Program	6,323,907	7,418,854	(1,094,947)	(15)%
Ebeye Health and Infrastructure Project	2,965,603	4,072,243	(1,106,640)	(27)%
Skills Training and Vocational Education Project	1,916,812	2,409,457	(492,645)	(20)%
Fiscal and Financial Management Program No. 2	1,572,931	2,097,242	(524,311)	(25)%
Outer Island Transport Infrastructure Project	182,742	246,478	(63,736)	(26)%
Public Sector Program Loan	6,136,667	7,365,340	(1,228,673)	(17)%
Fiscal Reform and Debt Management Project	3,748,613	4,439,487	(690,874)	(16)%
International Cooperation Development Fund	6,980,033	7,158,000	(177,967)	(2)%
Total	\$ 40,330,342	\$ 48,906,712	\$ (8,576,370)	(18)%

As mentioned above, total long-term debt decreased by \$9 million (or 18%) during the current year, representing ADB and ICDF debt service payments. There are no new long-term arrangements entered into during the current year. Additional information on RepMar's long-term debt can be found in notes 8 and 9 to the financial statements.

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

ECONOMIC FACTORS

RepMar faced significant economic challenges during the COVID-19 pandemic, with disruptions affecting key economic stakeholders, such as the private sector, domestic households and Government entities. Despite these pressures, the economic contraction was less severe than initially projected, owing in part to timely external assistance and strategic fiscal interventions. As the global economy began its path to recovery, RMI navigated a complex landscape of fiscal consolidation, sectoral restructuring, and financial vulnerabilities.

During the COVID-19 pandemic, the economy of RepMar contracted by approximately 1.6 percent — less severe than initially projected. This decline in real GDP was primarily driven by reduced activity in the fisheries, hospitality, and retail sectors. To mitigate the economic impact, the Government of RepMar leveraged donor assistance from the United States and the Asian Development Bank (ADB). U.S. support focused on healthcare and basic income programs, while ADB contributions provided disaster response funding and budgetary support. With the expiration of these mitigation measures, household incomes were projected to decline by 0.8 percent in FY2022. The pandemic also resulted in widespread job loss and a decline in business activity, leading to a contraction in the RMI tax base of FY2020, primarily due to a reduction in gross receipts tax collections. In contrast, wage tax and import duty revenues remained relatively stable. Tax revenue rebounded in FY2021 and FY2022 as business activity heightened and the economy recovered from the COVID-19 pandemic.

These early signs of recovery were also supported by shifts in key revenue-generating sectors, which significantly influences RepMar's fiscal position; the economy remains heavily reliant on fisheries for revenue gains and job creation, particularly revenue from fishing license fees, while tourism plays a relatively minor role. As the fisheries sector rebounded after the pandemic, revenues from fishing licenses surged, enabling RepMar to increase expenditures. RepMar maintained a fiscal surplus in both FY2020 and FY2021. However, the structural deficit that existed prior to the pandemic re-emerged in FY2022. In FY2019, rising expenditures outpaced revenues, resulting in a structural deficit of 1.9 percent of GDP. Conversely, FY2020 saw a fiscal surplus of 2.4 percent, supported by grant inflows and deposit accumulations. As aforementioned, expenditures exceed revenues in FY2022; the fisheries and shipping sectors are a significant portion of domestic revenue in addition to taxes administered by RepMar. While the rebound in fisheries supported short-term fiscal surpluses and the private sector grew to pre-pandemic levels, underlying structural imbalances reappeared as the economy continued to stabilize in FY2022.

The financial sector of RepMar continued to face structural challenges, including a weak anti-money laundering and counter-terrorism financing (AML/CFT) framework, high levels of household debt, and emerging risks related to digital currencies. International banks have limited their Correspondent Banking Relationships (CBR) in various nations to reduce potential exposure to terrorism financing and money laundering. One of the few banks in the RMI, the Bank of the Marshall Islands (BOMI), was at risk of losing its CBR with the First Hawaiian Bank. In 2022, BOMI took significant measures to tighten the AML/CFT procedures, but AML/CFT risks remain a concern for the RMI economy. An additional banking issue in the RMI was the high ratio of consumer debt to household income in the RMI. Consumer debt to commercial banks, such as BOMI and the Bank of Guam, amounted to 28 percent of national GDP, with high rates of interest of 13.6 percent as of FY2021. Greater financial intermediation from commercial banks was mitigated by the following: a lack of sufficient business plans or financial statements from local businesses, a lack of collateral, and limited sources of security. Hence, international commercial banks tend to invest assets offshore in more secure markets. The introduction of the SOV cryptocurrency further added risk to CBRs in RepMar by way of high price volatility of cryptocurrency and AML/CFT concerns. Overall, RepMar navigated various financially relevant challenges both prior and during FY2022.

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

ECONOMIC FACTORS, CONTINUED

Debt sustainability also plays a key role in RepMar's economic strategy. According to the IMF/World Bank Debt Sustainability Analysis, RepMar is classified as a grant-only recipient, hence the nation is not eligible for loan financing from multilateral donors. Two factors significantly impacted this assessment: the nation's high ratio of debt to GDP and adverse economic expectations post-Compact. The grant-only status benefited RepMar as external debt was drastically reduced following the assessment. While grant-only status offers RepMar relief from debt accumulation, this also underscores the need for long-term structural reforms to reduce fiscal dependence on external parties.

The economy of RepMar remains highly influenced by external economic shocks and fluctuations across major sectors. From FY2004 to FY2019, the RMI economy experienced modest average growth of 1.4 percent annually, albeit with considerable volatility, largely influenced by fluctuations in the fisheries, services, and construction sectors. In FY2022, the economy was projected to contract by 0.9 percent. Post-amended Compact, economic growth has been primarily driven by the fisheries sector, public sector services, and private sector services. Additionally, education, health, and public administration sectors contribute to growth through the distribution of Compact sector grants and sovereign rents. Inflation remained moderate following the amended Compact but rose by 2.8 percent in FY2022. After a slight deflation of -0.1 percent in FY2019, inflation rose to 0.7 percent in FY2020. In FY2021, increasing fuel and food prices pushed inflation up by 2.2 percent, largely driven by a global surge in oil prices, which significantly increased fuel costs from the Marshalls Energy Company (MEC). In response, the Government endorsed higher utility tariffs for businesses and government entities, while utility tariffs from MEC remained constant for residential users. Ultimately, RepMar recorded a growth of inflation by 2.2 percent in FY2022. Managing inflationary pressures from external economic shocks and enhancing sector resilience will be pivotal for the economic sustainability of RepMar.

CONTACTING REPMAR'S FINANCIAL MANAGEMENT

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

Republic of the Marshall Islands

Statement of Net Position

September 30, 2022

	Primary Government	Component Units
<u>ASSETS</u>		
Cash and cash equivalents	\$ 25,545,122	\$ 51,571,543
Time certificates of deposit	-	11,001,759
Receivables, net	34,731,442	40,499,601
Inventories	-	15,551,938
Advances and other assets	4,264,905	5,838,930
Due from component units	6,896,165	-
Due from primary government	-	871,960
Investments	-	13,942,412
Restricted assets:		
Cash and cash equivalents	10,293,485	710,248
Investments	93,762,150	-
Capital assets:		
Nondepreciable capital assets	19,350,145	14,098,013
Capital assets, net of accumulated depreciation	76,864,470	107,298,203
Lease asset, net	28,974,866	2,696,383
Indefeasible right of use, net	-	3,293,379
Total assets	<u>300,682,750</u>	<u>267,374,369</u>
<u>LIABILITIES</u>		
Accounts payable	15,740,999	20,905,534
Medical claims payable	1,112,245	-
Other liabilities and accruals	5,586,105	6,222,526
Contracts payable	-	3,360,445
Retention payable	2,809,802	-
Payable to federal agencies	3,510,241	-
Due to external parties	289,624	-
Unearned revenues	1,476,760	5,911,863
Customer deposits	-	1,863,581
Accrued interest payable	77,520	-
Noncurrent liabilities:		
Due within one year	7,925,773	3,099,170
Due in more than one year	67,555,509	25,403,654
Total liabilities	<u>106,084,578</u>	<u>66,766,773</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows from leases	-	892,802
Commitments and contingencies		
<u>NET POSITION</u>		
Net investment in capital assets	80,760,179	109,905,933
Restricted for:		
Future operations - nonexpendable	93,762,150	-
Debt service	2,367,338	-
Compact related	5,817,552	-
Other purposes	12,717,999	1,072,943
Unrestricted	(827,046)	88,735,918
Total net position	<u>\$ 194,598,172</u>	<u>\$ 199,714,794</u>

See accompanying notes.

Republic of the Marshall Islands

Statement of Activities

Year ended September 30, 2022

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government:						
Governmental activities:						
President and Cabinet	\$ 2,331,646	\$ -	\$ -	\$ -	\$ (2,331,646)	\$ -
Office of the Chief Secretary	10,389,301	285,294	8,579,184	-	(1,524,823)	-
Special appropriations	11,648,845	-	-	-	(11,648,845)	-
Council of Iroij	584,366	-	-	-	(584,366)	-
Nitijela	2,274,405	-	-	-	(2,274,405)	-
Office of the Auditor-General	1,695,849	-	353,125	-	(1,342,724)	-
Public Service Commission	664,228	-	-	-	(664,228)	-
Judiciary	1,223,302	138,895	-	-	(1,084,407)	-
Office of the Attorney General	2,258,721	32,500	821,936	-	(1,404,285)	-
Education, Sports and Training	36,775,853	-	17,666,126	242,079	(18,867,648)	-
Health and Human Services	35,088,868	10,243,469	18,930,868	-	(5,914,531)	-
Transportation, Communication and Information Technology	745,270	1,235	377,266	-	(366,769)	-
Natural Resources and Commerce	3,389,812	11,503	1,020,685	-	(2,357,624)	-
Culture and Internal Affairs	5,502,049	57,995	549,209	-	(4,894,845)	-
Justice, Immigration and Labor	4,241,925	1,278,093	-	-	(2,963,832)	-
Finance, Banking and Postal Services	33,921,252	836,058	19,616,181	-	(13,469,013)	-
Foreign Affairs and Trade	5,138,058	149,250	293,834	-	(4,694,974)	-
Works, Infrastructure and Utilities	2,639,025	52,119	113,788	-	(2,473,118)	-
Environmental Protection Authority	3,110,904	896,155	335,871	-	(1,878,878)	-
Nuclear claims related	1,876,297	-	2,498,397	-	622,100	-
Capital projects	10,127,753	-	1,317,209	4,483,526	(4,327,018)	-
Unallocated interest - long-term debt	1,080,477	-	-	-	(1,080,477)	-
Total primary government	\$ 176,708,206	\$ 13,982,566	\$ 72,473,679	\$ 4,725,605	(85,526,356)	-
Component units:						
Air Marshall Islands, Inc.	7,118,016	7,625,217	-	-	-	507,201
Marshall's Energy Company, Inc.	53,637,859	45,227,466	1,452,906	7,312,348	-	354,861
MI Development Bank	3,123,323	4,198,035	218,197	-	-	1,292,909
MI Marine Resources Authority	32,687,807	31,945,210	171,393	784,905	-	213,701
MI National Telecom Authority	10,252,691	10,258,113	-	-	-	5,422
MI Shipping Corporation	5,188,747	2,334,821	-	-	-	(2,853,926)
RMI Ports Authority	7,618,076	2,976,674	-	1,593,614	-	(3,047,788)
Tobolar Copra Processing Authority	11,654,887	5,230,855	-	-	-	(6,424,032)
Other nonmajor component units	9,631,700	6,093,818	269,844	20,977	-	(3,247,061)
Total component units	\$ 140,913,106	\$ 115,890,209	\$ 2,112,340	\$ 9,711,844	-	(13,198,713)
General revenues:						
Taxes:						
Income taxes					16,788,343	-
Import taxes					9,513,519	-
Gross revenue taxes					8,075,184	-
Immovable property					783,549	-
Fuel taxes					591,433	-
Penalties and interest					83,671	-
Other					91,202	-
Unrestricted grants and contributions					12,621,402	-
Contributions from component units					26,200,000	-
Ship registry					11,416,127	-
Foreign exchange gain on SDR revaluation					4,959,567	-
Unrestricted investment earnings					128,535	1,192,607
Contributions from primary government					-	12,855,850
Other					163,177	71,511
Total general revenues					91,415,709	14,119,968
Contributions to permanent funds					(15,458,268)	-
Total general revenues and contributions					75,957,441	14,119,968
Change in net position					(9,568,915)	921,255
Net position at beginning of the year					204,167,087	198,793,539
Net position at end of the year					\$ 194,598,172	\$ 199,714,794

See accompanying notes.

Republic of the Marshall Islands

Balance Sheet Governmental Funds

September 30, 2022

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 21,642,820	\$ -	\$ -	\$ 3,902,302	\$ 25,545,122
Receivables, net:					
Taxes	3,133,902	-	-	175,875	3,309,777
Federal agencies	-	21,399,343	-	-	21,399,343
General	2,043,710	5,221,213	-	2,735,391	10,000,314
Other	-	-	-	22,008	22,008
Due from other funds	13,479,155	13,531,924	-	6,125,848	33,136,927
Due from component units	6,896,165	-	-	-	6,896,165
Advances	462,792	238,863	-	573,000	1,274,655
Other assets	2,990,250	-	-	-	2,990,250
Restricted assets:					
Cash and cash equivalents	10,293,485	-	-	-	10,293,485
Investments	-	-	93,762,150	-	93,762,150
Total assets	\$ 60,942,279	\$ 40,391,343	\$ 93,762,150	\$ 13,534,424	\$ 208,630,196
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 8,701,417	\$ 4,776,303	\$ -	\$ 2,263,279	\$ 15,740,999
Medical claims payable	-	-	-	1,112,245	1,112,245
Other liabilities and accruals	3,539,870	1,356,875	-	689,360	5,586,105
Payable to federal agencies	-	3,510,241	-	-	3,510,241
Retention payable	1,194,112	1,615,690	-	-	2,809,802
Due to component units	551,741	-	-	-	551,741
Unearned revenue	177,662	1,299,098	-	-	1,476,760
Due to other funds	19,947,396	13,479,155	-	-	33,426,551
Total liabilities	34,112,198	26,037,362	-	4,064,884	64,214,444
Fund balances:					
Nonspendable	9,886,415	-	93,762,150	-	103,648,565
Restricted	2,429,838	11,197,883	-	688,788	14,316,509
Committed	14,251	3,277,857	-	8,780,752	12,072,860
Unassigned	14,499,577	(121,759)	-	-	14,377,818
Total fund balances	26,830,081	14,353,981	93,762,150	9,469,540	144,415,752
Total liabilities and fund balances	\$ 60,942,279	\$ 40,391,343	\$ 93,762,150	\$ 13,534,424	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital and lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					125,189,481
Long-term liabilities, including loans and leases payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities include:					
Accrued interest payable				(77,520)	
Loans payable				(40,330,342)	
Leases payable				(29,012,657)	
Due to component units				(871,960)	
Compensated absences payable				(4,714,582)	
					(75,007,061)
Net position of governmental activities					\$ 194,598,172

See accompanying notes.

Republic of the Marshall Islands

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

Year ended September 30, 2022

		Special Revenue		Permanent		Other Governmental Funds	
	General	Grants Assistance	Compact Trust	Total			
Revenues:							
Taxes	\$ 35,926,901	\$ -	\$ -	\$ -	\$ 35,926,901		
Federal and other grants	17,642,468	76,313,850	-	864,368	94,820,686		
Sales	-	-	-	92,151	92,151		
Ship registry	11,416,127	-	-	-	11,416,127		
Net change in the fair value of investments	-	-	(20,458,268)	-	(20,458,268)		
Interest and dividends	109,743	-	-	18,792	128,535		
Fees and charges	98,904	-	-	13,791,511	13,890,415		
Contributions from component units	26,200,000	-	-	-	26,200,000		
Other	163,177	-	-	-	163,177		
Total revenues	91,557,320	76,313,850	(20,458,268)	14,766,822	162,179,724		
Expenditures:							
Current:							
President and Cabinet	2,210,511	106,408	-	-	2,316,919		
Office of the Chief Secretary	8,266,942	2,302,019	-	-	10,568,961		
Special appropriations	11,873,769	45,943	-	-	11,919,712		
Council of Iroij	583,909	-	-	-	583,909		
Nitijela	2,230,457	-	-	-	2,230,457		
Office of the Auditor-General	1,338,374	353,125	-	-	1,691,499		
Public Service Commission	647,177	-	-	-	647,177		
Judiciary	-	-	-	1,217,079	1,217,079		
Office of the Attorney General	1,428,931	821,936	-	-	2,250,867		
Ministries:							
Education, Sports and Training	14,908,431	18,043,119	-	2,211,839	35,163,389		
Health and Human Services	4,546,076	18,354,371	-	12,325,917	35,226,364		
Transportation, Communication and Information Technology	558,636	334,231	-	-	892,867		
Natural Resources and Commerce	1,599,361	1,857,353	-	-	3,456,714		
Culture and Internal Affairs	3,145,549	2,235,391	-	37,348	5,418,288		
Justice, Immigration and Labor	3,626,192	-	-	236,031	3,862,223		
Finance, Banking and Postal Services	16,820,857	16,287,790	-	1,025,873	34,134,520		
Foreign Affairs and Trade	4,518,808	350,010	-	38,869	4,907,687		
Works, Infrastructure and Utilities	4,950,203	146,221	-	106,607	5,203,031		
Environmental Protection Authority	446,237	2,662,494	-	-	3,108,731		
Nuclear claims related	-	-	-	1,876,297	1,876,297		
Debt service:							
Principal repayment	5,417,309	-	-	-	5,417,309		
Interest	541,179	-	-	-	541,179		
Capital outlay	776,687	9,543,356	-	-	10,320,043		
Total expenditures	90,435,595	73,443,767	-	19,075,860	182,955,222		
Excess (deficiency) of revenues over (under) expenditures	1,121,725	2,870,083	(20,458,268)	(4,309,038)	(20,775,498)		
Other financing sources (uses):							
Operating transfers in	1,500,244	561,645	5,000,000	4,689,386	11,751,275		
Operating transfers out	(7,582,713)	(3,290,418)	-	(878,144)	(11,751,275)		
Total other financing sources (uses), net	(6,082,469)	(2,728,773)	5,000,000	3,811,242	-		
Net change in fund balances	(4,960,744)	141,310	(15,458,268)	(497,796)	(20,775,498)		
Fund balances at beginning of the year	31,790,825	14,212,671	109,220,418	9,967,336	165,191,250		
Fund balances at end of the year	\$ 26,830,081	\$ 14,353,981	\$ 93,762,150	\$ 9,469,540	\$ 144,415,752		

See accompanying notes.

Republic of the Marshall Islands

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year ended September 30, 2022

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

Net change in fund balances - total governmental funds	\$ (20,775,498)
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Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets and lease assets are allocated over their estimated useful lives as depreciation and amortization expense. For the current year, these amounts consist of:

Capital outlays, net of disposals	\$ 6,945,600	
Depreciation expense	(5,627,565)	
Amortization expense	<u>(1,539,174)</u>	
		(221,139)

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

Repayment of ADB loans	3,438,836	
Repayment of MIDB loan	1,664,059	
Repayment of ICDF loans	<u>177,967</u>	
		5,280,862

Gain on SDR revaluation (see Note 8)	4,959,567
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. For the current year, these activities consist of:

Change in compensated absences payable	(409,990)	
Change in lease liability	1,501,383	
Change in accrued interest payable	<u>95,900</u>	
		<u>1,187,293</u>

Change in net position of governmental activities	\$ <u>(9,568,915)</u>
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Republic of the Marshall Islands

Statement of Fiduciary Net Position Fiduciary Funds

September 30, 2022

	Private Purpose Trust	Custodial
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,693,314	\$ 3,706,036
Time certificate of deposit	3,500,000	90,364
Receivables, net	5,027,836	-
Investments	82,208,037	-
Due from other funds	1,381,889	164,484
Capital assets, net of accumulated depreciation	281,765	-
Total assets	98,092,841	3,960,884
<u>LIABILITIES</u>		
Accounts payable	417,747	-
Other liabilities and accruals	11,217	-
Due to other funds	1,256,749	-
	1,685,713	-
<u>NET POSITION</u>		
Held in trust for:		
Individuals, organizations and other governments	95,205,980	3,960,884
Land use distributions	1,201,148	-
Total net position	\$ 96,407,128	\$ 3,960,884

See accompanying notes.

Republic of the Marshall Islands

Statement of Changes in Fiduciary Net Position Fiduciary Funds

Year ended September 30, 2022

	Private Purpose Trust	Custodial
Additions:		
Contributions:		
Private employees	\$ 15,630,337	\$ -
Government employees	6,884,914	-
Penalties and interest	203,624	-
Total contributions	<u>22,718,875</u>	<u>-</u>
Investment loss:		
Net change in the fair value of investments	(12,431,505)	-
Interest and dividends	1,828,534	791
Investment loss	(10,602,971)	791
Add investment expense	164,626	-
Net investment loss	<u>(10,767,597)</u>	<u>791</u>
Other:		
Compact funding	22,649,400	-
Transfer in	1,388,800	-
Other	14,677	56,725
	<u>24,052,877</u>	<u>56,725</u>
Total additions	<u>36,004,155</u>	<u>57,516</u>
Deductions:		
Land use distributions	22,333,370	-
Benefits	21,346,041	-
Other distributions	-	3,653
Administrative expenses	1,253,857	612
Total deductions	<u>44,933,268</u>	<u>4,265</u>
Change in net position held in trust for:		
Individuals, organizations and other governments		53,251
Social security benefits	(9,245,143)	
Land use distributions	316,030	
Net position at beginning of the year	<u>105,336,241</u>	<u>3,907,633</u>
Net position at end of the year	<u>\$ 96,407,128</u>	<u>\$ 3,960,884</u>

See accompanying notes.

Republic of the Marshall Islands

Combining Statement of Net Position Discretely Presented Component Units

September 30, 2022

	Air Marshall Islands, Inc.	Marshall Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	RMI Ports Authority	Tobolar Copra Processing Authority	Nonmajor Component Units	Total
ASSETS										
Cash and cash equivalents	\$ 2,427,531	\$ 3,668,498	\$ 13,953,838	\$ 24,816,878	\$ 695,611	\$ 117,401	\$ 1,938,532	\$ 432,495	\$ 3,520,759	\$ 51,571,543
Time certificates of deposit	-	5,125,648	2,130,736	-	863,694	-	2,748,114	133,567	-	11,001,759
Receivables, net	564,932	5,102,450	23,137,308	7,825,619	2,026,677	147,808	999,973	255,316	439,518	40,499,601
Inventories	1,283,327	12,056,942	-	-	349,871	48,048	-	1,769,761	43,989	15,551,938
Other assets	1,237,117	4,067,564	-	72,570	75,089	246,898	1,500	81,608	56,584	5,838,930
Due from primary government	-	-	871,960	-	-	-	-	-	-	871,960
Investments	-	-	10,497,360	3,445,052	-	-	-	-	-	13,942,412
Restricted assets:										
Cash and cash equivalents	-	175,598	534,650	-	-	-	-	-	-	710,248
Capital assets:										
Nondepreciable capital assets	-	8,465,437	53,523	1,145,905	1,926,363	-	2,501,985	4,800	-	14,098,013
Capital assets, net of accumulated depreciation	8,476,134	13,254,683	295,694	5,316,271	22,588,166	8,383,028	46,527,230	801,711	1,655,286	107,298,203
Lease assets, net	108,637	712,456	143,441	133,715	508,470	-	820,309	88,198	181,157	2,696,383
Indefeasible right of use, net	-	-	-	-	3,293,379	-	-	-	-	3,293,379
Total assets	<u>14,097,678</u>	<u>52,629,276</u>	<u>51,618,510</u>	<u>42,756,010</u>	<u>32,327,320</u>	<u>8,943,183</u>	<u>55,537,643</u>	<u>3,567,456</u>	<u>5,897,293</u>	<u>267,374,369</u>
LIABILITIES										
Accounts payable	1,337,918	14,207,759	265,862	248,019	1,295,442	728,364	939,267	822,131	1,060,772	20,905,534
Other liabilities and accruals	739,113	3,024,365	108,672	453,755	623,699	186,692	161,606	86,661	837,963	6,222,526
Contracts payable	-	-	-	1,030,333	1,959,626	-	370,486	-	-	3,360,445
Unearned revenue	107,653	4,700,182	357,096	-	296,380	27,853	-	-	422,699	5,911,863
Customer deposits	-	-	1,308,235	-	555,346	-	-	-	-	1,863,581
Noncurrent liabilities:										
Due within one year	22,239	480,744	1,208,503	25,802	1,030,620	-	291,536	1,718	38,008	3,099,170
Due in more than one year	3,208,361	5,330,272	727,028	99,720	14,430,732	-	846,120	87,429	673,992	25,403,654
Total liabilities	<u>5,415,284</u>	<u>27,743,322</u>	<u>3,975,396</u>	<u>1,857,629</u>	<u>20,191,845</u>	<u>942,909</u>	<u>2,609,015</u>	<u>997,939</u>	<u>3,033,434</u>	<u>66,766,773</u>
DEFERRED INFLOWS OF										
RESOURCES										
Deferred inflows from leases	-	-	226,400	116,840	-	-	549,562	-	-	892,802
NET POSITION										
Net investment in capital assets	8,471,061	24,187,676	349,127	6,470,369	10,870,070	8,383,028	48,627,096	874,720	1,672,786	109,905,933
Restricted	-	175,598	534,650	352,898	-	9,797	-	-	-	1,072,943
Unrestricted	211,333	522,680	46,532,937	33,958,274	1,265,405	(392,551)	3,751,970	1,694,797	1,191,073	88,735,918
Total net position	<u>\$ 8,682,394</u>	<u>\$ 24,885,954</u>	<u>\$ 47,416,714</u>	<u>\$ 40,781,541</u>	<u>\$ 12,135,475</u>	<u>\$ 8,000,274</u>	<u>\$ 52,379,066</u>	<u>\$ 2,569,517</u>	<u>\$ 2,863,859</u>	<u>\$199,714,794</u>

See accompanying notes.

Republic of the Marshall Islands

Combining Statement of Revenues, Expenses, and Changes in Net Position Discretely Presented Component Units

Year ended September 30, 2022

	Air Marshall Islands, Inc.	Marshall Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	RMI Ports Authority	Tobolar Copra Processing Authority	Nonmajor Component Units	Total
Expenses	\$ 7,118,016	\$ 53,637,859	\$ 3,123,323	\$ 32,687,807	\$ 10,252,691	\$ 5,188,747	\$ 7,618,076	\$ 11,654,887	\$ 9,631,700	\$140,913,106
Program revenues:										
Charges for services	7,625,217	45,227,466	4,198,035	31,945,210	10,258,113	2,334,821	2,976,674	5,230,855	6,093,818	115,890,209
Operating grants and contributions	-	1,452,906	218,197	171,393	-	-	-	-	269,844	2,112,340
Capital grants and contributions	-	7,312,348	-	784,905	-	-	1,593,614	-	20,977	9,711,844
Total program revenues	7,625,217	53,992,720	4,416,232	32,901,508	10,258,113	2,334,821	4,570,288	5,230,855	6,384,639	127,714,393
Net program revenues (expenses)	507,201	354,861	1,292,909	213,701	5,422	(2,853,926)	(3,047,788)	(6,424,032)	(3,247,061)	(13,198,713)
General revenues:										
Payments from RepMar	725,364	496,496	-	-	-	2,041,262	-	7,209,733	2,382,995	12,855,850
Investment earnings	-	-	734,246	272,274	18,214	-	167,873	-	-	1,192,607
Other	-	17,011	23,474	-	-	-	-	-	31,026	71,511
Total general revenues	725,364	513,507	757,720	272,274	18,214	2,041,262	167,873	7,209,733	2,414,021	14,119,968
Change in net position	1,232,565	868,368	2,050,629	485,975	23,636	(812,664)	(2,879,915)	785,701	(833,040)	921,255
Net position at beginning of the year	7,449,829	24,017,586	45,366,085	40,295,566	12,111,839	8,812,938	55,258,981	1,783,816	3,696,899	198,793,539
Net position at end of the year	\$ 8,682,394	\$ 24,885,954	\$ 47,416,714	\$ 40,781,541	\$ 12,135,475	\$ 8,000,274	\$ 52,379,066	\$ 2,569,517	\$ 2,863,859	\$199,714,794

See accompanying notes.

Republic of the Marshall Islands

Notes to Financial Statements

Year ended September 30, 2022

1. Summary of Significant Accounting Policies

The Republic of the Marshall Islands (“RepMar”) was constituted on May 1, 1979, under the provisions of the Constitution of the Republic of the Marshall Islands (the “Constitution”) as approved by the people of the Marshall Islands. The Constitution provides for the separation of powers of the executive, legislative, and judicial branches of the government. RepMar assumes responsibility for general government, public safety, health, education, and economic development. The United States dollar is the official currency and legal tender.

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

Reporting Entity

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

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Reporting Entity, continued

The financial statements of the component units have been included in the financial reporting entity in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Component units are entities that are legally separate organizations for which RepMar's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with RepMar are such that exclusion would cause RepMar's basic financial statements to be misleading or incomplete. RepMar is financially accountable because it appoints the members of the governing authorities of each of the component units and because it can impose its will on these organizations or because the organizations provide specific financial benefits or impose specific financial burdens on RepMar.

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

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Reporting Entity, continued

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

- Air Marshall Islands, Inc. (AMI): AMI was granted a corporate charter by the Cabinet of RepMar on October 12, 1989 to provide domestic and international carrier service within and from the Marshall Islands. AMI is governed by a seven-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to AMI through legislative appropriations.
- Marshalls Energy Company, Inc. (MEC): MEC was granted a corporate charter by the Cabinet of RepMar on February 2, 1984 to engage in the business of generating and transmitting electricity, and the import and marketing of petroleum products. MEC is governed by a seven-member RMI Combined Utilities Board of Directors appointed by the Cabinet of RepMar. The RMI Combined Utilities Board of Directors also have governance over KAJUR and MWSC. RepMar guarantees principal and interest payments to the Rural Utilities Service in the event of default by MEC on a Federal Financing Bank loan. RepMar provides financial support to MEC through legislative appropriations.
- Marshall Islands Development Bank (MIDB): MIDB was established under Public Law No. 1988-1 to promote development and expansion of the Marshall Islands economy and is governed by a seven-member Board of Directors appointed by the Cabinet. MIDB has received funds under Sections 111 and 211 of the Compact of Free Association and funds from the U.S. Department of Agriculture under the Rural Housing and Community Development Service Housing Preservation Grant. RepMar can impose its will on MIDB.
- Marshall Islands Marine Resources Authority (MIMRA): MIMRA was established as a body corporate pursuant to the Marshall Islands Marine Resources Authority Act of 1997 (Public Law No. 1997-60) to facilitate the sustainable and responsible use of the marine resources in the Marshall Islands. MIMRA is governed by a seven-member Board of Directors, including the Minister of Natural Resources and Commerce, the Minister of Foreign Affairs and Trade, the Minister of Culture and Internal Affairs, and four members appointed by the President. RepMar can impose its will on MIMRA.
- Marshall Islands National Telecommunications Authority (MINTA): MINTA was incorporated under Public Law No. 1990-105 to engage in the business of providing local and international telecommunication services. MINTA is governed by an eight-member Board of Directors elected by a majority vote of its shareholders. RepMar owns a voting majority of MINTA stock. RepMar guarantees principal and interest payments to the Rural Utilities Service in the event of default by MINTA on Rural Electrification and Telephone Revolving Fund loans.

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Reporting Entity, continued

- Marshall Islands Shipping Corporation (MISC): MISC was established as a body corporate pursuant to the Marshall Islands Shipping Corporation Act of 2004 (Public Law No. 2005-41) to operate services for the transportation of goods, mails and passengers by sea and to carry on business as ship owners, charterers of ships and vessels, ship brokers, and shipping agents, and to make provision for purposes connected with the aforesaid matters. MISC is governed by a five-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to MISC through legislative appropriations.
- RMI Ports Authority (RMIPA): RMIPA was incorporated under Public Law No. 2003-81 to engage in the operation and maintenance of commercial port facilities in the Marshall Islands. RMIPA is governed by a seven-member Board of Directors appointed by the President upon the approval of the Cabinet of RepMar. RepMar can impose its will on RMIPA.
- Tobolar Copra Processing Authority (TCPA): TCPA was granted a corporate charter by the Cabinet of RepMar on August 13, 1977 for the primary purpose of engaging in the production, processing, and marketing of copra products. TCPA is governed by a six-member Board of Directors (with the President serving ex officio and without vote) appointed by the President upon approval by the Cabinet of RepMar. RepMar provides financial support to TCPA through legislative appropriations.

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

The component units' column of the basic financial statements does not include the financial data of the following major components:

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Reporting Entity, continued

- Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR): KAJUR was incorporated under the laws of the Republic of the Marshall Islands on September 1, 1990, to generate and distribute utilities on the island of Ebeye. KAJUR is governed by a seven-member RMI Combined Utilities Board of Directors appointed by the Cabinet of RepMar. The RMI Combined Utilities Board of Directors also has governance over Marshalls Energy Company, Inc. and Majuro Water and Sewer Company, Inc. (MWSC). RepMar provides financial support to KAJUR through legislative appropriations.
- Majuro Water and Sewer Company, Inc. (MWSC): MWSC was granted a corporate charter by the Cabinet of RepMar on January 26, 1989 to engage in the business of collecting and distributing fresh water, waste water and maintaining the sewer system. MWSC is governed by a seven-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to MWSC through legislative appropriations.

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

The fiduciary component unit is as follows:

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

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Government-Wide Financial Statements

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

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

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

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

The government-wide Statement of Net Position reports \$114,665,039 of restricted net position, of which \$12,717,999 is restricted by enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are, instead, reported as general revenue.

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with nonmajor governmental funds being combined into a single column.

RepMar reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

Measurement Focus and Basis of Accounting

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

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

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

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

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

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

RepMar reports the following major funds:

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

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

In addition, RepMar reports the following fund types:

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents and Time Certificates of Deposit

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

Investments

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

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

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Receivables

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

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

Inventories

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

Interfund Receivables/Payables

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

Restricted Assets

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

Indefeasible Right of Use

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Capital Assets

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

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

Lease Assets

Right-to-use (RTU) assets are recognized at the lease commencement date and represent RepMar's right to use an underlying asset for the lease term. RTU assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement and initial direct costs. Options to renew or terminate the lease are recognized as part of RTU assets and lease liabilities when it is reasonably certain the options will be exercised.

Deferred Outflows of Resources

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

Unearned Revenue

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Long-term Debt

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

Compensated Absences

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

Deferred Inflows of Resources

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

Fund Balances

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

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Fund Balances, continued

- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Unassigned - includes negative fund balances in other governmental funds.

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

A formal minimum fund balance policy has not been adopted.

Risk Financing

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

Recently Adopted Accounting Pronouncements

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, RepMar's management has elected to postpone implementation of these statements.

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

During the year ended September 30, 2022, RepMar implemented the following pronouncements:

- GASB Statement No. 87, *Leases*, which increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Limited exceptions to the single approach guidance are provided for short-term leases, financed purchases, leases of assets that are classified as investments, and certain regulated leases. As a result, RepMar has recognized right-to-use leased assets and related lease liabilities, as lessee, in the initial amount of \$30,514,040.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which increases consistency and comparability related to the reporting of fiduciary component units; mitigates costs associated with the reporting of certain pension plans and other postemployment benefit (OPEB) plans as fiduciary component units; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:
 - 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
 - 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
 - 3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
 - 4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- 5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- 6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- 3) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- 4) Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset effective for fiscal year ending September 30, 2023.
- 5) Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability effective for fiscal year ending September 30, 2023.

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

- 6) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

Estimates

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Encumbrances

RepMar utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. As of September 30, 2022, RepMar has significant encumbrances summarized as follows:

<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Other Governmental</u>	<u>Total</u>
<u>\$9,324,710</u>	<u>\$45,448,658</u>	<u>\$ ---</u>	<u>\$57,015</u>	<u>\$54,830,383</u>

2. Deposits and Investments

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

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

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

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

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

The Compact Trust Fund (the Trust Fund) operates under an investment policy adopted by the Trust Fund Committee. The investment policy has been established to reflect the growth objectives and risk tolerance of the Committee. The investment policy was adjusted in May 2021 per resolution RMI 2021-4, *Adoption of Investment Policy Statement With Revised Capital Market Assumptions*, and requires the Trust Fund to allocate its managed investment portfolios among domestic and foreign equity and fixed income securities. All or a portion of the Trust Fund may be invested in exchange traded funds (“ETFs”), mutual funds, real estate investment trusts (“REITs”), common trust funds (“commingled vehicles”), private equity funds, and other pooled investment vehicles (“pooled vehicles”). Equity securities issued by ETFs, mutual funds, REITs, commingled and pooled vehicles which invest exclusively in fixed income securities are fixed income securities for the purpose of compliance with the Trust Fund's investment policy. The fair values of ETFs, mutual funds, commingled and pooled vehicles are generally determined by the fair value of the underlying marketable equity and debt securities owned, which are principally common stocks and bonds, respectively. The fair value of REITs is generally based upon the quoted market value of underlying REIT units owned. Publicly traded ETFs, mutual funds, REITs and similar vehicles may trade at prices above or below the fair values of the underlying investments owned; therefore, the fair value of such investments may differ from the sum of the fair values of the underlying investments owned.

The Trust Fund's equity investment objective is for its various portfolios to achieve total returns like their benchmark equity indices. Benchmark indices include the CRSP US Total Market Index, the FTSE Global All Cap ex US Index, and the MSCI ACWI Index. The core fixed income portfolios may be invested in securities issued by the U.S. government and government agencies, foreign governments, domestic and international corporate securities, including asset-backed and mortgage-backed obligations. The fixed income portfolio may invest in high yield securities; however, the average quality of the fixed income portfolio must be rated "investment grade" by at least one nationally recognized rating agency at the time of purchase.

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

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

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

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

Deposits

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

As of September 30, 2022, the carrying amount of the primary government's total cash and cash equivalents was \$35,838,607 and the corresponding bank balances were \$37,932,249. Of the bank balances, \$32,366,535 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2022, bank deposits in the amount of \$1,822,909 were FDIC insured. Bank deposits of \$5,565,714 are maintained in financial institutions not subject to depository insurance. RepMar does not require collateralization of its cash deposits; therefore, deposit levels exceeding FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Deposits, continued

As of September 30, 2022, the carrying amount of the fiduciary fund's total cash and cash equivalents and time certificates of deposit was \$12,989,714 and the corresponding bank balances were \$13,211,524. Of the bank balances, \$4,745,207 is maintained in financial institutions subject to FDIC insurance. Bank deposits of \$8,466,317 are maintained in financial institutions not subject to depository insurance. As of September 30, 2022, bank deposits in the amount of \$500,000 were FDIC insured. RepMar does not require collateralization of its cash deposits; therefore, deposit levels exceeding FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2022, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$63,283,550 and the corresponding bank balances were \$63,980,545. Of the bank balances, \$17,498,179 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2022, bank deposits in the amount of \$3,078,251 were FDIC insured. Bank deposits of \$46,482,366 are maintained in financial institutions not subject to depository insurance. The component units do not require collateralization of their cash deposits; therefore, deposit levels exceeding FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Investments

Primary Government

Investments of the primary government as of September 30, 2022, are as follows:

Compact Trust Fund:

Common Trust Funds:

Domestic Equity	\$35,171,754
International Equity	27,693,111
Fixed Income	23,868,250
Real Estate Investment Trust	174,989
Private Markets	6,812,570
Money Market Funds	<u>41,476</u>

\$93,762,150

As of September 30, 2022, all fixed income investments were held in ETFs.

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Primary Government, continued

The Trust Fund's fixed income allocation consists of a Vanguard Total Bond Market Index ("VTBMI"), a Vanguard Intermediate-Term Investment Grade Fund ("VIT IGF"), a Vanguard Short-Term Investment-Grade Fund ("VST IGF"), and a Vanguard High-Yield Corporate Fund ("VHY CF"); the performance of the fixed income funds is expected to closely replicate the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. The bonds held by VTBMI vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2022. High yield debt receiving a credit rating below "A" comprises approximately 14.1% of the VTBMI fixed income portfolio as rated by Moody's as of September 30, 2022. As of September 30, 2022, the weighted average maturity of the bonds comprising VTBMI is 8.91 years. The bonds held by VIT IGF vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2022. High yield debt receiving a credit rating below "A" comprises approximately 52.2% of the VIT IGF fixed income portfolio as rated by Moody's as of September 30, 2022. As of September 30, 2022, the weighted average maturity of the bonds comprising VIT IGF is 7.5 years. The bonds held by VST IGF vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2022. High yield debt receiving a credit rating below "A" comprises approximately 49.7% of the VST IGF fixed income portfolio as rated by Moody's as of September 30, 2022. As of September 30, 2022, the weighted average maturity of the bonds comprising VST IGF is 2.87 years. The bonds held by VHY CF vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2022. High yield debt receiving a credit rating below "A" comprises approximately 89.6% of the VHY CF fixed income portfolio as rated by Moody's as of September 30, 2022. As of September 30, 2022, the weighted average maturity of the bonds comprising VHY CF is 5.92 years.

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Primary Government, continued

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. As of September 30, 2022, the Trust Fund held approximately \$23,455,000 in securities of foreign issuers held in common trust funds. Of this amount, approximately 24% was held in securities whose functional currency is the Euro, 13% whose functional currency is the Japanese Yen, 11% whose functional currency is the British pound, 11% whose functional currency is the Chinese Yuan, and 41% in functional currencies of 37 other countries.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of September 30, 2022, there were no investments in any one issuer that exceeded 5% of total investments.

The Trust Fund has the following recurring fair value measurements as of September 30, 2022:

		Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Total</u>			
Investments by fair value level:				
Common trust funds:				
Domestic Equity	\$35,171,754	\$35,171,754	\$ ---	\$ ---
International Equity	27,693,111	27,693,111	---	---
Fixed Income	23,868,250	23,868,250	---	---
Real Estate Investment Trust	<u>174,989</u>	<u>174,989</u>	<u>---</u>	<u>---</u>
	86,908,104	<u>\$86,908,104</u>	<u>\$ ---</u>	<u>\$ ---</u>
Investments measured at NAV:				
Private Markets	6,812,570			
Investments measured at amortized cost:				
Money market funds	<u>41,476</u>			
	<u>\$93,762,150</u>			

Fiduciary Funds

Investments in marketable securities of the Marshall Islands Social Security Administration (MISSA) as of September 30, 2022, are as follows:

Money market funds	\$ 95,264
Exchange Traded Funds	22,791,863
Mutual funds	<u>37,899,767</u>
	<u>\$60,786,894</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Fiduciary Funds, continued

Fiduciary funds have the following recurring fair value measurements as of September 30, 2022:

		Fair Value Measurements Using		
		In Active In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Investments by fair value level:				
Exchange traded funds	\$22,791,863	\$22,791,863	\$ ---	\$ ---
Mutual funds	<u>37,899,767</u>	<u>37,899,767</u>	<u>---</u>	<u>---</u>
	60,691,630	<u>\$60,691,630</u>	<u>\$ ---</u>	<u>\$ ---</u>
Investments measured at amortized cost:				
Money market funds	<u>95,264</u>			
	<u>\$60,786,894</u>			

Additionally, MISSA owns 60,300 shares of common stock of Marshall Islands Holdings, Inc. (MIHI), which represents approximately 36% of the outstanding shares of MIHI as of September 30, 2022. MIHI engages in all aspects of holding company activities in the Marshall Islands and which is the sole shareholder of Bank of Marshall Islands (BOMI). MISSA also owns 80,080 shares of common stock of Marshall Islands Service Corporation (MISC), which represents approximately 5% of the outstanding shares of MISC as of September 30, 2022. MISC is majority-owned by MIHI. The investment in MIHI is accounted for on the equity method since the investment constitutes 20% or more of the voting stock of MIHI.

As of September 30, 2022, MISSA's investment in MIHI amounted to \$19,913,092. The investment in MISC is accounted for at the Net Asset Value. As of September 30, 2022, MISSA's investment in MISC amounted to \$1,508,051. During the year ended September 30, 2022, MISSA received dividend payments from MIHI of \$481,735. For the year ended September 30, 2022, MISSA recognized \$392,215 of equity in net earnings of MIHI. A summarized financial information of MIHI as of and for the year ended December 31, 2022 is presented on the table below:

Total assets	<u>\$ 180,657,410</u>
Total liabilities	<u>\$ 120,505,090</u>
Equity:	
Attributable to stockholders of MIHI	<u>\$ 53,650,809</u>
Noncontrolling interest	<u>\$ 6,501,511</u>
Net income attributed to:	
Stockholders of MIHI	<u>\$ (561,454)</u>
Noncontrolling interests	<u>\$ 622,058</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Fiduciary Funds, continued

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

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

MISSA investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all of these investments were held in the name of MISSA by their custodial financial institutions as of September 30, 2022.

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Fiduciary Funds, continued

MISSA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Furthermore, as of September 30, 2022, there were no investments in any one issuer that exceeded 5% of total investments.

Discretely Presented Component Units

Investments of the discretely presented component units as of September 30, 2022, are as follows:

Marshall Islands Development Bank:

Common equity securities	<u>\$10,497,360</u>
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The deposit and investment policies of MIDB are governed by MIDB's Board of Directors. Generally, MIDB can provide financial assistance to enterprises operating in the Republic, including making equity investments in such enterprises.

MIDB owns 26,376 shares of common stock of Marshall Islands Holdings, Inc. (MIHI), which represents approximately 16% of the outstanding shares of MIHI as of September 30, 2022. MIDB also owns 3,150 shares of common stock of Marshall Islands Service Corporation (MISC), which represents approximately 1% of the outstanding shares of MISC as of September 30, 2022. MISC is majority-owned by MIHI. A summary of MIDB's investments in MIHI and MISC, which are accounted for at the Net Asset Value, follows:

Marshall Islands Holdings, Inc.	\$10,439,621
Marshall Islands Service Corporation	<u>57,739</u>
	<u>\$10,497,360</u>

Marshall Islands Marine Resources Authority:

Investment in joint venture	<u>\$ 3,445,052</u>
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In 2005, MIMRA entered into a joint venture agreement with a third party to form the Marshall Islands Fishing Corporation (MIFCO), an ongoing association for the purpose of engaging in the purse seine fishing business. The association was formally organized during fiscal year 2006 with the purchase of the vessel RMI201. MIMRA's contributed capital was \$2,940,000, which represented a 49% interest of the vessel's value of \$6,000,000.

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Discretely Presented Component Units, continued

A summary of financial information as of and for the year ended December 31, 2022, for investees accounted for using the equity method of accounting for investments, is as follows:

Total assets	<u>\$21,122,586</u>
Total liabilities	<u>\$13,883,723</u>
Net income	<u>\$ 836,967</u>

3. Receivables

Primary Government

Receivables as of September 30, 2022, for the primary government's individual major governmental funds, nonmajor governmental funds in the aggregate, and fiduciary funds, including applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
Receivables:						
Taxes	\$ 3,133,902	\$ ---	\$ ---	\$ 175,875	\$ ---	\$ 3,309,777
Federal agencies	---	21,399,343	---	---	---	21,399,343
General	2,601,511	5,328,535	---	2,725,774	---	10,655,820
Contributions	---	---	---	---	9,968,297	9,968,297
Loans	4,368,787	---	---	15,337,241	---	19,706,028
Other	---	---	---	240,539	688,441	928,980
	<u>10,104,200</u>	<u>26,727,878</u>	<u>---</u>	<u>18,479,429</u>	<u>10,656,738</u>	<u>65,968,245</u>
Less: allowance for uncollectible						
Accounts	<u>(4,926,588)</u>	<u>(107,322)</u>	<u>---</u>	<u>(15,546,155)</u>	<u>(5,628,902)</u>	<u>(26,208,967)</u>
Net receivables	<u>\$ 5,177,612</u>	<u>\$ 26,620,556</u>	<u>\$ ---</u>	<u>\$ 2,933,274</u>	<u>\$ 5,027,836</u>	<u>\$ 39,759,278</u>

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

3. Receivables, continued

Primary Government, continued

Loans receivable of the primary government are summarized as follows:

General Fund:

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

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

Nonmajor Governmental Funds:

Loans to qualified Marshallese students under a student financial assistance program, totaling \$15,337,241, interest free, uncollateralized with no set repayment terms, and may be converted to grants later if the recipients meet certain criteria. These loans have been fully provided for in the allowance for uncollectible accounts. During the year ended September 30, 2022, loans in the amount of \$192,698 were converted to grants as the recipients met the criteria for conversion.

Discretely Presented Component Units

Receivables as of September 30, 2022, for the discretely presented component units, including applicable allowance for uncollectible accounts, are as follows:

	Air Marshall Islands, Inc.	Marshall's Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	RMI Ports Authority	Tobolar Copra Processing Authority	Non-major Component Units	Totals
Receivables:										
Federal agencies	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 38,364	\$ ---	\$ 7,329	\$ 45,693
General	740,217	21,427,698	---	8,769,289	3,237,628	668,398	1,567,906	1,305,678	979,873	38,696,687
Loans	---	---	26,362,688	---	---	---	---	---	---	26,362,688
Leases	---	---	226,887	120,205	---	---	595,415	---	---	942,507
Interest	---	---	111,184	---	---	---	62,340	---	---	173,524
Other	10,528	559,236	708,661	191,776	85,243	305,617	17,521	138,015	115,653	2,132,250
	750,745	21,986,934	27,409,420	9,081,270	3,322,871	974,015	2,281,546	1,443,693	1,102,855	68,353,349
Less: allowance for uncollectible Accounts	(185,813)	(16,884,484)	(4,272,112)	(1,255,651)	(1,296,194)	(826,207)	(1,281,573)	(1,188,377)	(663,337)	(27,853,748)
Net receivables	\$ 564,932	\$ 5,102,450	\$ 23,137,308	\$ 7,825,619	\$ 2,026,677	\$ 147,808	\$ 999,973	\$ 255,316	\$ 439,518	\$ 40,499,601

Republic of the Marshall Islands

Notes to Financial Statements, continued

3. Receivables, continued

Discretely Presented Component Units, continued

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

Marshall Islands Development Bank (MIDB):

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

Leases receivable of the discretely presented component units, as lessors, are as follows:

Marshall Islands Development Bank (MIDB):

MIDB is a lessor for non-cancelable leases of buildings and office space. The terms of the agreements range from 1 to 5 years generally at fixed monthly payments with no variable payments or escalation clauses. In accordance with GASB Statement No. 87, *Leases*, MIDB recognizes a lease receivable and a deferred inflow of resources at commencement of the lease term. As of September 30, 2022, lease receivables and deferred inflow of resources associated with MIDB's leases totaled \$226,887 and \$226,400, respectively.

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2022, are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 96,688	\$ 10,112	\$ 106,800
2024	82,828	5,189	88,017
2025	35,362	1,730	37,092
2026	<u>12,009</u>	<u>231</u>	<u>12,240</u>
	<u>\$ 226,887</u>	<u>\$ 17,262</u>	<u>\$ 244,149</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

3. Receivables, continued

Discretely Presented Component Units, continued

Marshall Islands Marine Resources Authority (MIMRA):

MIMRA is a lessor for non-cancelable leases of land and buildings. The terms of the agreements range from 10 to 15 years generally at fixed monthly payments with no variable payments or escalation clauses. In accordance with GASB Statement No. 87, *Leases*, MIMRA recognizes a lease receivable and a deferred inflow of resources at commencement of the lease term. As of September 30, 2022, lease receivables and deferred inflow of resources associated with MIMRA's leases totaled \$120,205 and \$116,840, respectively.

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2022, are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,789	\$ 15,898	\$ 21,687
2024	6,617	15,069	21,686
2025	7,565	14,122	21,687
2026	8,648	13,039	21,687
2027	9,886	11,800	21,686
2028 - 2032	56,553	34,879	91,432
2033 - 2036	<u>25,147</u>	<u>6,333</u>	<u>31,480</u>
	<u>\$ 120,205</u>	<u>\$ 111,140</u>	<u>\$ 231,345</u>

RMI Ports Authority (RMIPA):

RMIPA is a lessor for non-cancelable leases for various long-term leases of certain spaces at the Amata Kabua International Airport, container yards and warehouse spaces located at the Port of Majuro. The terms of the agreements range from 2 to 10 years generally at fixed monthly payments with no variable payments or escalation clauses. In accordance with GASB Statement No. 87, *Leases*, RMIPA recognizes a lease receivable and a deferred inflow of resources at commencement of the lease term. As of September 30, 2022, lease receivables and deferred inflow of resources associated with RMIPA's leases totaled \$595,415 and \$549,562, respectively.

Republic of the Marshall Islands

Notes to Financial Statements, continued

3. Receivables, continued

Discretely Presented Component Units, continued

RMI Ports Authority (RMIPA), continued:

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2022, are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 119,409	\$ 73,243	\$ 192,652
2024	137,660	55,949	193,609
2025	88,753	39,948	128,701
2026	94,830	27,969	122,799
2027	34,766	18,022	52,788
2028 - 2032	<u>119,997</u>	<u>36,754</u>	<u>156,751</u>
	<u>\$ 595,415</u>	<u>\$ 251,885</u>	<u>\$ 847,300</u>

4. Interfund Receivables and Payables

Primary Government

Receivables and payables between funds reflected as due to/from other funds in the governmental funds balance sheet as of September 30, 2022, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	Grants Assistance	\$ 13,479,155	\$ 13,479,155
Grants Assistance	General	13,531,924	13,531,924
Nonmajor governmental funds	General	4,869,099	4,869,099
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	1,256,749	-
Fiduciary Funds - Private Purpose Trust	General	-	1,381,889
Fiduciary Funds - Custodial	General	-	<u>164,484</u>
		33,136,927	33,426,551
Fiduciary Funds - Private Purpose Trust	General	1,381,889	-
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	-	1,256,749
Fiduciary Funds - Custodial	General	<u>164,484</u>	<u>-</u>
		<u>\$ 34,683,300</u>	<u>\$ 34,683,300</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

4. Interfund Receivables and Payables, continued

Primary Government, continued

Receivables and payables reflected as due to/from component units as of September 30, 2022, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental activities:		
Marshall Islands Development Bank	\$ ---	\$ <u>871,960</u>
General Fund:		
Marshalls Energy Company, Inc.	5,104,165	---
Marshall Islands Development Bank	1,792,000	---
Marshall Islands Marine Resources Authority	---	330,000
RMI Ports Authority	---	152,678
Nonmajor component units	<u>---</u>	<u>69,063</u>
	<u>6,896,165</u>	<u>551,741</u>
	<u>\$6,896,165</u>	<u>\$1,423,701</u>

The amount recorded by the General Fund due from Marshalls Energy Company, Inc. of \$5,104,165 represents a subsidiary loan agreement under an Asian Development Bank (ADB) loan (Loan Number 2659 RMI (SF)) received by RepMar from the ADB. Interest accrues at the rate of 1.5% per annum with monthly principal and interest payments due of \$37,960 and matures on May 31, 2035.

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

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 381,574	\$ 73,946	\$ 455,520
2024	387,337	68,183	455,520
2025	393,187	62,333	455,520
2026	399,126	56,394	455,520
2027	405,154	50,366	455,520
2028-2032	2,119,430	158,170	2,277,600
2033-2035	<u>1,018,357</u>	<u>18,086</u>	<u>1,036,443</u>
	<u>\$5,104,165</u>	<u>\$487,478</u>	<u>\$5,591,643</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

4. Interfund Receivables and Payables, continued

Primary Government, continued

The amount recorded by the General Fund due from Marshall Islands Development Bank (MIDB) of \$1,792,000 includes \$800,000 that represents a subsidiary loan agreement received by RepMar from the International Cooperation and Development Fund (ICDF). Total available subsidiary loan of \$4,000,000 was divided into four drawdowns of \$1,000,000 each. Loan drawdowns commenced in 2019 with repayment commencing on December 15, 2021 in bi-monthly installments with interest at the rate of 2% per annum. Loan repayments will be based on total drawdowns made up to 2021.

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$200,000	\$16,000	\$216,000
2024	400,000	10,000	410,000
2025	<u>200,000</u>	<u>2,000</u>	<u>202,000</u>
	<u>\$800,000</u>	<u>\$28,000</u>	<u>\$828,000</u>

The remaining amount recorded by the General Fund due from MIDB of \$992,000 represents unexpended amount received from RepMar for the purpose of administering the Senior Citizens Housing Support project. As of September 30, 2022, MIDB has yet to commence the project and, in accordance with the memorandum of understanding, unexpended proceeds amounting to \$992,000 are recorded as due from component units.

The amount recorded as due from component units of the primary government of \$6,896,165 does not equal the corresponding due to primary government of the discretely presented component units of \$11,298,769 due to an allowance for doubtful accounts recorded by the General Fund and the Grants Assistance Fund of \$2,802,604 and \$1,600,000, respectively. The amount recorded as due to component units of the primary government of \$1,423,701 does not equal the corresponding due from primary government of the discretely presented component units of \$871,960 due to a \$551,741 allowance for doubtful accounts recorded by the respective component units.

Due to component units includes \$871,960 due to MIDB, which represents amounts drawn down on a \$6,000,000 loan facility to provide additional funds to supplement the General Fund's subsidy to Tobolar Copra Processing Authority as a result of the increase in the price of copra.

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

4. Interfund Receivables and Payables, continued

Primary Government, continued

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

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

Discretely Presented Component Units

Receivables and payables reflected as due to/from primary government as of September 30, 2022, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Air Marshall Islands, Inc.:		
General Fund	\$ ---	\$ 1,516,890
Grants Assistance Fund	---	1,600,000
Marshall's Energy Company, Inc.:		
General Fund	---	5,104,165
Marshall Islands Development Bank:		
Governmental activities	871,960	---
General Fund	---	1,792,000
Marshall Islands National Telecommunications Authority:		
General Fund	---	1,000,000
RMI Ports Authority:		
General Fund	<u>---</u>	<u>285,714</u>
	<u>\$871,960</u>	<u>\$11,298,769</u>

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

5. Indefeasible Right of Use (IRU)

In 2009, the Marshall Islands National Telecommunications Authority (MINTA) entered into an IRU Capital Lease agreement with a third party for the exclusive use of 8 wave lengths of fiber capacity of the two fibers of the Kwajalein Cable System (KCS) which runs between Guam and Kwajalein and which is known as the “HANTRU1 System”. Under the terms of the agreement, MINTA made certain payments of \$6,500,091. The initial term of the agreement is for a period of 10 years commencing on the date MINTA is initially granted access, and which term is automatically renewable for a further 10-year period and an additional 5-year period thereafter. Prior to the tenth and twentieth anniversary dates, MINTA has the option to terminate this agreement; however, such is subject to prior approval of the Rural Utilities Services (RUS) of the U.S. Department of Agriculture. MINTA’s policy is to amortize the right of use over the 25-year period. As of September 30, 2022, accumulated amortization expense of \$3,206,712 has been recorded.

6. Capital Assets

Capital asset activities for the year ended September 30, 2022, are as follows:

Primary Government

	Estimated Useful Lives	Balance October 1, 2021	Additions	Transfers	Retirements	Balance September 30, 2022
Depreciable capital assets:						
Buildings	20 - 40 yrs	\$ 116,063,628	\$ ---	\$ 7,910,772	\$ (591,041)	\$ 123,383,359
Water infrastructure system	25 yrs	9,261,029	---	---	---	9,261,029
Docks, roads and bridges	25 - 30 yrs	20,710,923	---	1,283,104	---	21,994,027
Ships	25 yrs	11,123,000	---	---	---	11,123,000
Software	10 yrs	3,743,327	65,304	---	---	3,808,631
Heavy equipment	3 - 10 yrs	8,681,719	2,556,075	---	(503,748)	10,734,046
		<u>169,583,626</u>	<u>2,621,379</u>	<u>9,193,876</u>	<u>(1,094,789)</u>	<u>180,304,092</u>
Less accumulated depreciation:						
Buildings		(56,872,247)	(2,878,466)	---	279,792	(59,470,921)
Water infrastructure system		(9,261,029)	---	---	---	(9,261,029)
Docks, roads and bridges		(16,177,929)	(512,483)	---	---	(16,690,412)
Ships		(9,118,440)	(952,560)	---	---	(10,071,000)
Software		(2,343,676)	(246,959)	---	---	(2,590,635)
Heavy equipment		<u>(4,806,777)</u>	<u>(1,037,097)</u>	---	488,249	<u>(5,355,625)</u>
		<u>(98,580,098)</u>	<u>(5,627,565)</u>	---	<u>768,041</u>	<u>(103,439,622)</u>
Total depreciable capital assets, net		71,003,528	(3,006,186)	9,193,876	(326,748)	76,864,470
Nondepreciable capital assets:						
Construction in progress		<u>23,893,052</u>	<u>4,650,969</u>	<u>(9,193,876)</u>	---	<u>19,350,145</u>
		<u>\$ 94,896,580</u>	<u>\$ 1,644,783</u>	<u>\$ ---</u>	<u>\$ (326,748)</u>	<u>\$ 96,214,615</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

6. Capital Assets, continued

Primary Government, continued

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

Public Service Commission	\$ 15,000
Education, Sports and Training	1,718,222
Health and Human Services	796,284
Transportation, Communication and Information Technology	182,139
Natural Resources and Commerce	22,600
Culture and Internal Affairs	71,990
Justice, Immigration and Labor	200,841
Finance, Banking and Postal Services	48,420
Foreign Affairs and Trade	250,040
Works, Infrastructure and Utilities	2,262,906
President and Cabinet	10,958
Chief Secretary	9,775
Nitijela	<u>38,390</u>
	<u>\$ 5,627,565</u>

Discretely Presented Component Units

	Estimated Useful Lives	Balance October 1, 2021	Additions	Retirements	Balance September 30, 2022
Depreciable capital assets:					
Buildings	3 - 34 yrs	\$ 25,722,926	\$ 413,902	\$ (675,988)	\$ 25,460,840
Utility plant	3 - 40 yrs	120,380,338	6,926,622	(158,041)	127,148,919
Vessels	25 yrs	9,878,861	-	-	9,878,861
Machinery and equipment	2 - 25 yrs	54,050,971	3,851,674	(2,027,103)	55,875,542
Infrastructure	5 - 50 yrs	<u>89,044,521</u>	<u>-</u>	<u>-</u>	<u>89,044,521</u>
		299,077,617	11,192,198	(2,861,132)	307,408,683
Less accumulated depreciation		<u>(189,401,822)</u>	<u>(12,506,403)</u>	<u>1,797,745</u>	<u>(200,110,480)</u>
Total depreciable capital assets, net		109,675,795	(1,314,205)	(1,063,387)	107,298,203
Nondepreciable capital assets:					
Construction in progress		<u>3,014,538</u>	<u>14,774,417</u>	<u>(3,690,942)</u>	<u>14,098,013</u>
		<u>\$ 112,690,333</u>	<u>\$ 13,460,212</u>	<u>\$(4,754,329)</u>	<u>\$ 121,396,216</u>

7. Leases

Primary Government

The primary government has executed leases for land and building space. The terms of the agreements range from 1 to 55 years generally at fixed monthly payments with no variable payments or escalation clauses. The calculated interest rates used were between 2.9% and 4.1%.

Republic of the Marshall Islands

Notes to Financial Statements, continued

7. Leases, continued

Primary Government, continued

Lease asset activities for the year ended September 30, 2022, were as follows:

	October 1, 2021	Additions	Transfers and Disposals	September 30, 2022
Right-to-use assets	\$ 30,514,040	\$ ---	\$ ---	\$ 30,514,040
Less accumulated amortization	---	(1,539,174)	---	(1,539,174)
	<u>\$ 30,514,040</u>	<u>\$ (1,539,174)</u>	<u>\$ ---</u>	<u>\$ 28,974,866</u>

The following is a summary of principal and interest requirements to maturity for lease liabilities of the primary government, as lessee, as of September 30, 2022:

Year ending September 30,	Principal	Interest	Total
2023	\$ 974,329	\$ 989,203	\$ 1,963,532
2024	770,209	958,741	1,728,950
2025	736,023	934,391	1,670,414
2026	715,939	911,201	1,627,140
2027	735,424	887,420	1,622,844
2028 - 2032	4,013,697	4,058,860	8,072,557
2033 - 2037	4,663,805	3,361,293	8,025,098
2038 - 2042	5,671,538	2,517,461	8,188,999
2043 - 2047	4,633,122	1,584,566	6,217,688
2048 - 2052	1,299,999	1,143,390	2,443,389
2053 - 2057	1,475,494	857,191	2,332,685
2058 - 2062	1,585,290	554,556	2,139,846
2063 - 2067	1,494,823	206,915	1,701,738
2068 - 2072	144,684	35,550	180,234
2073 - 2077	98,281	8,779	107,060
	<u>\$ 29,012,657</u>	<u>\$ 19,009,517</u>	<u>\$ 48,022,174</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

7. Leases, continued

Discretely Presented Component Units

Lease asset activities for the year ended September 30, 2022, were as follows:

	October 1, 2021	Additions	Transfers and Disposals	September 30, 2022
Right-to-use assets	\$ 2,887,166	\$ 43,196	\$ -	\$ 2,930,362
Less accumulated amortization	<u>-</u>	<u>(233,979)</u>	<u>-</u>	<u>(233,979)</u>
	<u>\$ 2,887,166</u>	<u>\$ (190,783)</u>	<u>\$ -</u>	<u>\$ 2,696,383</u>

The following is a summary of principal and interest requirements to maturity for lease liabilities of the discretely presented component units, as lessees, as of September 30, 2022:

Year ending September 30,	Principal	Interest	Total
2023	\$ 220,362	\$ 208,338	\$ 428,700
2024	218,786	192,629	411,415
2025	177,814	179,066	356,880
2026	125,535	169,548	295,083
2027	77,692	162,474	240,166
2028 - 2032	347,334	717,949	1,065,283
2033 - 2037	376,007	582,422	958,429
2038 - 2042	413,600	392,882	806,482
2043 - 2047	495,096	155,030	650,126
2048 - 2052	52,449	27,371	79,820
2053 - 2057	59,240	20,580	79,820
2058 - 2062	64,409	12,606	77,015
2063 - 2067	54,600	5,720	60,320
2068 - 2072	<u>45,233</u>	<u>1,650</u>	<u>46,883</u>
	<u>\$ 2,728,157</u>	<u>\$ 2,828,265</u>	<u>\$ 5,556,422</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

8. Long-term Debt

Primary Government

Under the Government Borrowing Act of 1985, RepMar may borrow money for such purposes as approved by the Nitijela of RepMar. As of September 30, 2022, the primary government had the following long-term debt outstanding and payable:

	<u>Dated Date</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding Amount</u>
Asian Development Bank (ADB):				
Loan No. 1102 MAR (SF) Fisheries Development Project	November 28, 1991	1%	July 1, 2031	\$ 956,640
Loan No. 1218 MAR (SF) Typhoon Rehabilitation	January 29, 1993	1%	November 15, 2032	208,235
Loan No. 1249 MAR (SF) Basic Education Project	November 17, 1993	1%	October 15, 2033	3,082,850
Loan No. 1250 MAR (SF) Majuro Water Supply Project #1	November 17, 1993	1%	May 15, 2033	239,558
Loan No. 1316 RMI (SF) Health and Population Project	February 24, 1995	1%	July 1, 2034	2,272,612
Loan No. 1389 RMI (SF) Majuro Water Supply Project #2	February 1, 1996	1%	September 1, 2035	3,743,139
Loan No. 1513 RMI (SF) Public Sector Reform Program	January 30, 1997	1%	December 1, 2036	6,323,907
Loan No. 1694 RMI (SF) Ebeye Health and Infrastructure Project	October 8, 1999	1.5%	August 1, 2031	2,965,603
Loan No. 1791 RMI (SF) Skills Training and Vocational Education Project	January 11, 2001	1.5%	November 15, 2032	1,916,812
Loan No. 1829 RMI (SF) Fiscal and Financial Management Program #2	June 22, 2001	1.5%	May 15, 2025	1,572,931
Loan No. 1948 RMI (SF) Outer Island Transport Infrastructure Project	February 14, 2003	1.5%	August 1, 2034	182,742
Loan No. 2659 RMI (SF) Public Sector Reform Sub Program #1	September 8, 2010	1.5%	August 15, 2034	6,136,667
Loan No. 2950 RMI (SF) Public Sector Reform Sub Program #2	December 13, 2012	1.5%	November 15, 2036	<u>3,748,613</u>
				<u>33,350,309</u>
International Cooperation and Development Fund (ICDF):				
Home Energy Efficiency and Renewable Energy Project	November 8, 2016	2%	May 8, 2032	822,033
Track and Field 2022 Micronesian Games Project	August 16, 2019	2%	March 15, 2052	<u>6,158,000</u>
				<u>6,980,033</u>
				<u>\$40,330,342</u>

Asian Development Bank Loans:

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

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

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

8. Long-term Debt, continued

Primary Government, continued

Asian Development Bank Loans, continued:

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

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

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

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

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

8. Long-term Debt, continued

Primary Government, continued

Asian Development Bank Loans, continued:

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

The abovementioned ADB loans payable are uncollateralized and are backed by the full faith and credit of RepMar. The abovementioned loans are designated and measured by the ADB using Special Drawing Rights (SDRs). The value of a SDR is defined by a weighted currency basket of five major currencies: the U.S. Dollar, the Chinese Yuan, the Euro, the British Pound, and the Japanese Yen. Accordingly, ADB loans payable denominated in SDR are subject to remeasurement at the year-end SDR exchange rate. In addition, the International Monetary Fund (IMF) re-evaluates this currency basket every five years. The effects of foreign currency transaction gains or losses resulting from year-end remeasurement or IMF re-evaluation are included in the government-wide financial statements in the period when such remeasurement or re-evaluation occurs. During the year ended September 30, 2022, RepMar recognized a foreign exchange gain of \$4,959,567 associated with year-end remeasurement, which results in a decrease in ADB loans payable.

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,150,698	\$ 405,966	\$ 3,556,664
2024	3,150,698	365,352	3,516,050
2025	3,150,698	324,737	3,475,435
2026	2,626,387	286,089	2,912,476
2027	2,626,387	253,339	2,879,726
2028 - 2032	12,699,308	776,918	13,476,226
2033 - 2037	<u>5,946,133</u>	<u>137,232</u>	<u>6,083,365</u>
	<u>\$33,350,309</u>	<u>\$2,549,633</u>	<u>\$35,899,942</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

8. Long-term Debt, continued

Primary Government, continued

Asian Development Bank Loans, continued:

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

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

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

International Cooperation and Development Fund (ICDF) Loans:

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

The RMI Track and Field Project loan in the amount of \$6,158,000 is to provide funding for the construction of a track and field for the purpose of hosting the 2023 Micronesian Games.

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

8. Long-term Debt, continued

Primary Government, continued

International Cooperation and Development Fund (ICDF) Loans, continued:

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 100,000	\$ 139,101	\$ 239,101
2024	100,000	137,101	237,101
2025	100,000	135,101	235,101
2026	218,423	133,101	351,524
2027	336,846	127,548	464,394
2028 - 2032	1,506,264	539,025	2,045,289
2033 - 2037	1,184,231	408,560	1,592,791
2038 - 2042	1,184,231	290,137	1,474,368
2043 - 2047	1,184,231	171,713	1,355,944
2048 - 2052	<u>1,065,807</u>	<u>53,290</u>	<u>1,119,097</u>
	<u>\$6,980,033</u>	<u>\$2,134,677</u>	<u>\$9,114,710</u>

ICDF loans are governed by the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Lender (the “General Conditions”), which set forth covenants to ensure compliance with the terms and conditions of the Projects during the implementation phase and payment of debt service. The primary requirements of the General Conditions are summarized below:

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

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

8. Long-term Debt, continued

Primary Government, continued

Changes in long-term debt of the primary government for the year ended September 30, 2022 was as follows:

	Balance October 1, 2021	Additions	Reductions	Balance September 30, 2022	Due Within One Year
Loans payable:					
ADB loans	\$41,748,712	\$ ---	\$(8,398,403)	\$33,350,309	\$3,150,698
ICDF loans	7,158,000	---	(177,967)	6,980,033	100,000
	<u>\$48,906,712</u>	<u>\$ ---</u>	<u>\$(8,576,370)</u>	<u>\$40,330,342</u>	<u>\$3,250,698</u>

Discretely Presented Component Units

As of September 30, 2022, the discretely presented component units had the following long-term debt outstanding and payable:

	Dated Date	Interest Rate	Final Maturity	Outstanding Amount
Marshall Islands National Telecommunications Authority:				
Rural Utilities Service (RUS) mortgage note (Loan A)	June 4, 1992	5.00%	June 4, 2027	\$ 3,546,468
Rural Utilities Service (RUS) mortgage note (Loan C)	March 12, 2009	3.64% - 5.00%	March 12, 2041	10,409,430
				<u>13,955,898</u>
Majuro Resort, Inc.:				
Bank loan	February 3, 2022	4.00%	September 28, 2037	<u>520,000</u>
				<u>\$14,475,898</u>

Marshall Islands National Telecommunications Authority (MINTA):

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

The respective RUS Loan Agreements set forth covenants to ensure proper operation and maintenance of the telecommunications system and payment of debt service, including a requirement to meet the required times interest earned ratio (TIER).

Republic of the Marshall Islands

Notes to Financial Statements, continued

8. Long-term Debt, continued

Discretely Presented Component Units, continued

Marshall Islands National Telecommunications Authority (MINTA), continued:

The primary requirements of the loan agreements are summarized below:

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

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

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

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

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 719,520	\$ 272,545	\$ 992,065
2024	733,852	258,213	992,065
2025	749,030	243,035	992,065
2026	763,974	228,091	992,065
2027	779,395	212,670	992,065
2028 - 2032	4,139,269	821,055	4,960,324
2033 - 2037	3,839,913	403,290	4,243,203
2038 - 2041	<u>2,230,945</u>	<u>78,992</u>	<u>2,309,937</u>
	<u>\$13,955,898</u>	<u>\$2,517,891</u>	<u>\$16,473,789</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

8. Long-term Debt, continued

Discretely Presented Component Units, continued

Majuro Resort, Inc. (MRI):

The Loan Agreement, dated February 3, 2022, sets forth covenants to ensure payment of debt service. The primary requirements of the agreement are summarized below:

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

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

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ ---	\$ 20,857	\$ 20,857
2024	17,054	20,685	37,739
2025	30,394	19,454	49,848
2026	31,522	18,326	49,848
2027	32,806	17,042	49,848
2028 - 2032	185,124	64,115	249,239
2033 - 2037	<u>223,100</u>	<u>23,133</u>	<u>246,233</u>
	<u>\$520,000</u>	<u>\$183,612</u>	<u>\$703,612</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

9. Change in Long-Term Obligations

Primary Government

Long-term liabilities will be liquidated in the future primarily from the General Fund and the Grants Assistance Fund. During the year ended September 30, 2022, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net position:

	Balance October 1, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2022	Due Within <u>One Year</u>
Due to component units	\$ 3,537,760	\$ ---	\$(2,114,059)	\$ 1,423,701	\$1,423,701
Other:					
Lease liabilities	30,514,040	---	(1,501,383)	29,012,657	974,329
Compensated absences	<u>4,304,592</u>	<u>409,990</u>	<u>---</u>	<u>4,714,582</u>	<u>2,277,045</u>
	<u>\$38,356,392</u>	<u>\$409,990</u>	<u>\$(3,615,442)</u>	<u>\$35,150,940</u>	<u>\$4,675,075</u>

Discretely Presented Component Units

Changes in long-term liabilities of discretely presented component units for the year ended September 30, 2022, are as follows:

	Balance October 1, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2022	Due Within <u>One Year</u>
Due to primary government:					
AMI	\$ 3,116,890	\$ ---	\$ ---	\$ 3,116,890	\$ ---
MEC	5,479,955	---	(375,790)	5,104,165	381,574
MIDB	1,000,000	992,000	(200,000)	1,792,000	1,192,000
MINTA	1,000,000	---	---	1,000,000	300,000
RMIPA	285,714	---	---	285,714	285,714
Loans payable:					
MINTA	14,661,220	---	(705,322)	13,955,898	719,520
TCPA	174,557	---	(174,557)	---	---
MRI	---	520,000	---	520,000	---
Other:					
Lease liabilities	<u>2,887,166</u>	<u>43,196</u>	<u>(202,205)</u>	<u>2,728,157</u>	<u>220,362</u>
	<u>\$28,605,502</u>	<u>\$1,555,196</u>	<u>\$(1,657,874)</u>	<u>\$28,502,824</u>	<u>\$3,099,170</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

10. Fund Balances

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

	General	Grants Assistance	Compact Trust	Nonmajor Governmental Funds	Totals
Fund balances:					
Nonspendable:					
Investment – PIDB	\$ 2,990,250	\$ ---	\$ ---	\$ ---	\$ 2,990,250
Loan receivable - MEC	5,104,165	---	---	---	5,104,165
Loan receivable - MIDB	1,792,000	---	---	---	1,792,000
Permanent fund principal	---	---	93,762,150	---	93,762,150
Restricted:					
Education and health	---	255,152	---	1,500	256,652
Capacity building	---	163,374	---	---	163,374
Environmental	---	92,693	---	---	92,693
Infrastructure maintenance	---	2,606,895	---	---	2,606,895
Disaster assistance	---	4,788,647	---	---	4,788,647
Compact – other	---	42,663	---	---	42,663
ADB loan # 2659 sinking fund	2,367,338	---	---	---	2,367,338
World Bank	---	2,707,125	---	---	2,707,125
Credit card collateralization	62,500	---	---	---	62,500
Nuclear claims related	---	---	---	687,288	687,288
Other	---	541,334	---	---	541,334
Committed:					
Judiciary	---	---	---	613,511	613,511
Education and health	---	---	---	5,777,258	5,777,258
Capital projects	---	3,277,857	---	---	3,277,857
Environment	---	---	---	484,025	484,025
Other	14,251	---	---	1,905,958	1,920,209
Unassigned	<u>14,499,577</u>	<u>(121,759)</u>	<u>---</u>	<u>---</u>	<u>14,377,818</u>
	<u>\$26,830,081</u>	<u>\$14,353,981</u>	<u>\$93,762,150</u>	<u>\$9,469,540</u>	<u>\$144,415,752</u>

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

	Balance October 1, 2021	Revenues	Expenditures	Balance September 30, 2022
Pacific Resilience Project II	\$ ---	\$ 3,731,606	\$ 2,296,386	\$1,435,220
Sustainable Energy Development Project	---	2,495,033	2,495,033	---
RMI Maritime Investment Project	---	2,143,687	1,927,183	216,504
Strengthen Budget Execution and Financial Reporting	---	1,300,177	1,300,177	---
Multisectoral Early Childhood Development Project	---	1,544,217	1,192,613	351,604
Digital RMI Project	---	1,378,699	1,378,699	---
Education and Skills Strengthening Project	5,313	764,457	137,160	632,610
COVID-19 Emergency Response	<u>94,567</u>	<u>---</u>	<u>23,380</u>	<u>71,187</u>
	<u>\$99,880</u>	<u>\$13,357,876</u>	<u>\$10,750,631</u>	<u>\$2,707,125</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

11. Employee Retirement Plan

The Government-Employee Retirement Plan was created by Public Law 2019-104 for the purpose of establishing a defined contribution retirement savings plan (the Plan) for RepMar employees, whereby employees eighteen years and older are eligible to participate upon regularization of employment. Plan participants may contribute any amount of their salaries to be matched 100% by RepMar up to 3% of base salaries. Withdrawal from the Plan occurs upon termination of employment, death, or financial hardship. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. RepMar contributed \$112,397 to Plan participant accounts during the year ended September 30, 2022, and total combined Plan assets were \$535,285 as of September 30, 2022.

12. Restricted Assets

Primary Government

Restricted cash and cash equivalents of the primary government represents escrow account established for the benefit of landowners of Kwajalein Atoll for \$294,253; savings account established in accordance with Section 211(d)(2) of the Compact of Free Association, as amended, for the purpose of funding RepMar's infrastructure maintenance plan for \$2,843,456; savings account established in accordance with Section 211(e) of the Compact of Free Association, as amended, for the purpose of funding RepMar's disaster assistance emergency fund for \$4,612,597; savings accounts collateralizing a credit card facility for \$62,500; deposit account established in accordance with ADB Loan 2659-RMI (SF) for the purpose of funding loan debt service payments for \$2,367,338; and savings account established for the purpose of accounting for funds held by RepMar in a custodial capacity relating to unclaimed property for \$113,341.

Restricted investments of the primary government represent investments held in a trust fund for the purpose of accumulating resources to fund RepMar government operations after fiscal year 2023 for \$93,762,150.

Discretely Presented Component Units

Restricted cash and cash equivalents of the discretely presented component units represents deposit account established by Marshalls Energy Company, Inc. in accordance with ADB Loan 2659-RMI (SF) for the purpose of funding repairs and maintenance for \$175,598; and savings account established by the Marshall Islands Development Bank collateralizing loans funded by Rural Housing Service for \$534,650.

Republic of the Marshall Islands

Notes to Financial Statements, continued

13. Operating Transfers In/Out

Operating transfers in/out for each major governmental fund and nonmajor governmental funds in the aggregate, for the year ended September 30, 2022, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Compact Trust Fund	\$ 5,000,000	\$ ---
Grant Assistance Fund	561,645	622,100
Nonmajor governmental funds	<u>2,021,068</u>	<u>878,144</u>
	<u>7,582,713</u>	<u>1,500,244</u>
Grants Assistance Fund:		
General Fund	622,100	561,645
Nonmajor governmental funds	<u>2,668,318</u>	<u>---</u>
	<u>3,290,418</u>	<u>561,645</u>
Compact Trust Fund:		
General Fund	<u>---</u>	<u>5,000,000</u>
Nonmajor governmental funds:		
General Fund	878,144	2,021,068
Grants Assistance Fund	<u>-</u>	<u>2,668,318</u>
	<u>878,144</u>	<u>4,689,386</u>
	<u>\$ 11,751,275</u>	<u>\$ 11,751,275</u>

Transfers are used to 1) move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) record reductions in interfund loans for amounts that are not expected to be repaid. Specifically, RepMar transferred \$5,000,000 from the General Fund to the Compact Trust Fund as a net trust fund contribution; \$2,021,068 from the General Fund to the Nonmajor Governmental Funds to finance Judicial branch operations and scholarships; \$2,668,318 from the Grants Assistance Fund to the Nonmajor Governmental Funds to finance scholarships and Four-atoll medical costs; \$878,144 from the Nonmajor Governmental Funds to the General Fund to fund general operations; \$561,645 from the General Fund to the Grants Assistance Fund to fund general operations; and \$622,100 from the Grants Assistance Fund to the General Fund to finance scholarships.

Republic of the Marshall Islands

Notes to Financial Statements, continued

14. Compact Trust Fund

Section 216(a) of the Compact, as amended, provides for annual contributions from the United States into a trust fund established in accordance with the Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended, Regarding a Trust Fund (Trust Fund Agreement). The contributions by the United States were conditioned upon RepMar contributing to the trust fund at least \$25,000,000 on October 1, 2003, \$2,500,000 prior to October 1, 2004, and a final \$2,500,000 prior to October 1, 2005. As of September 30, 2022, RepMar has contributed the required amounts to the “A Account” as required under Article 16 of the Trust Fund Agreement; however, Article 21 of the Trust Fund Agreement states that the United States may withdraw the Present Market Value of its contributions to the “A Account” if certain events occur.

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

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

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

RepMar - “A Account” and “C Account”	\$83,182,204
RepMar - “D Account”	<u>10,579,946</u>
	<u>\$93,762,150</u>

As of September 30, 2022, the fair market value of contributions to the Compact Trust Fund “A Account” by the United States and the Republic of China, including associated undistributed income, and the related “C Account” is as follows:

United States - “A Account” and “C Account”	\$423,291,149
Republic of China - “A Account” and “C Account”	<u>61,084,169</u>
	<u>\$484,375,318</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

15. Contingencies and Commitments

Economic Dependency

During the year ended September 30, 2022, RepMar's General Fund recorded contributions from the Marshall Islands Marine Resources Authority (MIMRA) of \$26,200,000, which represents 29% of total General Fund revenues. These contributions represent fisheries revenues collected by MIMRA and, as a result, the General Fund is economically dependent upon such contributions. If a significant reduction in the level of budgetary support from MIMRA due to the migratory nature of this economic resource were to occur, it may influence the General Fund's programs and activities.

Nuclear Claims Trust Fund (NCTF)

Section 177(c) of the Compact of Free Association (the Compact) provides, on a one-time grant basis, the amount of \$150,000,000 to RepMar to be used to establish a trust fund from which annual distributions are to be made in accordance with Article II of the Agreement between the Government of the United States and RepMar for Implementation of Section 177 of the Compact (the Agreement). Pursuant to the Agreement, RepMar established the NCTF from which these distributions are made. Over a period of fifteen years, the Nuclear Claims Tribunal (NCT) received \$45,750,000 from the NCTF that was made available for whole or partial payment of monetary awards. As of September 30, 2022, NCT has committed to the distribution of monetary awards for personal injury claims of \$23,159,963 and of property damage claims of \$2,284,108,436. Accordingly, to satisfy these claims, additional funds will have to be made available from a renegotiated financial settlement of damages with the United States.

Federal Grants

RepMar participates in several federally assisted grant programs and other various U.S. Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Questioned costs relating to fiscal years 2005 through 2022 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2022. In addition, RepMar is considered to have responsibility for any questioned costs that may result from Single Audits of subgrantees who have not satisfied the audit requirements of OMB Circular A-133 or the OMB Uniform Guidance. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

Insurance Coverage

RepMar does not maintain insurance coverage for a significant amount of capital assets. In the event of a catastrophe, RepMar may be self-insured to a material extent.

Republic of the Marshall Islands

Notes to Financial Statements, continued

15. Contingencies and Commitments, continued

Litigation

RepMar is party to various legal proceedings, many of which are normal recurrences in governmental operations. The Attorney General of RepMar is of the opinion that the probable outcome of suits existing as of September 30, 2022 is not predictable. No provision for any liability has been made in the accompanying financial statements because management believes that no unfavorable outcome is likely to occur.

Marshall Islands Social Security Administration (MISSA)

In 2019, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2018. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of \$428,740,000 and \$79,270,000, respectively, as of October 1, 2018. The funded ratio of the Retirement Fund as of October 1, 2017 is 18%. As of September 30, 2022, MISSA recorded total fund equity of \$95,195,890 in the Retirement Fund, as funds available to fund future benefit obligations. These conditions indicate that MISSA may be unable to meet its future benefit obligations.

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, 2022 is \$14,253,271.

Leases

Marshall Islands National Telecommunications Authority (MINTA) has entered operating lease for office space with Marshall Islands Development Bank (MIDB) with a term of one (1) year. MINTA has also executed various circuit leases expiring from 2023 through 2026. Future minimum annual lease payments under these leases are as follows:

<u>Year ending September 30,</u>	<u>Total</u>
2023	\$1,462,512
2024	1,440,912
2025	1,434,912
2026	<u>996,704</u>
	<u>\$5,335,040</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

15. Contingencies and Commitments, continued

Operation, Management and Repair (OM&R) Agreement

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

<u>Year ending September 30,</u>	<u>Total</u>
2023	\$ 111,141
2024	114,475
2025	117,909
2026	121,447
2027	125,090
2028 - 2032	684,044
2033 - 2035	<u>376,787</u>
	<u>\$1,650,893</u>

Trust Company of the Marshall Islands

Under the Joint Venture Agreement, as amended, between RepMar and the Trust Company of the Marshall Islands, Inc. (TCMI) dated September 14, 1990, and as amended August 18, 1995, after meeting certain contractual working capital requirements, annual gross revenues of the programs managed by TCMI are shared using a graduated schedule. In 2002, RepMar agreed to set aside the financial provisions of this Joint Venture Agreement in favor of an annual payment of \$1,000,000, payable in quarterly installments of \$250,000 through December 31, 2006. On December 6, 2006, RepMar agreed to again set aside the financial provisions of this Joint Venture Agreement in favor of an annual payment of \$2,000,000, payable in quarterly installments of \$500,000 through December 31, 2009.

In 2009, RepMar agreed to further amend the financial provisions of this Joint Venture Agreement whereby an annual payment of \$3,000,000 is payable by TCMI through December 31, 2010 in monthly installments of \$250,000, with an effective date of July 1, 2008. For the period January 1, 2011 through December 31, 2013, the annual payment amount increased to \$4,000,000, payable in monthly installments of \$333,333 and further increased to an annual payment amount of \$5,000,000 for the period January 1, 2014 through December 31, 2018, payable in monthly installments of \$416,667.

Republic of the Marshall Islands

Notes to Financial Statements, continued

15. Contingencies and Commitments, continued

Trust Company of the Marshall Islands, continued

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

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

The abovementioned annual payments are contingent upon continued net earnings being generated by TCMI. If net earnings of TCMI fall below 2007 levels, the annual payments are to be adjusted accordingly on a prorated basis. During the year ended September 30, 2022, TCMI made payments of \$11,416,127 to RepMar.

Loan Guarantees

Marshall Islands Development Bank (MIDB) has pledged an escrow account in support of certain USDA Rural Development housing loans, the balance of which amounted to \$11,278,835 as of September 30, 2022. In the event of default, MIDB could be exposed to an amount more than the escrow account balance, an amount that is presently indeterminable. No provision for any liability that may result from this matter has been provided for within the accompanying financial statements.

Budgetary Compliance

For the year ended September 30, 2022, significant over-expenditures exceeding appropriations within the General Fund were as follows:

Centralized Utility Billings - Majuro	\$ <u>318,804</u>
ADB Loan Repayment	\$ <u>1,324,653</u>
Ministry of Finance, Banking and Postal Services	\$ <u>1,243,581</u>
Ministry of Works, Infrastructure and Utilities	\$ <u>707,207</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

15. Contingencies and Commitments, continued

Other Commitments

Significant commitments of the primary government as of September 30, 2022, are as follows:

- a) Guaranteed debt of Marshall Islands National Telecommunications Authority (MINTA) in respect of a loan from RUS with a letter of guarantee. As of September 30, 2022, MINTA had guaranteed RUS debt totaling \$13,955,898.
- b) On October 27, 2016, the Cabinet of RepMar authorized and approved a loan from the International Cooperation and Development Fund (ICDF) for the Home Energy Efficiency and Renewable Energy Projects. On November 8, 2016, RepMar executed a \$4,000,000 loan with ICDF. As of September 30, 2022, \$1,000,000 has been drawn against this loan commitment.
- c) On September 1, 2022, the Cabinet of RepMar authorized and approved a loan guarantee in the amount of \$2,000,000 for a loan from the Marshall Islands Development Bank to Majuro Resort, Inc. As of September 30, 2022, \$520,000 has been drawn against this loan commitment.

16. Subsequent Events

World Bank Projects

The following financing agreements were subsequently executed with the International Development Association (IDA), a member of the World Bank Group:

- a) On May 16, 2023, RepMar executed a financing agreement with IDA for the Pacific Islands Regional Oceanscape Program - Second Phase For Economic Resilience Project in the amount of SDR 13,600,000.
- b) On July 31, 2024, RepMar executed a financing agreement with IDA for the Enhancing Fiscal Management and Building Disaster and Climate Resilience Development Policy Operation Project in the amount of SDR 6,900,000.
- c) On October 22, 2024, RepMar executed a financing agreement with IDA for the Renewable Energy Generation and Access Increase Project in the amount of SDR 45,600,000.

Republic of the Marshall Islands

REQUIRED SUPPLEMENTARY INFORMATION

Year ended September 30, 2022

Republic of the Marshall Islands

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund (Fund 100100)

Year ended September 30, 2022

	Budgeted Amounts		Actual - Budgetary Basis (see Note 1)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 35,569,000	\$ 35,569,000	\$ 35,926,902	\$ 357,902
MI Marine Resources Authority	24,000,000	26,200,000	26,200,000	-
Ship registry	8,000,000	10,000,000	11,416,127	1,416,127
Asian Development Bank grant	-	10,019,878	6,000,000	(4,019,878)
Taiwan grant	4,000,000	4,000,000	4,906,408	906,408
Other grants	-	-	999,389	999,389
Fees and charges	50,000	50,000	28,778	(21,222)
Interest and dividends	100,000	100,000	109,743	9,743
Other	3,419,119	2,955,145	135,093	(2,820,052)
Total revenues	75,138,119	88,894,023	85,722,440	(3,171,583)
Expenditures:				
President and Cabinet	2,265,728	2,285,828	2,263,830	21,998
Office of the Chief Secretary	4,105,068	12,169,623	9,314,662	2,854,961
Special appropriations	20,175,735	20,253,629	19,798,484	455,145
Council of Iroij	527,834	592,675	592,637	38
Nitijela	2,356,430	2,484,218	2,432,112	52,106
Office of the Auditor-General	2,359,885	2,698,508	2,416,263	282,245
Foreign Affairs and Trade	4,224,947	4,673,686	4,594,316	79,370
Public Service Commission	558,929	627,905	650,527	(22,622)
Judiciary	1,471,364	1,431,364	1,316,170	115,194
Office of the Attorney General	1,129,210	1,404,170	1,466,401	(62,231)
Education, Sports and Training	13,375,667	15,600,142	15,371,679	228,463
Health and Human Services	4,917,683	4,696,683	4,841,250	(144,567)
Transportation, Communication and Information Technology	770,241	759,678	576,464	183,214
Natural Resources and Commerce	1,897,742	1,896,375	1,702,119	194,256
Culture and Internal Affairs	3,250,273	3,328,640	3,261,424	67,216
Justice, Immigration and Labor	3,501,445	3,576,787	3,664,239	(87,452)
Finance, Banking and Postal Services	12,099,262	15,576,121	16,819,702	(1,243,581)
Work, Infrastructure and Utilities	7,510,986	7,317,783	8,024,990	(707,207)
Environment	639,689	487,555	464,924	22,631
Total expenditures	87,138,118	101,861,370	99,572,193	2,289,177
Deficiency of revenues under expenditures	(11,999,999)	(12,967,347)	(13,849,753)	(882,406)
Other financing sources(uses):				
Operating transfers in	300,000	1,267,348	878,144	(389,204)
Operating transfers out	-	-	(856,566)	(856,566)
Total other financing sources(uses), net	300,000	1,267,348	21,578	(1,245,770)
	(11,699,999)	(11,699,999)	(13,828,175)	(2,128,176)
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes	11,699,999	11,699,999	8,917,801	(2,782,198)
Net change in fund balance	\$ -	\$ -	\$ (4,910,374)	\$ (4,910,374)

Republic of the Marshall Islands

Notes to Required Supplementary Information - Budgetary Reporting September 30, 2022

(1) Budgetary Information

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

The Budget Act for fiscal year 2022, Public Law No. 2021-32, was passed by the Nitijela on September 30, 2021. 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. A supplemental appropriation was passed by the Nitijela on March 24, 2022 through Public Law No. 2022-41. Unexpended encumbrances at each fiscal year end are carried forward until they are expended or canceled without further legislative action. RepMar does not establish budgets for the operations of its other governmental funds. Encumbrance accounting is employed in governmental funds. For budgetary purposes, the encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent fiscal year.

(2) Reconciliation of Budgetary Schedule

	Net Change In Fund <u>Balance</u>	<u>Reserve for Encumbrances</u>
Budgetary basis - Fund 100100	\$ (4,910,374)	\$ 8,917,801
GASB 54 Funds included within the General Fund:		
PSS Education Fund	46,507	---
Reimbursable Fund	(30,027)	4,594
Judiciary Fund	1,000	---
EPA Fund	2,969	---
Agricultural Supplies Fund	8,350	9,785
ADB Development Fund	<u>(79,169)</u>	<u>392,530</u>
	<u>(50,370)</u>	<u>406,909</u>
General Fund	\$ <u>(4,960,744)</u>	\$ <u>9,324,710</u>

Republic of the Marshall Islands

OTHER SUPPLEMENTARY INFORMATION

Year ended September 30, 2022

Republic of the Marshall Islands

Combining Schedule of Expenditures by Account Governmental Funds

Year ended September 30, 2022

		Special Revenue	Permanent	Other Governmental Funds	Total
	General	Grants Assistance	Compact Trust		
Expenditures:					
Salaries and wages	\$ 29,825,175	\$ 24,227,771	\$ -	\$ 1,851,109	\$ 55,904,055
Grants and subsidies	18,620,097	11,224,452	-	11,800	29,856,349
Contractual services	3,479,030	8,135,535	-	3,007,739	14,622,304
Capital outlay	5,437,399	8,076,533	-	416,782	13,930,714
Professional services	918,344	7,271,334	-	5,243,455	13,433,133
Utilities	5,375,462	1,190,661	-	97,775	6,663,898
Principal repayment	5,417,309	-	-	-	5,417,309
Rentals	2,836,076	2,183,533	-	154,184	5,173,793
Food stuffs	3,772,742	1,264,757	-	85,946	5,123,445
Medical supplies	1,511,183	207,409	-	3,343,538	5,062,130
Travel	1,110,403	1,411,605	-	1,906,861	4,428,869
Financial assistance	2,529,838	465,867	-	1,391,773	4,387,478
Leased housing	2,510,774	390,917	-	91,181	2,992,872
Supplies and materials	616,106	1,955,516	-	385,428	2,957,050
Allowances	1,581,661	68,420	-	102,800	1,752,881
Communications	567,787	583,020	-	188,437	1,339,244
POL	353,531	775,139	-	148,361	1,277,031
Interest	541,179	-	-	-	541,179
Insurance	214,405	131,709	-	43,281	389,395
Freight	149,166	110,304	-	70,119	329,589
Printing and reproduction	104,342	104,715	-	74,385	283,442
Other	2,963,586	3,664,570	-	460,906	7,089,062
	<u>\$ 90,435,595</u>	<u>\$ 73,443,767</u>	<u>\$ -</u>	<u>\$ 19,075,860</u>	<u>\$ 182,955,222</u>

Republic of the Marshall Islands

Combining Schedule of Revenues Governmental Funds

Year ended September 30, 2022

		Special Revenue	Permanent	Other Governmental Funds	Total
	General	Grants Assistance	Compact Trust		
Revenues:					
Taxes:					
Income taxes	\$ 16,788,343	\$ -	\$ -	\$ -	\$ 16,788,343
Import taxes	9,513,519	-	-	-	9,513,519
Gross revenue taxes	8,075,184	-	-	-	8,075,184
Immovable property taxes	783,549	-	-	-	783,549
Fuel taxes	591,433	-	-	-	591,433
Penalties and interest	83,671	-	-	-	83,671
Other	91,202	-	-	-	91,202
Grants:					
Federal	5,000,000	51,936,312	-	-	56,936,312
Taiwan	4,906,408	8,621,402	-	-	13,527,810
World Bank	-	13,357,876	-	-	13,357,876
Asian Development Bank	6,736,671	-	-	-	6,736,671
Japan	999,389	-	-	-	999,389
European Union	-	817,264	-	-	817,264
Other	-	1,580,996	-	864,368	2,445,364
Sales	-	-	-	92,151	92,151
Ship registry	11,416,127	-	-	-	11,416,127
Net change in fair value of investments	-	-	(20,458,268)	-	(20,458,268)
Interest and dividends	109,743	-	-	18,792	128,535
Fees and charges:					
Basic Health Fund collections	-	-	-	8,974,607	8,974,607
Recycling	-	-	-	841,050	841,050
Passport services	-	-	-	688,231	688,231
Non-resident workers	-	-	-	642,693	642,693
Supplemental Health Fund collections	-	-	-	596,022	596,022
Hospital charges	-	-	-	413,622	413,622
Entry permit	-	-	-	201,595	201,595
Work permit	-	-	-	167,180	167,180
Alien registration	-	-	-	162,276	162,276
Other	98,904	-	-	1,104,235	1,203,139
Contributions from component units:					
MI Marine Resources Authority	26,200,000	-	-	-	26,200,000
Other	163,177	-	-	-	163,177
	<u>\$ 91,557,320</u>	<u>\$ 76,313,850</u>	<u>\$ (20,458,268)</u>	<u>\$ 14,766,822</u>	<u>\$ 162,179,724</u>

Republic of the Marshall Islands

GENERAL FUND

September 30, 2022

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. A brief discussion of the funds that comprise the General Fund as of September 30, 2022, follows:

Education Fund

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

Reimbursable Fund

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

Changed Circumstances Fund

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

Judiciary Fund

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

Alternative Energy Fund

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

EPA Fund

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

Republic of the Marshall Islands

GENERAL FUND, CONTINUED

Agricultural Supplies Fund

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

Postal Service Fund

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

Marshall Islands Development Authority (MIDA) Fund

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

Local Government Fund

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

Compact Section 111 Fund

This fund accounts for the receipt and disbursement of funds received under Section 111(d) of the Compact of Free Association Act of 1985 representing the net adverse impacts, offset by the value of additional U.S. federal programs and services provided, based on the loss of Title II benefits. The receipt of these funds are to be deposited into the compact trust fund.

Asian Development Bank (ADB) Development Projects

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

Republic of the Marshall Islands

GENERAL FUND, CONTINUED

Treasury Fund

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

Payroll Revolving Fund

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

Republic of the Marshall Islands

GENERAL FUND

Combining Balance Sheet

September 30, 2022

	100100		200090		200317		200330		200335		200337		200507		200515		300400		300600		500617		800405		950000		960000			
					Changed				Alternative				Agricultural		Postal				Local		Compact		ADB				Payroll			
	General	Education	Reimbursable		Circumstances	Judiciary			Energy	EPA			Supplies		Service		MIDA		Government		Section 111		Development		Treasury		Revolving	Elimination	Total	
ASSETS																														
Cash and cash equivalents	\$ -	\$ 148,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,268	\$ 21,472,306	\$ -	\$ -	\$ -	\$ -	\$ 21,642,820	
Receivables, net:																														
Taxes	3,133,902	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,133,902	
General	1,924,285	-	8,508	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110,917	-	-	-	-	-	2,043,710	
Due from other funds	24,822,855	152,216	-	-	54,458	422,470	-	444	-	-	-	-	100,413	-	-	-	-	14,251	-	-	-	-	-	-	13,765,160	10,196	(25,863,308)	-	13,479,155	
Due from component units	6,896,165	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,896,165	
Advances	453,899	-	-	-	-	-	-	-	-	-	-	-	8,175	-	-	-	-	-	-	-	-	-	718	-	-	-	-	-	462,792	
Other assets	2,990,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,990,250	
Restricted assets:																														
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,293,485	-	-	-	10,293,485	
Total assets	\$ 40,221,356	\$ 300,462	\$ 8,508	\$ 54,458	\$ 422,470	\$ 444	\$ -	\$ 108,588	\$ -	\$ -	\$ -	\$ -	\$ 108,588	\$ -	\$ -	\$ -	\$ -	\$ 14,251	\$ -	\$ -	\$ -	\$ -	\$ 133,903	\$ 45,530,951	\$ 10,196	\$ (25,863,308)	\$ -	\$ 60,942,279		
LIABILITIES AND FUND BALANCE (DEFICIT)																														
Liabilities:																														
Accounts payable	\$ 8,318,729	\$ 254,121	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,701,417	
Other liabilities and accruals	3,492,047	-	23,005	-	-	-	-	28	1,917	-	-	-	-	-	-	-	-	-	-	-	-	-	6,425	6,252	10,196	-	-	-	3,539,870	
Retention payable	1,194,112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,194,112	
Due to component units	551,741	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	551,741	
Unearned revenue	177,662	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	177,662	
Due to other funds	-	-	194,155	-	-	-	-	86,334	-	658	-	-	-	-	658	-	-	-	-	-	-	-	4,858	45,524,699	-	(25,863,308)	-	19,947,396		
Total liabilities	13,734,291	254,121	217,160	-	-	-	28	88,251	-	658	-	-	-	-	658	-	-	-	-	-	-	-	139,850	45,530,951	10,196	(25,863,308)	-	34,112,198		
Fund balance:																														
Nonspendable	9,886,415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,886,415	
Restricted	62,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,367,338	-	-	-	-	2,429,838	
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,251	-	-	-	-	-	-	-	-	-	-	14,251	
Unassigned (deficits)	16,538,150	46,341	(208,652)	54,458	422,470	416	(88,251)	108,588	(658)	-	-	-	108,588	(658)	-	-	-	-	-	-	-	-	(5,947)	(2,367,338)	-	-	-	-	14,499,577	
Total fund balance (deficits)	26,487,065	46,341	(208,652)	54,458	422,470	416	(88,251)	108,588	(658)	-	-	-	108,588	(658)	-	-	-	14,251	-	-	-	-	(5,947)	-	-	-	-	-	26,830,081	
Total liabilities and fund balance	\$ 40,221,356	\$ 300,462	\$ 8,508	\$ 54,458	\$ 422,470	\$ 444	\$ -	\$ 108,588	\$ -	\$ -	\$ -	\$ -	\$ 108,588	\$ -	\$ -	\$ -	\$ -	\$ 14,251	\$ -	\$ -	\$ -	\$ -	\$ 133,903	\$ 45,530,951	\$ 10,196	\$ (25,863,308)	\$ -	\$ 60,942,279		

Republic of the Marshall Islands

GENERAL FUND

Combining Statement of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficits)

Year ended September 30, 2022

	100100		200090	200317	200330	200335	200337	200507	200515	300400	300600	500617	800405	950000	960000		
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Agricultural Supplies	Postal Service	MIDA	Local Government	Compact Section 111	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total
Revenues:																	
Taxes	\$ 35,926,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,926,901
Federal and other grants	11,905,797	-	-	-	-	-	-	-	-	-	-	5,000,000	736,671	-	-	-	17,642,468
Ship registry	11,416,127	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,416,127
Interest and dividends	109,743	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109,743
Fees and charges	28,778	-	69,126	-	1,000	-	-	-	-	-	-	-	-	-	-	-	98,904
Contributions from component units	26,200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,200,000
Other	135,093	-	-	-	-	-	-	28,084	-	-	-	-	-	-	-	-	163,177
Total revenues	85,722,439	-	69,126	-	1,000	-	-	28,084	-	-	-	5,000,000	736,671	-	-	-	91,557,320
Expenditures by Function:																	
Current:																	
President and Cabinet	2,210,511	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,210,511
Office of the Chief Secretary	8,205,689	-	-	-	-	-	-	-	-	-	-	-	61,253	-	-	-	8,266,942
Special appropriations	11,873,769	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,873,769
Council of Iroij	583,909	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	583,909
Nitijela	2,230,457	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,230,457
Office of the Auditor-General	1,338,374	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,338,374
Public Service Commission	647,177	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	647,177
Office of the Attorney General	1,390,071	-	38,860	-	-	-	-	-	-	-	-	-	-	-	-	-	1,428,931
Ministries:																	
Education, Sports and Training	9,304,578	5,603,853	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,908,431
Health and Human Services	4,546,076	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,546,076
Transportation, Communication and Information Technology	558,636	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	558,636
Natural Resources and Commerce	1,566,541	-	13,086	-	-	-	-	19,734	-	-	-	-	-	-	-	-	1,599,361
Culture and Internal Affairs	3,145,549	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,145,549
Justice, Immigration and Labor	3,626,192	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,626,192
Finance, Banking and Postal Services	15,724,142	-	47,207	-	-	-	-	-	-	-	-	-	1,049,508	-	-	-	16,820,857
Foreign Affairs and Trade	4,518,808	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,518,808
Works, Infrastructure and Utilities	4,950,203	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,950,203
Environmental Protection Authority	449,206	-	-	-	-	-	(2,969)	-	-	-	-	-	-	-	-	-	446,237
Capital outlay	776,687	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	776,687
Debt service:																	
Principal repayment	5,417,309	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,417,309
Interest	541,179	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	541,179
Total expenditures	83,605,063	5,603,853	99,153	-	-	-	(2,969)	19,734	-	-	-	-	1,110,761	-	-	-	90,435,595
Excess (deficiency) of revenues over (under) expenditures	2,117,376	(5,603,853)	(30,027)	-	1,000	-	2,969	8,350	-	-	-	5,000,000	(374,090)	-	-	-	1,121,725
Other financing sources (uses):																	
Operating transfers in	878,144	5,650,360	-	-	784,408	-	-	-	-	-	-	-	294,921	-	-	(6,107,589)	1,500,244
Operating transfers out	(7,905,894)	-	-	-	(784,408)	-	-	-	-	-	-	(5,000,000)	-	-	-	6,107,589	(7,582,713)
Total other financing sources (uses), net	(7,027,750)	5,650,360	-	-	-	-	-	-	-	-	-	(5,000,000)	294,921	-	-	-	(6,082,469)
Net change in fund balances (deficits)	(4,910,374)	46,507	(30,027)	-	1,000	-	2,969	8,350	-	-	-	-	(79,169)	-	-	-	(4,960,744)
Fund balances (deficits) at the beginning of the year	31,397,439	(166)	(178,625)	54,458	421,470	416	(91,220)	100,238	(658)	-	14,251	-	73,222	-	-	-	31,790,825
Fund balances (deficits) at the end of the year	\$ 26,487,065	\$ 46,341	\$ (208,652)	\$ 54,458	\$ 422,470	\$ 416	\$ (88,251)	\$ 108,588	\$ (658)	\$ -	\$ 14,251	\$ -	\$ (5,947)	\$ -	\$ -	\$ -	\$ 26,830,081

Republic of the Marshall Islands

GRANTS ASSISTANCE FUND

September 30, 2022

The Grants Assistance Fund accounts for all financial transactions that are subgranted to RepMar. A brief discussion of the funds that comprise the Grants Assistance Fund as of September 30, 2022, follows:

Section 215(a)(1) Communications Fund

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

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

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

Section 216(a)(3) Scholarship Fund

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

Section 213 Audit Fund

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

Enewetak Food and Agricultural Support Fund

This fund accounts for funding received pursuant to Section 103(f)(2) of the Compact of Free Association Amendments Act of 2003.

U.S. Federal Grants Fund

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

European Union Grants Fund

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

Republic of the Marshall Islands

GRANTS ASSISTANCE FUND, CONTINUED

World Bank Fund

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

Other Direct Assistance Fund

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

Republic of China Projects Fund

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

Compact Sector Grants Fund

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

Republic of the Marshall Islands

GRANTS ASSISTANCE FUND Combining Balance Sheet

September 30, 2022

DILOG Fund Number	350200	350305	350315	510130	510140	600350	700100	700200	700360	700370		
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	Enewetak Food and Agricultural Support	U.S. Federal Grants	European Union Grants	World Bank	Other Direct Assistance	Republic of China Projects	Compact Sector	Total
<u>ASSETS</u>												
Receivables:												
Federal agencies	\$ -	\$ -	\$ -	\$ 720,008	\$ 421,541	\$ 6,951,488	\$ -	\$ -	\$ -	\$ -	\$ 13,306,306	\$ 21,399,343
General	-	-	-	-	-	-	523,431	2,568,421	129,361	2,000,000	-	5,221,213
Due from other funds	40,380	690	1,593	-	-	-	-	1,154,907	1,785,685	2,315,396	8,233,273	13,531,924
Advances	-	-	-	-	-	78,732	881	11,433	3,741	55,384	88,692	238,863
Total assets	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 720,008</u>	<u>\$ 421,541</u>	<u>\$ 7,030,220</u>	<u>\$ 524,312</u>	<u>\$ 3,734,761</u>	<u>\$ 1,918,787</u>	<u>\$ 4,370,780</u>	<u>\$ 21,628,271</u>	<u>\$ 40,391,343</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ -	\$ 211,217	\$ 276,405	\$ 1,017,933	\$ 125,208	\$ 1,027,636	\$ 114,158	\$ 843,034	\$ 1,160,712	\$ 4,776,303
Other liabilities and accruals	-	-	-	-	-	307,057	2,870	-	4,422	16,591	1,025,935	1,356,875
Payable to federal agencies	-	-	-	-	-	-	-	-	-	-	3,510,241	3,510,241
Retention payable	-	-	-	-	-	25,059	-	-	-	233,298	1,357,333	1,615,690
Unearned revenue	-	-	-	-	-	-	-	-	1,299,098	-	-	1,299,098
Due to other funds	-	-	-	508,791	145,136	5,639,946	396,234	-	-	-	6,789,048	13,479,155
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>720,008</u>	<u>421,541</u>	<u>6,989,995</u>	<u>524,312</u>	<u>1,027,636</u>	<u>1,417,678</u>	<u>1,092,923</u>	<u>13,843,269</u>	<u>26,037,362</u>
Fund balances:												
Restricted	40,380	690	1,593	-	-	40,225	-	2,707,125	501,109	-	7,906,761	11,197,883
Committed	-	-	-	-	-	-	-	-	-	3,277,857	-	3,277,857
Unassigned (deficits)	-	-	-	-	-	-	-	-	-	-	(121,759)	(121,759)
Total fund balances (deficits)	<u>40,380</u>	<u>690</u>	<u>1,593</u>	<u>-</u>	<u>-</u>	<u>40,225</u>	<u>-</u>	<u>2,707,125</u>	<u>501,109</u>	<u>3,277,857</u>	<u>7,785,002</u>	<u>14,353,981</u>
Total liabilities and fund balances	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 720,008</u>	<u>\$ 421,541</u>	<u>\$ 7,030,220</u>	<u>\$ 524,312</u>	<u>\$ 3,734,761</u>	<u>\$ 1,918,787</u>	<u>\$ 4,370,780</u>	<u>\$ 21,628,271</u>	<u>\$ 40,391,343</u>

Republic of the Marshall Islands

GRANTS ASSISTANCE FUND

Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)

Year ended September 30, 2022

DILOG Fund Number	350200	350305	350315	510130	510140	600350	700100	700200	700360	700370			
	Section 215(a)(1) Communi- cations	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	Enewetak Food and Agricultural Support	U.S. Federal Grants	European Union Grants	World Bank	Other Direct Assistance	Republic of China Projects	Compact Sector	Elimination	Total
Revenues:													
Federal and other grants	\$ -	\$ -	\$ -	\$ 353,125	\$ 2,199,010	\$ 17,919,076	\$ 817,264	\$ 13,357,876	\$ 1,580,996	\$ 8,621,402	\$ 31,465,101	\$ -	\$ 76,313,850
Expenditures by Function:													
Current:													
President and Cabinet	-	-	-	-	-	-	-	-	-	106,408	-	-	106,408
Office of the Chief Secretary	-	-	-	-	-	854,005	-	23,380	1,178,084	246,550	-	-	2,302,019
Special appropriations	-	-	-	-	-	-	-	-	-	45,943	-	-	45,943
Office of the Auditor-General	-	-	-	353,125	-	-	-	-	-	-	-	-	353,125
Office of the Attorney General	-	-	-	-	-	821,936	-	-	-	-	-	-	821,936
Ministries:													
Education, Sports and Training	-	-	-	-	-	1,495,593	-	-	-	-	16,547,526	-	18,043,119
Health and Human Services	-	-	-	-	-	9,821,069	23,505	-	364,769	285,970	7,859,058	-	18,354,371
Transportation, Communication and Information Technology	-	-	-	-	-	-	334,231	-	-	-	-	-	334,231
Natural Resources and Commerce	-	-	-	-	-	43,035	-	-	21,295	1,793,023	-	-	1,857,353
Culture and Internal Affairs	-	-	-	-	-	475,147	-	-	49,134	1,711,110	-	-	2,235,391
Finance, Banking and Postal Services	-	-	-	-	2,199,010	1,827,625	74,790	10,727,251	207,575	110,176	1,141,363	-	16,287,790
Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	350,010	-	-	350,010
Works, Infrastructure and Utilities	-	-	-	-	-	-	-	-	146,221	-	-	-	146,221
Environmental Protection Authority	-	-	-	-	-	-	2,371,362	-	32,310	-	258,822	-	2,662,494
Capital outlay	-	-	-	-	-	-	-	-	-	4,478,755	5,064,601	-	9,543,356
Total expenditures	-	-	-	353,125	2,199,010	15,338,410	2,803,888	10,750,631	1,999,388	9,127,945	30,871,370	-	73,443,767
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	2,580,666	(1,986,624)	2,607,245	(418,392)	(506,543)	593,731	-	2,870,083
Other financing sources (uses):													
Operating transfers in	-	-	-	-	-	-	77,249	-	484,396	-	784,240	(784,240)	561,645
Operating transfers out	-	-	-	-	-	(2,498,397)	-	-	-	(784,240)	(792,021)	784,240	(3,290,418)
Total other financing sources (uses), net	-	-	-	-	-	(2,498,397)	77,249	-	484,396	(784,240)	(7,781)	-	(2,728,773)
Net change in fund balances (deficits)	-	-	-	-	-	82,269	(1,909,375)	2,607,245	66,004	(1,290,783)	585,950	-	141,310
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	-	(42,044)	1,909,375	99,880	435,105	4,568,640	7,199,052	-	14,212,671
Fund balances at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ -	\$ 40,225	\$ -	\$ 2,707,125	\$ 501,109	\$ 3,277,857	\$ 7,785,002	\$ -	\$ 14,353,981

Republic of the Marshall Islands

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2022

Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes. A brief discussion of RepMar's Nonmajor Governmental Funds - Special Revenue Funds as of September 30, 2022, follows:

Public Works Fund

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

COVID-19 Disaster Assistance Fund

This fund was established to account for all charges, fees and other monies collected or generated by the Office of the Chief Secretary from the operation of Quarantine Facilities in Honolulu, Kwajalein Atoll and Majuro Atoll.

Land Registration Authority Fund

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

Labor (General) Fund

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

Labor (Bond) Fund

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

Ministry of Justice Fund

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

Republic of the Marshall Islands

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS, CONTINUED

Marshall Islands Revised Code Fund

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

Recycling Fund

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

Resident Workers Training Account Fund

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

National Training Fund

This fund was established under Public Law No. 1991-140 for the purpose of providing training, including vocational training and human resources development.

Sea Patrol Fund

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

Transportation Services Fund

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

Registrar General Fund

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

Republic of the Marshall Islands

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS, CONTINUED

Ministry of Internal Affairs Fund

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

Banking Commissioner Fund

This fund was established under Public Law No. 2019-114 and accounts for all activities of the Commissioner of Banking.

Four-Atoll Medical Fund

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

Marshall Islands Scholarship Grant and Loan Board

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

Marshall Islands Judiciary Fund

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

Health Care Revenue Fund

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

Marshall Islands Health Fund

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

Republic of the Marshall Islands

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Balance Sheet

September 30, 2022

	200105	200111	200224	200318	200319	200332	200333	200334	200340	NTC	200520
	Public Works	COVID-19 Disaster Assistance	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Recycling	Resident Workers Training Account	National Training	Sea Patrol
<u>ASSETS</u>											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 555,552	\$ -
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	175,875	-	-
General	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	282,645	97,996	18,118	677,131	198,845	956,805	-	497,621	1,535,016	-	9,055
Advances	-	-	-	100	-	5,206	-	-	-	-	-
Total assets	<u>\$ 282,645</u>	<u>\$ 97,996</u>	<u>\$ 18,118</u>	<u>\$ 677,231</u>	<u>\$ 198,845</u>	<u>\$ 962,011</u>	<u>\$ -</u>	<u>\$ 497,621</u>	<u>\$ 1,710,891</u>	<u>\$ 555,552</u>	<u>\$ 9,055</u>
<u>LIABILITIES AND FUND BALANCES</u>											
Liabilities:											
Accounts payable	\$ 6,597	\$ 28,975	\$ -	\$ 4,050	\$ -	\$ 583,984	\$ -	\$ 13,596	\$ 578,300	\$ -	\$ -
Medical claims payable	-	-	-	-	-	-	-	-	-	-	-
Other liabilities and accruals	-	-	-	-	198,845	-	-	-	16,864	3,497	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>6,597</u>	<u>28,975</u>	<u>-</u>	<u>4,050</u>	<u>198,845</u>	<u>583,984</u>	<u>-</u>	<u>13,596</u>	<u>595,164</u>	<u>3,497</u>	<u>-</u>
Fund balances:											
Restricted	-	-	-	-	-	-	-	-	-	-	-
Committed	<u>276,048</u>	<u>69,021</u>	<u>18,118</u>	<u>673,181</u>	<u>-</u>	<u>378,027</u>	<u>-</u>	<u>484,025</u>	<u>1,115,727</u>	<u>552,055</u>	<u>9,055</u>
Total fund balances	<u>276,048</u>	<u>69,021</u>	<u>18,118</u>	<u>673,181</u>	<u>-</u>	<u>378,027</u>	<u>-</u>	<u>484,025</u>	<u>1,115,727</u>	<u>552,055</u>	<u>9,055</u>
Total liabilities and fund balances	<u>\$ 282,645</u>	<u>\$ 97,996</u>	<u>\$ 18,118</u>	<u>\$ 677,231</u>	<u>\$ 198,845</u>	<u>\$ 962,011</u>	<u>\$ -</u>	<u>\$ 497,621</u>	<u>\$ 1,710,891</u>	<u>\$ 555,552</u>	<u>\$ 9,055</u>

Republic of the Marshall Islands
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Balance Sheet, Continued

September 30, 2022

	200525	200527	200528	200540	300612							
	Transportation Services	Registrar General	Ministry of Internal Affairs	Banking Commissioner	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Elimination	Total	
<u>ASSETS</u>												
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 791,658	\$ 625,604	\$ 711,918	\$ 1,217,570	\$ -	\$ 3,902,302	
Receivables, net:												
Taxes	-	-	-	-	-	-	-	-	-	-	175,875	
General	-	-	-	-	589,653	-	-	281,744	1,863,994	-	2,735,391	
Other	-	-	-	-	-	16,277	5,731	-	-	-	22,008	
Due from other funds	39,739	391	263,109	194,993	97,635	-	-	640,440	1,256,749	(640,440)	6,125,848	
Advances	-	-	3,020	17	-	-	-	173,675	390,982	-	573,000	
Total assets	<u>\$ 39,739</u>	<u>\$ 391</u>	<u>\$ 266,129</u>	<u>\$ 195,010</u>	<u>\$ 687,288</u>	<u>\$ 807,935</u>	<u>\$ 631,335</u>	<u>\$ 1,807,777</u>	<u>\$ 4,729,295</u>	<u>\$ (640,440)</u>	<u>\$ 13,534,424</u>	
<u>LIABILITIES AND FUND BALANCES</u>												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ 15,654	\$ 3,107	\$ -	\$ 29,585	\$ -	\$ 617,781	\$ 381,650	\$ -	\$ 2,263,279	
Medical claims payable	-	-	-	-	-	-	-	-	1,112,245	-	1,112,245	
Other liabilities and accruals	-	-	-	-	-	-	17,824	288,830	163,500	-	689,360	
Due to other funds	-	-	-	-	-	-	-	-	640,440	(640,440)	-	
Total liabilities	<u>-</u>	<u>-</u>	<u>15,654</u>	<u>3,107</u>	<u>-</u>	<u>29,585</u>	<u>17,824</u>	<u>906,611</u>	<u>2,297,835</u>	<u>(640,440)</u>	<u>4,064,884</u>	
Fund balances:												
Restricted	-	-	-	-	687,288	1,500	-	-	-	-	688,788	
Committed	39,739	391	250,475	191,903	-	776,850	613,511	901,166	2,431,460	-	8,780,752	
Total fund balances	<u>39,739</u>	<u>391</u>	<u>250,475</u>	<u>191,903</u>	<u>687,288</u>	<u>778,350</u>	<u>613,511</u>	<u>901,166</u>	<u>2,431,460</u>	<u>-</u>	<u>9,469,540</u>	
Total liabilities and fund balances	<u>\$ 39,739</u>	<u>\$ 391</u>	<u>\$ 266,129</u>	<u>\$ 195,010</u>	<u>\$ 687,288</u>	<u>\$ 807,935</u>	<u>\$ 631,335</u>	<u>\$ 1,807,777</u>	<u>\$ 4,729,295</u>	<u>\$ (640,440)</u>	<u>\$ 13,534,424</u>	

Republic of the Marshall Islands

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures By Function, and Changes in Fund Balances

Year ended September 30, 2022

	200105	200111	200224	200318	200319	200332	200333	200334	200340	NTC	200520
	Public Works	COVID-19 Disaster Assistance	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Recycling	Resident Workers Training Account	National Training	Sea Patrol
Revenues:											
Federal and other grants	\$ -	\$ 1,065	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	12,431	285,294	-	149,250	-	1,234,703	-	896,155	642,693	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Sales	39,688	-	-	-	-	43,390	-	-	-	892	-
Total revenues	52,119	286,359	-	149,250	-	1,278,093	-	896,155	642,693	892	-
Expenditures by Function:											
Current:											
Judiciary	-	-	-	-	-	-	-	-	-	-	-
Ministries:											
Education, Sports and Training	-	-	-	-	-	-	-	-	249,811	326,578	-
Health and Human Services	-	-	-	-	-	-	-	-	-	-	-
Culture and Internal Affairs	-	-	-	-	-	-	-	-	-	-	-
Justice, Immigration and Labor	-	-	-	-	-	236,031	-	-	-	-	-
Finance, Banking and Postal Services	-	217,338	-	-	-	-	-	753,028	-	-	-
Foreign Affairs and Trade	-	-	-	38,869	-	-	-	-	-	-	-
Works, Infrastructure and Utilities	106,607	-	-	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	106,607	217,338	-	38,869	-	236,031	-	753,028	249,811	326,578	-
Excess (deficiency) of revenues over (under) expenditures	(54,488)	69,021	-	110,381	-	1,042,062	-	143,127	392,882	(325,686)	-
Other financing sources (uses):											
Operating transfers in	-	-	-	-	-	-	-	-	-	266,828	-
Operating transfers out	-	-	-	-	-	(878,144)	-	-	(266,828)	-	-
Total other financing sources (uses), net	-	-	-	-	-	(878,144)	-	-	(266,828)	266,828	-
Net change in fund balances	(54,488)	69,021	-	110,381	-	163,918	-	143,127	126,054	(58,858)	-
Fund balances at the beginning of the year	330,536	-	18,118	562,800	-	214,109	-	340,898	989,673	610,913	9,055
Fund balances at the end of the year	\$ 276,048	\$ 69,021	\$ 18,118	\$ 673,181	\$ -	\$ 378,027	\$ -	\$ 484,025	\$ 1,115,727	\$ 552,055	\$ 9,055

Republic of the Marshall Islands

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures By Function, and Changes in Fund Balances, Continued

Year ended September 30, 2022

	200525	200527	200528	200540	300612						
	Transportation Services	Registrar General	Ministry of Internal Affairs	Banking Commissioner	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Elimination	Total
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 863,303	\$ -	\$ -	\$ 864,368
Fees and charges	-	-	53,558	138,572	-	-	135,386	488,171	9,755,298	-	13,791,511
Interest	-	-	-	-	-	8,282	10,510	-	-	-	18,792
Sales	1,235	-	4,437	-	-	-	2,509	-	-	-	92,151
Total revenues	1,235	-	57,995	138,572	-	8,282	148,405	1,351,474	9,755,298	-	14,766,822
Expenditures by Function:											
Current:											
Judiciary	-	-	-	-	-	-	1,217,079	-	-	-	1,217,079
Ministries:											
Education, Sports and Training	-	-	-	-	-	1,635,450	-	-	-	-	2,211,839
Health and Human Services	-	-	-	-	-	-	-	4,944,611	7,381,306	-	12,325,917
Culture and Internal Affairs	-	-	37,348	-	-	-	-	-	-	-	37,348
Justice, Immigration and Labor	-	-	-	-	-	-	-	-	-	-	236,031
Finance, Banking and Postal Services	-	-	-	55,507	-	-	-	-	-	-	1,025,873
Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	-	38,869
Works, Infrastructure and Utilities	-	-	-	-	-	-	-	-	-	-	106,607
Nuclear claims related	-	-	-	-	1,876,297	-	-	-	-	-	1,876,297
Total expenditures	-	-	37,348	55,507	1,876,297	1,635,450	1,217,079	4,944,611	7,381,306	-	19,075,860
Excess (deficiency) of revenues over (under) expenditures	1,235	-	20,647	83,065	(1,876,297)	(1,627,168)	(1,068,674)	(3,593,137)	2,373,992	-	(4,309,038)
Other financing sources (uses):											
Operating transfers in	-	-	-	-	1,876,297	1,791,519	1,021,570	3,828,957	-	(4,095,785)	4,689,386
Operating transfers out	-	-	-	-	-	-	-	-	(3,828,957)	4,095,785	(878,144)
Total other financing sources (uses), net	-	-	-	-	1,876,297	1,791,519	1,021,570	3,828,957	(3,828,957)	-	3,811,242
Net change in fund balances	1,235	-	20,647	83,065	-	164,351	(47,104)	235,820	(1,454,965)	-	(497,796)
Fund balances at the beginning of the year	38,504	391	229,828	108,838	687,288	613,999	660,615	665,346	3,886,425	-	9,967,336
Fund balances at the end of the year	\$ 39,739	\$ 391	\$ 250,475	\$ 191,903	\$ 687,288	\$ 778,350	\$ 613,511	\$ 901,166	\$ 2,431,460	\$ -	\$ 9,469,540

Republic of the Marshall Islands

FIDUCIARY FUNDS - PRIVATE PURPOSE TRUSTS

September 30, 2022

Private purpose trusts are used to report any trust arrangement not properly reported in a pension trust fund or an investment trust fund “under which principal and income benefit individuals, private organizations, or other governments.” A brief discussion of RepMar’s Private Purpose Trusts as of September 30, 2022, follows:

Marshall Islands Social Security Administration (MISSA)

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

Kwajalein Atoll Trust Fund

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

Section 212 Kwajalein Landowners Fund

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

Republic of the Marshall Islands

Combining Statement of Fiduciary Net Position Fiduciary Funds - Private Purpose Trusts

September 30, 2022

DILOG Fund Number	350610	510610	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners
			Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,693,314	\$ -	\$ -
Time certificate of deposit	3,500,000	-	-
Receivables, net:			
Contributions	4,769,715	-	-
Other	258,121	-	-
Investments	82,208,037	-	-
Due from other funds	-	421,658	960,231
Capital assets, net of accumulated depreciation	281,765	-	-
Total assets	96,710,952	421,658	960,231
<u>LIABILITIES</u>			
Accounts payable	237,006	-	180,741
Other liabilities and accruals	11,217	-	-
Due to other funds	1,256,749	-	-
Total liabilities	1,504,972	-	180,741
<u>NET POSITION</u>			
Restricted for:			
Social security benefits	95,205,980	-	-
Land use distributions	-	421,658	779,490
Total net position	\$ 95,205,980	\$ 421,658	\$ 779,490

Republic of the Marshall Islands

Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds - Private Purpose Trusts

Year ended September 30, 2022

DILOG Fund Number		350610	510610	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Total
Additions:				
Contributions:				
Private employees	\$ 15,630,337	\$ -	\$ -	\$ 15,630,337
Government employees	6,884,914	-	-	6,884,914
Penalties and interest	203,624	-	-	203,624
Total contributions	<u>22,718,875</u>	<u>-</u>	<u>-</u>	<u>22,718,875</u>
Investment loss:				
Net change in the fair value of investments	(12,431,505)	-	-	(12,431,505)
Interest and dividends	1,828,534	-	-	1,828,534
Investment loss	(10,602,971)	-	-	(10,602,971)
Add investment expense	164,626	-	-	164,626
Net investment loss	<u>(10,767,597)</u>	<u>-</u>	<u>-</u>	<u>(10,767,597)</u>
Other:				
Compact funding	-	-	22,649,400	22,649,400
Transfer in	1,388,800	-	-	1,388,800
Other	14,677	-	-	14,677
	<u>1,403,477</u>	<u>-</u>	<u>22,649,400</u>	<u>24,052,877</u>
Total additions	<u>13,354,755</u>	<u>-</u>	<u>22,649,400</u>	<u>36,004,155</u>
Deductions:				
Land use distributions	-	-	22,333,370	22,333,370
Benefits	21,346,041	-	-	21,346,041
Administrative expenses	1,253,857	-	-	1,253,857
Total deductions	<u>22,599,898</u>	<u>-</u>	<u>22,333,370</u>	<u>44,933,268</u>
Change in net position held in trust for:				
Social security benefits	(9,245,143)	-	-	(9,245,143)
Land use distributions	-	-	316,030	316,030
Net position at the beginning of the year	<u>104,451,123</u>	<u>421,658</u>	<u>463,460</u>	<u>105,336,241</u>
Net position at the end of the year	<u>\$ 95,205,980</u>	<u>\$ 421,658</u>	<u>\$ 779,490</u>	<u>\$ 96,407,128</u>

Republic of the Marshall Islands

FIDUCIARY FUNDS - CUSTODIAL

September 30, 2022

Custodial funds are used to report resources held by the reporting government in a purely custodial capacity and typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. A brief discussion of RepMar's custodial funds as of September 30, 2022, follows:

Judiciary Fund

This fund accounts for funds received by the High Court in a fiduciary capacity for deposits made by defendants for court cases.

Unclaimed Property Fund

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

Republic of the Marshall Islands

Combining Statement of Fiduciary Net Position Fiduciary Funds - Custodial Funds

September 30, 2022

DILOG Fund Number	300430		300430	
	Unclaimed Property			
	Judiciary	Unclaimed Bank Deposits	UMDA Stock Buyout	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,706,036	\$ -	\$ -	\$ 3,706,036
Time certificate of deposit	90,364	-	-	90,364
Due from other funds	-	93,737	70,747	164,484
Total assets	<u>3,796,400</u>	<u>93,737</u>	<u>70,747</u>	<u>3,960,884</u>
<u>NET POSITION</u>				
Restricted for:				
Individuals, organizations and other governments	<u>\$ 3,796,400</u>	<u>\$ 93,737</u>	<u>\$ 70,747</u>	<u>\$ 3,960,884</u>

Republic of the Marshall Islands

Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds - Custodial Funds

Year ended September 30, 2022

DILOG Fund Number	300430		300430	
	Judiciary	Unclaimed Bank Deposits	UMDA Stock Buyout	Total
Additions:				
Investment earnings:				
Interest and dividends	\$ 791	\$ -	\$ -	\$ 791
Other	<u>56,725</u>	<u>-</u>	<u>-</u>	<u>56,725</u>
Total additions	<u>57,516</u>	<u>-</u>	<u>-</u>	<u>57,516</u>
Deductions:				
Other distributions	3,653	-	-	3,653
Administrative expenses	<u>612</u>	<u>-</u>	<u>-</u>	<u>612</u>
Total deductions	<u>4,265</u>	<u>-</u>	<u>-</u>	<u>4,265</u>
Change in net position held in trust for:				
Individuals, organizations and other governments	53,251	-	-	53,251
Net position at the beginning of the year	<u>3,743,149</u>	<u>93,737</u>	<u>70,747</u>	<u>3,907,633</u>
Net position at the end of the year	<u>\$ 3,796,400</u>	<u>\$ 93,737</u>	<u>\$ 70,747</u>	<u>\$ 3,960,884</u>

Republic of the Marshall Islands

NONMAJOR COMPONENT UNITS

September 30, 2022

Component units are legally separate organizations for which the elected officials of RepMar are financially accountable. A brief discussion of RepMar's Nonmajor Component Units as of September 30, 2022, follows:

Majuro Atoll Waste Company, Inc. (MAWC)

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

Majuro Resort, Inc. (MRI)

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

Marshall Islands Postal Services Authority (MIPSA)

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

National Environmental Protection Authority (EPA)

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

Republic of the Marshall Islands

NONMAJOR COMPONENT UNITS, CONTINUED

Office of Commerce, Investment and Tourism (OCIT)

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

Republic of the Marshall Islands
NONMAJOR COMPONENT UNITS
Combining Statement of Net Position
September 30, 2022

	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Marshall Islands Postal Service Authority	National Environmental Protection Authority	Office of Commerce, Investment and Tourism	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 349,225	\$ 940,863	\$ 1,387,370	\$ 688,817	\$ 154,484	\$ 3,520,759
Receivables, net	93,026	270,731	42,140	26,610	7,011	439,518
Inventories	-	36,735	7,254	-	-	43,989
Other assets	1,500	28,587	26,497	-	-	56,584
Capital assets:						
Other capital assets, net of accumulated depreciation	542,495	870,123	81,153	55,963	105,552	1,655,286
Leased assets, net	-	-	181,157	-	-	181,157
Total assets	<u>986,246</u>	<u>2,147,039</u>	<u>1,725,571</u>	<u>771,390</u>	<u>267,047</u>	<u>5,897,293</u>
<u>LIABILITIES</u>						
Accounts payable	80,230	842,034	70,820	39,041	28,647	1,060,772
Other liabilities and accruals	67,448	607,796	106,381	4,653	51,685	837,963
Unearned revenue	-	278,918	23,834	119,947	-	422,699
Noncurrent liabilities:						
Due within one year	-	-	38,008	-	-	38,008
Due in more than one year	-	520,000	153,992	-	-	673,992
Total liabilities	<u>147,678</u>	<u>2,248,748</u>	<u>393,035</u>	<u>163,641</u>	<u>80,332</u>	<u>3,033,434</u>
<u>NET POSITION</u>						
Net investment in capital assets	542,495	870,123	98,653	55,963	105,552	1,672,786
Unrestricted	<u>296,073</u>	<u>(971,832)</u>	<u>1,233,883</u>	<u>551,786</u>	<u>81,163</u>	<u>1,191,073</u>
Total net position	<u>\$ 838,568</u>	<u>\$ (101,709)</u>	<u>\$ 1,332,536</u>	<u>\$ 607,749</u>	<u>\$ 186,715</u>	<u>\$ 2,863,859</u>

Republic of the Marshall Islands

NONMAJOR COMPONENT UNITS

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2022

	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Marshall Islands Postal Service Authority	National Environmental Protection Authority	Office of Commerce, Investment and Tourism	Total
Expenses	\$ 1,942,806	\$ 4,704,047	\$ 1,108,982	\$ 1,206,833	\$ 669,032	\$ 9,631,700
Program revenues:						
Charges for services	956,863	3,942,494	976,981	209,149	8,331	6,093,818
Operating grants and contributions	-	-	-	269,844	-	269,844
Capital grants and contributions	20,977	-	-	-	-	20,977
Total program revenues	977,840	3,942,494	976,981	478,993	8,331	6,384,639
Net program revenues (expenses)	(964,966)	(761,553)	(132,001)	(727,840)	(660,701)	(3,247,061)
General revenues:						
Payments from RepMar	708,506	417,100	197,059	435,206	625,124	2,382,995
Other	-	31,026	-	-	-	31,026
Total general revenues	708,506	448,126	197,059	435,206	625,124	2,414,021
Change in net position	(256,460)	(313,427)	65,058	(292,634)	(35,577)	(833,040)
Net position at the beginning of the year	1,095,028	211,718	1,267,478	900,383	222,292	3,696,899
Net position at the end of the year	\$ 838,568	\$ (101,709)	\$ 1,332,536	\$ 607,749	\$ 186,715	\$ 2,863,859

Republic of the Marshall Islands

COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND

September 30, 2022

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

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

Supplemental Education Fund

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

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

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

Section 211(a)(4) Capacity Building Fund

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

Section 211(a)(5) Environment Sector Fund

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

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

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

Republic of the Marshall Islands

COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND, CONTINUED

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

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

Section 211(b)(3) Kwajalein Environment Fund

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

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

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

Section 211(d)(2) Infrastructure Maintenance Fund

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

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

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

Republic of the Marshall Islands

COMPACT OF FREE ASSOCIATION SECTOR GRANTS Combining Balance Sheet

September 30, 2022

DILOG Fund Number	410100	410102	410110	410120	410140	410150	410160	410170	510100	510110	510120	
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Total
ASSETS												
Receivables:												
Federal agencies	\$ -	\$ 2,878,027	\$ 209,968	\$ -	\$ -	\$ 1,575,593	\$ 1,082,589	\$ -	\$ 5,988,705	\$ 1,319,764	\$ 251,660	\$ 13,306,306
Due from other funds	984,192	-	463,874	163,374	-	18,414	-	139,318	-	1,785,772	4,678,329	8,233,273
Advances	9,877	23,316	17,214	-	-	37,685	-	-	600	-	-	88,692
Total assets	<u>\$ 994,069</u>	<u>\$ 2,901,343</u>	<u>\$ 691,056</u>	<u>\$ 163,374</u>	<u>\$ -</u>	<u>\$ 1,631,692</u>	<u>\$ 1,082,589</u>	<u>\$ 139,318</u>	<u>\$ 5,989,305</u>	<u>\$ 3,105,536</u>	<u>\$ 4,929,989</u>	<u>\$ 21,628,271</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ 18,834	\$ 187,023	\$ 43,896	\$ -	\$ -	\$ 178,576	\$ 189,853	\$ 2,135	\$ 373,874	\$ 25,179	\$ 141,342	\$ 1,160,712
Other liabilities and accruals	392,832	148,116	328,144	-	-	121,916	7,018	9,781	18,128	-	-	1,025,935
Payable to federal agencies	635,840	-	207,145	-	-	949,734	473,943	34,709	1,001,119	207,751	-	3,510,241
Retention payable	-	-	-	-	-	238,185	238,348	-	615,089	265,711	-	1,357,333
Due to other funds	-	2,566,204	-	-	-	-	208,650	-	4,014,194	-	-	6,789,048
Total liabilities	<u>1,047,506</u>	<u>2,901,343</u>	<u>579,185</u>	<u>-</u>	<u>-</u>	<u>1,488,411</u>	<u>1,117,812</u>	<u>46,625</u>	<u>6,022,404</u>	<u>498,641</u>	<u>141,342</u>	<u>13,843,269</u>
Fund balances:												
Restricted	-	-	111,871	163,374	-	143,281	-	92,693	-	2,606,895	4,788,647	7,906,761
Unassigned (deficits)	(53,437)	-	-	-	-	-	(35,223)	-	(33,099)	-	-	(121,759)
Total fund balances (deficit)	<u>(53,437)</u>	<u>-</u>	<u>111,871</u>	<u>163,374</u>	<u>-</u>	<u>143,281</u>	<u>(35,223)</u>	<u>92,693</u>	<u>(33,099)</u>	<u>2,606,895</u>	<u>4,788,647</u>	<u>7,785,002</u>
Total liabilities and fund balances	<u>\$ 994,069</u>	<u>\$ 2,901,343</u>	<u>\$ 691,056</u>	<u>\$ 163,374</u>	<u>\$ -</u>	<u>\$ 1,631,692</u>	<u>\$ 1,082,589</u>	<u>\$ 139,318</u>	<u>\$ 5,989,305</u>	<u>\$ 3,105,536</u>	<u>\$ 4,929,989</u>	<u>\$ 21,628,271</u>

Republic of the Marshall Islands

COMPACT OF FREE ASSOCIATION SECTOR GRANTS Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances

Year ended September 30, 2022

DILOG Fund Number	410100	410102	410110	410120	410140	410150	410160	410170	510100	510110	510120	
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Total
Revenues:												
Compact funding	\$ 8,680,613	\$ 5,401,629	\$ 6,245,476	\$ -	\$ -	\$ 4,997,219	\$ 945,948	\$ 216,951	\$ 3,930,087	\$ 795,518	\$ 251,660	\$ 31,465,101
Expenditures by Function:												
Current:												
Ministries:												
Education, Sports and Training	8,289,211	5,401,629	-	-	-	2,614,607	-	-	242,079	-	-	16,547,526
Health and Human Services	-	-	6,301,229	-	-	1,557,829	-	-	-	-	-	7,859,058
Finance, Banking and Postal Services	-	-	-	-	-	-	981,171	-	-	-	160,192	1,141,363
Environmental Protection Authority	-	-	-	-	-	-	-	258,822	-	-	-	258,822
Capital outlay	-	-	-	-	-	1,010,639	-	-	3,724,179	329,783	-	5,064,601
Total expenditures	8,289,211	5,401,629	6,301,229	-	-	5,183,075	981,171	258,822	3,966,258	329,783	160,192	30,871,370
Excess (deficiency) of revenues over (under) expenditures	391,402	-	(55,753)	-	-	(185,856)	(35,223)	(41,871)	(36,171)	465,735	91,468	593,731
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	532,260	251,980	784,240
Operating transfers out	(592,021)	-	-	-	-	(200,000)	-	-	-	-	-	(792,021)
Total other financing sources (uses), net	(592,021)	-	-	-	-	(200,000)	-	-	-	532,260	251,980	(7,781)
Net change in fund balances (deficits)	(200,619)	-	(55,753)	-	-	(385,856)	(35,223)	(41,871)	(36,171)	997,995	343,448	585,950
Fund balances at the beginning of the year	147,182	-	167,624	163,374	-	529,137	-	134,564	3,072	1,608,900	4,445,199	7,199,052
Fund balances (deficit) at the end of the year	\$ (53,437)	\$ -	\$ 111,871	\$ 163,374	\$ -	\$ 143,281	\$ (35,223)	\$ 92,693	\$ (33,099)	\$ 2,606,895	\$ 4,788,647	\$ 7,785,002