

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

Republic of the Marshall Islands

*Year ended September 30, 2023
with Report of Independent Auditors*



**Shape the future
with confidence**

Republic of the Marshall Islands

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

Year ended September 30, 2023

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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, 2023, 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, 2023, 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, 2023, 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, 2023, 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), the 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 Grants Assistance Fund has recorded federal grant receivables in the amount of \$17,559,807 as of September 30, 2023. 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 net of uncollectible amounts. 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.

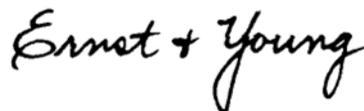
Supplementary Information

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 IV 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 January 29, 2026 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.

January 29, 2026

Republic of the Marshall Islands

Management's Discussion and Analysis

Year ended September 30, 2023

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, 2023. We encourage readers to consider the information presented here in conjunction with RepMar's basic financial statements, which follow this section. Fiscal year 2022 comparative information has been included, where appropriate.

FINANCIAL HIGHLIGHTS

- The assets of RepMar exceeded its liabilities at the close of the fiscal year 2023 by \$226.2 million (net position), increasing by \$31.6 million (or 16%) from \$194.6 million in the prior year. Of this amount, \$91.9 million represents RepMar's investment in capital assets; and \$140.6 million represents amounts restricted for various purposes.
- During the current fiscal year, RepMar's expenses for governmental activities were \$184.7 million, including special appropriations made to State-Owned Enterprises and other Government entities, and were funded in part by \$101.4 million in program revenues and \$95.8 million in taxes and other general revenues. Program revenues increased by \$10.2 million (or 11%) from \$91.2 million in the prior year to \$101.4 million, which was caused by the increase in World Bank grant receipts of \$8.9 million from \$13.4 million in the prior year to \$22.3 million and the net effect of the renegotiated MOU with the Republic of China (ROC) that resulted in a \$3 million increase in budget and capital grants support. Taxes and other general revenues increased by \$4.4 million (or 5%) from \$91.4 million in the prior year to \$95.8 million, which was attributable primarily to the increase in income tax, gross revenue tax, and unrestricted grants and contributions. Total expenses increased by \$8 million (or 5%) from \$176.7 million in the prior year to \$184.7 million.
- The Compact Trust Fund registered an increase in fund balance by \$17.1 million in the current fiscal year ending with a trust fund balance of \$110.9 million from \$93.8 million in the prior year.
- For the current fiscal year, General Fund expenditures (and other financing uses) of \$103.5 million exceeded General Fund revenues (and other financing sources) of \$102.4 million. General fund revenues (and other financing sources) were up \$4.5 million (or 5%) from prior year primarily due to the Marshall Islands Development Bank loan proceeds in the amount of \$3.8 million for landing craft utility, seawall, and Covid-19 relief assistance. Concurrently, General Fund expenditures (and other financing uses) were up \$5.4 million (or 5%) from prior year.

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 ROC 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 81 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 82 through 84 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 85 through 116 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 \$226.2 million at the close of the most recent fiscal year; however, such is either restricted as to the purpose it can be used for or is invested in capital assets. RepMar uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although RepMar's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities. The majority of RepMar's net position is its capital assets and long-term liabilities. Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year, respectively. RepMar's current assets amounted to \$79.8 million while its current liabilities were \$46.2 million. Restricted net position represents resources that are subject to external constraints. The table below summarizes RepMar's net position at the close of the current year compared with prior year.

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 2023	Governmental Activities 2022	Total \$ Change 2023-2022	Total % Change 2023-2022
Current and other assets	\$ 204,157,295	\$ 175,493,269	\$ 28,664,026	16%
Capital assets	132,323,561	125,189,481	7,134,080	6%
Total assets	336,480,856	300,682,750	35,798,106	12%
Long-term debt outstanding	37,235,332	40,330,342	(3,095,010)	(8)%
Current and other liabilities	73,003,864	65,754,236	7,249,628	11%
Total liabilities	110,239,196	106,084,578	4,154,618	4%
Net position:				
Net investment in capital assets	91,869,585	80,760,179	11,109,406	14%
Restricted	140,654,710	114,665,039	25,989,671	23%
Unrestricted	(6,282,635)	(827,046)	(5,455,589)	660%
Total net position	\$ 226,241,660	\$ 194,598,172	\$ 31,643,488	16%

At the end of the current fiscal year, RepMar's unrestricted net deficit position was \$6.3 million, an increase in deficit from the prior year amount of \$5.5 million (or 660%).

Total assets increased by \$35.8 million (or 12%) from the prior year amount of \$300.7 million to \$336.5 million. Current and other assets increased by \$28.7 million primarily due to an increase in receivables of \$20.5 million. Capital assets increased by \$7.1 million primarily due to the following capital asset acquisitions: landing craft unit (\$2.3 million), Ebeye Public School Phase (\$3 million), and Japan embassy building (\$2.8 million).

Changes in Net Position

As discussed earlier, net position of the primary government increased by \$31.6 million, which represents an increase of 16% from the prior year's amount of \$194.6 million. This result indicates that RepMar's financial condition, as a whole, improved from the prior year. The table below summarizes RepMar's change in net position for the current fiscal year as compared with 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 2023	Governmental Activities 2022	Total \$ Change 2023-2022	Total % Change 2023-2022
Revenues:				
Program revenues:				
Charges for services	\$ 14,824,585	\$ 13,982,566	\$ 842,019	6%
Operating grants and contributions	75,889,848	72,473,679	3,416,169	5%
Capital grants and contributions	10,679,091	4,725,605	5,953,486	126%
	<u>101,393,524</u>	<u>91,181,850</u>	<u>10,211,674</u>	<u>11%</u>
General revenues:				
Taxes	41,793,631	35,926,901	5,866,730	16%
Grants and contributions	42,250,000	38,821,402	3,428,598	9%
Ship registry	11,414,340	11,416,127	(1,787)	(0)%
Foreign exchange gain on SDR revaluation	-	4,959,567	(4,959,567)	(100)%
Other general revenues	380,059	291,712	88,347	30%
	<u>95,838,030</u>	<u>91,415,709</u>	<u>4,422,321</u>	<u>5%</u>
Total revenues	<u>197,231,554</u>	<u>182,597,559</u>	<u>14,633,995</u>	<u>8%</u>
Expenses:				
Finance, banking and postal services	45,104,935	33,921,252	11,183,683	33%
Education, sports and training	38,312,774	36,775,853	1,536,921	4%
Health and human services	33,670,220	35,088,868	(1,418,648)	(4)%
Special appropriations	15,708,958	11,648,845	4,060,113	35%
Works, Infrastructure and Utilities	11,185,172	2,639,025	8,546,147	324%
Foreign affairs and trade	5,527,602	5,138,058	389,544	8%
Culture and internal affairs	4,706,467	5,502,049	(795,582)	(14)%
Justice, immigration and labor	4,349,817	4,241,925	107,892	3%
Capital projects	4,292,480	10,127,753	(5,835,273)	(58)%
Office of the Chief Secretary	4,078,336	10,389,301	(6,310,965)	(61)%
Environmental Protection Authority	2,542,535	3,110,904	(568,369)	(18)%
Nitijela	2,510,594	2,274,405	236,189	10%
Natural resources and commerce	1,910,606	3,389,812	(1,479,206)	(44)%
President and Cabinet	1,875,171	2,331,646	(456,475)	(20)%
Office of the Attorney General	1,388,426	2,258,721	(870,295)	(39)%
Other	7,584,053	7,869,789	(285,736)	(4)%
Total expenses	<u>184,748,146</u>	<u>176,708,206</u>	<u>8,039,940</u>	<u>5%</u>
	<u>12,483,408</u>	<u>5,889,353</u>	<u>6,594,055</u>	<u>112%</u>
Contributions to permanent funds	19,160,080	(15,458,268)	34,618,348	(224)%
Change in net position	<u>31,643,488</u>	<u>(9,568,915)</u>	<u>41,212,403</u>	<u>(431)%</u>
Net position, beginning of year	<u>194,598,172</u>	<u>204,167,087</u>	<u>(9,568,915)</u>	<u>(5)%</u>
Net position, end of year	<u>\$ 226,241,660</u>	<u>\$ 194,598,172</u>	<u>\$ 31,643,488</u>	<u>16%</u>

Republic of the Marshall Islands

Management’s Discussion and Analysis, continued

Changes in Net Position, continued

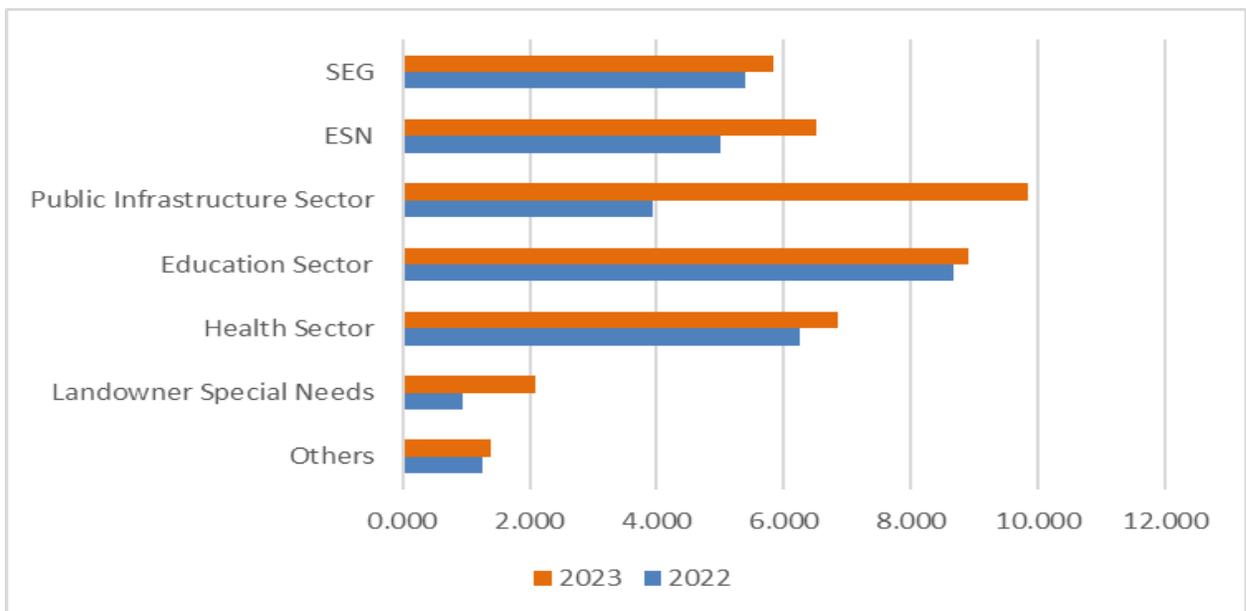
Key elements of the change in net position are as follows:

- Total revenues increased by \$14.6 million (or 8%) compared with prior year. Program revenues increased by \$10.2 million (or 11%) as compared with prior year whereas general revenues increased by \$4.4 million (or 5%) as compared with prior year. The increase in program revenues results from an increase in capital grants and contributions of \$6 million from \$4.7 million to \$10.7 million (or 126% increase) and an increase in operating grants and contributions of \$3.4 million from \$72.5 million to \$75.9 million (or 5%). The increase in general revenues reflects a \$5.9 million (or 16%) increase in taxes, and a \$3.4 million (or 9%) increase in grants and contributions offset by a \$5 million decrease (or 100%) in foreign exchange gain on SDR revaluation.
- At the same time, the cost of governmental activities increased from \$176.7 million to \$184.7 million (or 5%).

A significant portion of RepMar’s program revenues involve contributions from the Government of the United States under the Compact of Free Association. Overall funding from Compact sector grant revenues increased by \$9.9 million (or 32%) from prior year primarily due to an increase in infrastructure and capital projects’ grants.

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

Graph 1
RepMar’s Compact Revenues
For the Years Ended September 30



A significant portion of RepMar’s general revenues involves tax revenue collections. At \$41.8 million in the current year, tax revenues increased by \$5.9 million (or 16%) compared with \$35.9 million collected in the prior year.

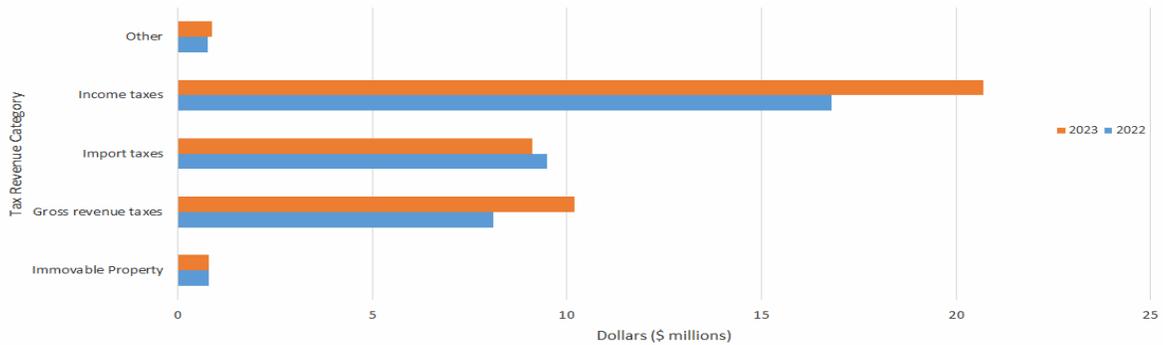
Republic of the Marshall Islands

Management’s Discussion and Analysis, continued

Changes in Net Position, continued

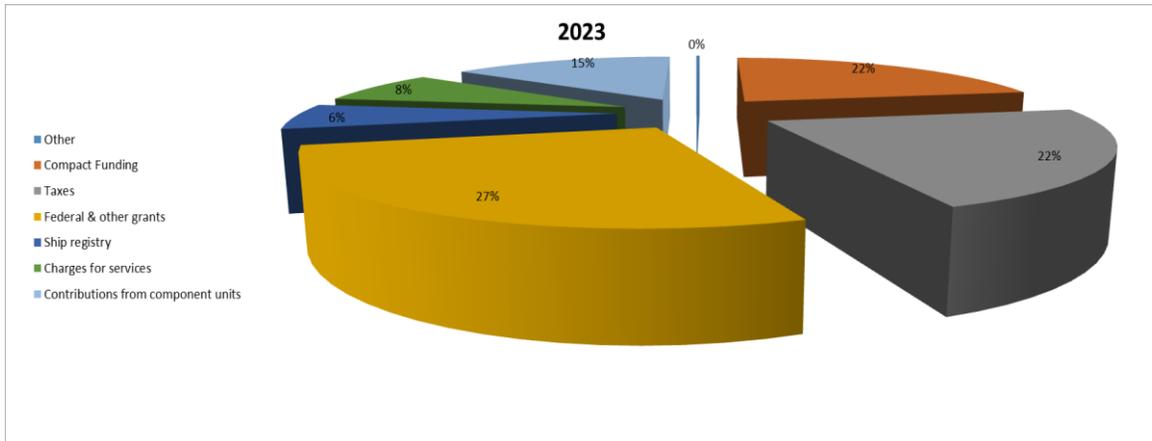
A graphic summary of RepMar’s tax revenue collections for the current year compared with the prior year follows:

Graph 2
RepMar’s Tax Revenues
For the Years Ended September 30



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

Graph 3
RepMar’s Revenue Sources
For the Year Ended September 30, 2023



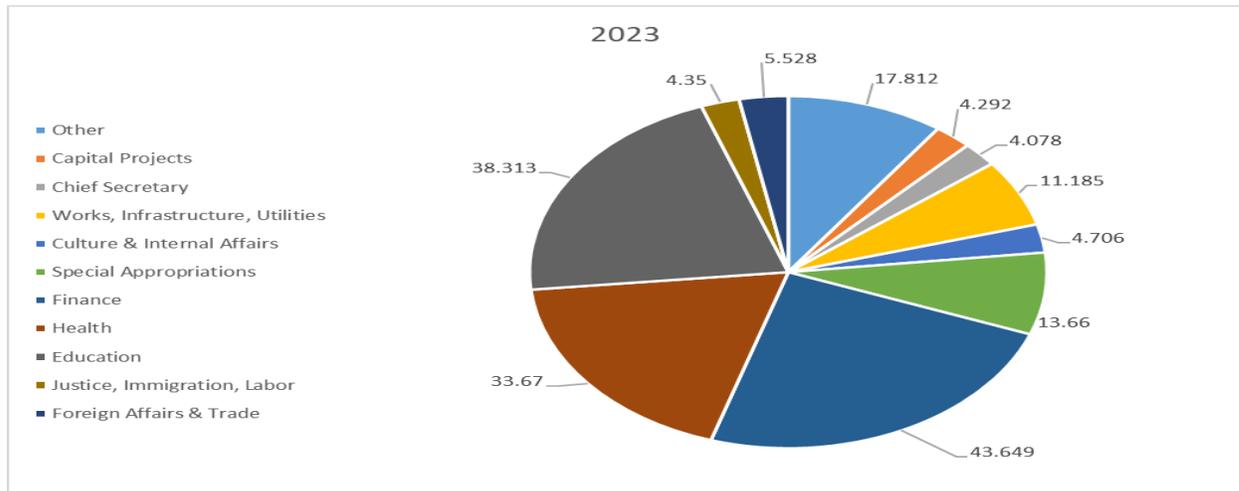
Compact funding, local taxes and federal and other grants are the major sources of revenue for RepMar, which comprise 71% of total revenues for the current year. The remaining 29% is primarily comprised of ship registry fees, fishing revenue contributions from the Marshall Islands Marine Resources Authority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

Republic of the Marshall Islands

Management’s Discussion and Analysis, continued

Changes in Net Position, continued

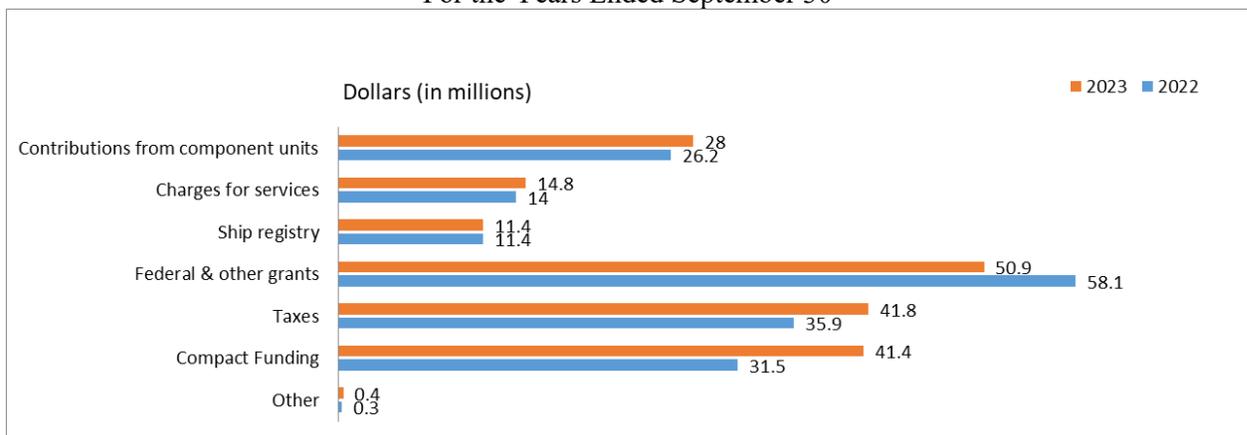
Graph 4
RepMar’s Cost of Governmental Activities
For the Year Ended September 30, 2023



Other expenses, which make up 10% (\$17.8 million) of the \$184.7 million in governmental activities, includes the Office of the President and Cabinet (\$1.8 million), Council of Iroij (\$0.6 million), Nitijela (\$2.5 million), Office of the Auditor-General (\$1.1 million), Office of the Attorney General (\$1.4 million), Offices under the Minister in Assistance to the President (\$5.4 million), Judiciary (\$1.2 million), Transportation, Communication, and Information Technology (\$0.5 million), Natural Resources and Commerce (\$1.9 million), and interest paid on long-term debt (\$1.3 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

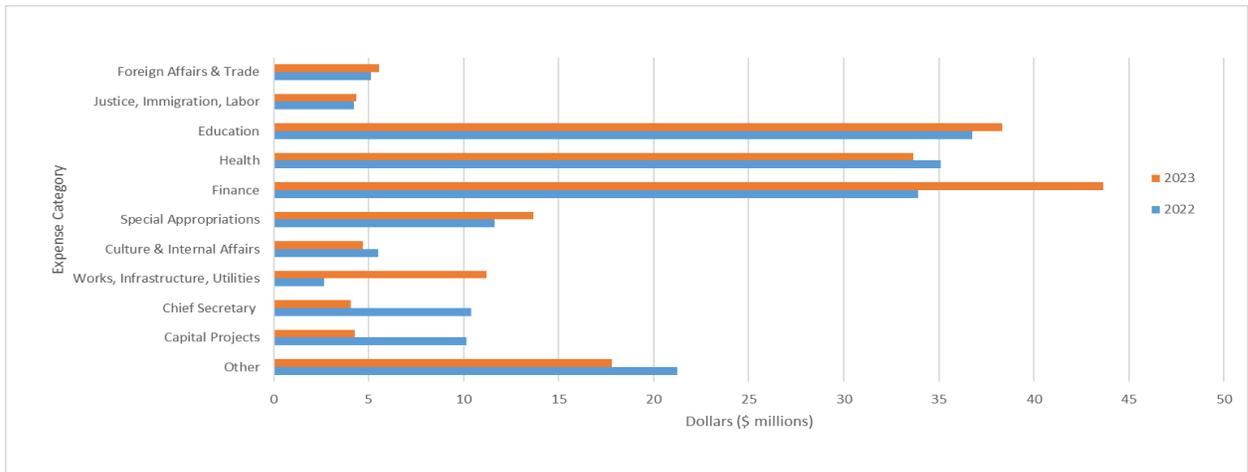


Republic of the Marshall Islands

Management’s Discussion and Analysis, continued

Changes in Net Position, continued

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



Analysis of Changes in Net Position

During the current year, RepMar’s total net position year-on-year increased by \$41.2 million compared with the prior year. The key elements of this increase are as follows: (1) an increase in general revenues of \$4.4 million; (2) an increase in Compact Trust earnings of \$34.6 million; and (3) an increase in expenses, net of program revenues, of \$2.2 million.

General revenues increased by \$4.4 million (or 5%) from the prior year. The increase was primarily due to an increase in tax revenues of \$5.9 million (or 16%), grants and contributions revenues of \$1.6 million (or 13%), and contributions from component units of \$1.8 million (or 7%) offset by a decrease in foreign exchange gains from the SDR revaluation of ADB loans of \$4.9 million (or 100%) from the prior year.

Expenses, net of program revenues, increased by \$2.2 million (or 3%) from the prior year. The net increase was primarily attributable to a general increase in ministerial expenses.

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 2023	Governmental Activities 2022	Total \$ Change 2023-2022	Total % Change 2023-2022
General revenues:				
Taxes	\$ 41,793,631	\$ 35,926,901	\$ 5,866,730	16%
Grants and contributions	14,250,000	12,621,402	1,628,598	13%
Contributions from component units	28,000,000	26,200,000	1,800,000	7%
Ship registry	11,414,340	11,416,127	(1,787)	(0)%
Foreign exchange gain on SDR revaluation	-	4,959,567	(4,959,567)	(100)%
Other general revenues	380,059	291,712	88,347	30%
Total general revenues	95,838,030	91,415,709	4,422,321	5%
Expenses, net of program revenues:				
Education, sports and training	17,978,647	18,867,648	(889,001)	(5)%
Health and human services	6,413,131	5,914,531	498,600	8%
Finance, banking and postal services	15,009,963	13,469,013	1,540,950	11%
Special appropriations	15,708,958	11,648,845	4,060,113	35%
Office of the Chief Secretary	2,982,521	1,524,823	1,457,698	96%
Capital projects	(5,098,402)	4,327,018	(9,425,420)	(218)%
Culture and internal affairs	4,392,689	4,894,845	(502,156)	(10)%
Foreign affairs and trade	5,186,691	4,694,974	491,717	10%
Justice, immigration and labor	2,472,752	2,963,832	(491,080)	(17)%
Natural resources and commerce	1,840,797	2,357,624	(516,827)	(22)%
Environmental Protection Authority	(87,943)	1,878,878	(1,966,821)	(105)%
Works, infrastructure and utilities	6,584,305	2,473,118	4,111,187	166%
President and cabinet	1,875,171	2,331,646	(456,475)	(20)%
Nitijela	2,510,594	2,274,405	236,189	10%
Office of the Attorney General	1,355,926	1,404,285	(48,359)	(3)%
Other	4,228,822	4,500,871	(272,049)	(6)%
Total expenses	83,354,622	85,526,356	(2,171,734)	(3)%
	12,483,408	5,889,353	6,594,055	112%
Contributions to permanent fund	19,160,080	(15,458,268)	34,618,348	(224)%
Change in net position	\$ 31,643,488	\$ (9,568,915)	\$ 41,212,403	(431)%

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 \$167.8 million, which represents a net increase of \$23.4 million (or 16%) in comparison with the prior year. This net increase is primarily attributable to an increase in the fair value of RepMar's investments in the Compact Trust Fund of \$17 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, \$120.2 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; \$24 million is designated as restricted and is constrained for specific purposes which are externally imposed; and \$12.3 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 \$11.3 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 \$11.8 million, a decrease of \$2.7 million from the prior year \$14.5 million. Total fund balance was \$25.7 million down by \$1.1 million as compared with total fund balance at the end of the prior year. The Grants Assistance Fund has a total fund balance of \$20.8 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 \$6.5 million (or 45%), which was primarily due to unexpended World Bank grant receipts. The Compact Trust Fund has a total fund balance of \$111 million, all of which is reserved for the funding of future operations of the primary government. The net increase in the fund balance during the current year in the Compact Trust Fund was \$17 million (or 18%).

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current year, budget revisions of \$18.2 million were made by management and elected officials of RepMar to the General Fund budget, including the \$5.2 million write-off of grants receivable. Revenues collected (including other financing sources) of \$97.1 million were higher than budgeted amounts of \$95.1 million (or 2% million). In addition, charges to appropriations (including other financing uses) of \$106.7 million were higher than budgeted amounts of \$104 million due primarily to higher actual ministerial expenditures.

CAPITAL AND LEASE ASSETS

RepMar’s investment in capital and lease assets for governmental activities as of September 30, 2023 amounted to \$245.2 million, net of accumulated depreciation of \$112.9 million, leaving a net book value of \$132.3 million. This represents an increase of \$7.1 million from the \$125.2 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 2023	Governmental Activities 2022	Total \$ Change 2023-2022	Total % Change 2023-2022
Buildings	\$ 67,708,575	\$ 63,912,438	\$ 3,796,137	6%
Docks, roads and bridges	3,693,345	5,303,615	(1,610,270)	(30)%
Ships	99,440	1,052,000	(952,560)	(91)%
Software	4,110,182	1,217,996	2,892,186	237%
Heavy equipment	6,651,622	5,378,421	1,273,201	24%
Lease assets	28,737,853	28,974,866	(237,013)	(1)%
Construction in progress	21,322,544	19,350,145	1,972,399	10%
Total	\$ 132,323,561	\$ 125,189,481	\$ 7,134,080	6%

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:

- Ministry of Finance FMIS (Bisan) of \$2.6 million
- Landing craft - 2034 of \$2.3 million
- Ebeye Public School Phase 3 project of \$2.9 million
- Japan Embassy building of \$2.8 million
- Educational Cultural Center (ECC) Phase 2 project of \$4.1 million

Major capital asset retirements during the current year included the \$2 million transfer upon completion of the Mid-Corridor Housing Project - Phase 1 on Ebeye Island to occupants.

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 two loans with the ICDF (See table below). Long-term debt obligations decreased by \$3.1 million (or 8%) 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,

	<u>Governmental Activities 2023</u>	<u>Governmental Activities 2022</u>	<u>Total \$ Change 2023-2022</u>	<u>Total % Change 2023-2022</u>
Asian Development Bank:				
Fisheries Development Project	\$ 854,740	\$ 956,640	\$ (101,900)	(11)%
Typhoon Rehabilitation	190,986	208,235	(17,249)	(8)%
Basic Education Project	2,793,268	3,082,850	(289,582)	(9)%
Majuro Water Supply Project No. 1	220,984	239,558	(18,574)	(8)%
Health and Population Project	2,089,453	2,272,612	(183,159)	(8)%
Majuro Water Supply Project No. 2	3,416,831	3,743,139	(326,308)	(9)%
Public Sector Reform Program	5,822,878	6,323,907	(501,029)	(8)%
Ebeye Health and Infrastructure Project	2,628,854	2,965,603	(336,749)	(11)%
Skills Training and Vocational Education Project	1,725,223	1,916,812	(191,589)	(10)%
Fiscal and Financial Management Program No. 2	1,048,621	1,572,931	(524,310)	(33)%
Outer Island Transport Infrastructure Project	168,751	182,742	(13,991)	(8)%
Public Sector Program Loan	5,797,668	6,136,667	(338,999)	(6)%
Fiscal Reform and Debt Management Project	3,597,042	3,748,613	(151,571)	(4)%
International Cooperation Development Fund	6,880,033	6,980,033	(100,000)	(1)%
Total	<u>\$ 37,235,332</u>	<u>\$ 40,330,342</u>	<u>\$ (3,095,010)</u>	<u>(8)%</u>

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

LONG-TERM DEBT, CONTINUED

As mentioned above, total long-term debt decreased by \$3.1 million (or 8%) 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.

ECONOMIC FACTORS

In FY2023, the economy of RepMar was characterized by moderate economic growth, elevated inflationary pressures, and notable fiscal adjustments. RepMar experienced a growth in revenues – driven primarily by higher tax collections and external grants – with a simultaneous growth in expenditures. However, RepMar's net position did not decline due to higher overall revenues as well as the assets of RepMar.

Externally, FY2023 marked the tail end of COVID-19–related fiscal support and coincided with global economic volatility stemming from supply chain disruptions and global economic shocks. Domestically, economic activity was supported by the fisheries sector and continued Compact-related disbursements, with further fiscal implications expected following the conclusion of Compact negotiations in FY2023.

Total government revenues of RepMar increased by approximately 6 percent in FY2023, reflecting gains across several major revenue categories. The primary contributors to this growth were income tax collections, Gross Revenue Tax (GRT) collections, as well as unrestricted grants and contributions. Unrestricted grants and contributions also played a significant role in bolstering revenues, underscoring the continued importance of external financing to the overall fiscal performance of RepMar. In addition, revenues from the ship registry continued to contribute to the income of RepMar, with relative stability and ongoing relevance as a source of government revenue.

Total government expenditures of RepMar increased in FY2023, reflecting higher costs associated with the delivery of public services and other government activities. Following the COVID-19 pandemic, government expenditures rose sharply in FY2020 and FY2021 in response to pandemic-related needs and emergency support. However, these declined in FY2022 as temporary support measures were phased out. In FY2023, expenditures largely reverted to pre-pandemic levels, which indicated a normalization of fiscal operations and economic stabilization.

With regard to payroll, costs grew at an average annual rate of 2.9 percent from FY2020 to FY2023, slightly above the long-term average of 2.5 percent. The most significant increase occurred in FY2021, which was driven by large inflows of budgetary support, including assistance from donor partners. By FY2023, payroll expenditures had stabilized and returned to a more sustainable trajectory.

In contrast, subsidies faced a modest decline in FY2023. While subsidies to RepMar State-Owned Enterprises (SOEs) remained broadly stable, a reduction in private sector support contributed to an overall decrease in subsidy expenditures in FY2023 for RepMar. To assist with the loss of trade and investment provisions of the original Compact agreement, the U.S. compensated RepMar with annual deposits into RepMar's Trust Fund between FY2020 and FY2023.

RepMar's net position experienced a rise of approximately 14% in FY2023. This can be attributed to the certitude in which assets exceeded liabilities in FY2023 by way of an influx of revenue injections into the economy of RepMar, despite inflationary pressures and geopolitical shocks.

Republic of the Marshall Islands

Management's Discussion and Analysis, continued

ECONOMIC FACTORS, CONTINUED

Inflationary pressures intensified in FY2023, with consumer prices increasing by an estimated 7.4 percent. This indicates a continued positive inflation trend that began in FY2022 and accelerated in FY2023. Key drivers of inflation within RepMar include a rise in food prices and additional taxation on tobacco administered by subnational parties of RepMar. Increased food prices further reflect the global financial crisis, in addition to global supply disruptions due to economic shocks from foreign parties and increased costs for imports.

Although inflation dynamics in FY2023 were largely shaped by global factors, the full impact of global factors often reached RepMar's economy in a delayed manner. International oil prices rose sharply following the outbreak of global financial crisis and conflict, contributing to higher transportation and energy costs. Although oil prices began to decline during FY2023, the earlier price surge had lasting effects. Importantly, while domestic tariffs for fuel were not increased, high global prices contributed to significant financial pressures on the Marshalls Energy Company, resulting in a large operational deficit.

Overall, RepMar experienced a modest level of economic growth in FY2023, reflecting both domestic and external constraints. The fisheries sector remained a significant driver of economic activity within RepMar. Economic growth was also spurred on by the support of public investment and services via the disbursement of Compact sector grants. While private sector activity remained constrained after the pandemic, these sectors provided a stabilizing effect on overall economic performance.

FY2023 reflected a transition year marked by normalization and stabilization following the COVID-19 pandemic, continued exposure to global economic shocks, and preparatory developments for future fiscal expansion under the new Compact Agreement. While revenue performance was strong, rising expenditures and inflationary pressures did not prevent a growth in net position 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, 2023

	<u>Primary Government</u>	<u>Component Units</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 12,446,012	\$ 37,834,225
Time certificates of deposit	---	11,172,263
Receivables, net	55,255,014	56,212,715
Inventories	---	10,010,632
Advances and other assets	6,218,801	7,171,934
Due from component units	6,071,299	---
Due from primary government	---	2,839,355
Investments	---	11,995,969
Restricted assets:		
Cash and cash equivalents	13,243,939	935,819
Investments	110,922,230	---
Capital assets:		
Nondepreciable capital assets	21,322,544	29,218,612
Capital assets, net of accumulated depreciation	82,263,164	102,058,848
Lease asset, net	28,737,853	2,542,064
Indefeasible right of use, net	---	3,033,376
Total assets	<u>336,480,856</u>	<u>275,025,812</u>
<u>LIABILITIES</u>		
Accounts payable	13,380,316	17,382,001
Medical claims payable	2,091,785	---
Other liabilities and accruals	6,104,019	5,466,354
Contracts payable	---	4,216,195
Retention payable	3,248,140	---
Payable to federal agencies	7,300,333	---
Due to component units	3,405,037	---
Due to external parties	726,965	---
Unearned revenues	2,964,910	5,834,128
Customer deposits	---	1,700,440
Accrued interest payable	77,520	---
Noncurrent liabilities:		
Due within one year	7,076,576	3,006,086
Due in more than one year	63,863,595	23,837,194
Total liabilities	<u>110,239,196</u>	<u>61,442,398</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows from leases	---	643,798
Commitments and contingencies		
<u>NET POSITION</u>		
Net investment in capital assets	91,869,585	118,239,901
Restricted for:		
Future operations - nonexpendable	110,922,230	---
Debt service	2,835,020	---
Compact related	7,475,471	---
Other purposes	19,421,989	2,439,185
Unrestricted	(6,282,635)	92,260,530
Total net position	<u>\$ 226,241,660</u>	<u>\$ 212,939,616</u>

See accompanying notes.

Republic of the Marshall Islands

Statement of Activities

Year ended September 30, 2023

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	\$ 1,875,171	\$ ---	\$ ---	\$ ---	\$ (1,875,171)	\$ ---
Office of the Chief Secretary	4,078,336	285,294	810,521	---	(2,982,521)	---
Special appropriations	15,708,958	---	---	---	(15,708,958)	---
Council of Iroij	597,590	---	---	---	(597,590)	---
Nitijela	2,510,594	---	---	---	(2,510,594)	---
Office of the Auditor-General	1,059,709	---	192,072	---	(867,637)	---
Public Service Commission	619,014	---	---	---	(619,014)	---
Judiciary	1,239,950	238,973	---	---	(1,000,977)	---
Office of the Attorney General	1,388,426	32,500	---	---	(1,355,926)	---
Environment	2,006,590	---	1,467,775	---	(538,815)	---
Education, Sports and Training	38,312,774	---	19,834,127	500,000	(17,978,647)	---
Health and Human Services	33,670,220	10,218,613	17,038,476	---	(6,413,131)	---
Transportation, Communication and Information Technology	544,445	1,324	60,537	---	(482,584)	---
Natural Resources and Commerce	1,910,606	11,503	58,306	---	(1,840,797)	---
Culture and Internal Affairs	4,706,467	12,043	301,735	---	(4,392,689)	---
Justice, Immigration and Labor	4,349,817	1,703,930	173,135	---	(2,472,752)	---
Finance, Banking and Postal Services	45,104,935	1,113,853	28,981,119	---	(15,009,963)	---
Foreign Affairs and Trade	5,527,602	211,746	129,165	---	(5,186,691)	---
Works, Infrastructure and Utilities	11,185,172	121,893	2,246,748	2,232,226	(6,584,305)	---
Environmental Protection Authority	535,945	872,913	289,790	---	626,758	---
Nuclear claims related	2,240,225	---	2,862,325	---	622,100	---
Capital projects	4,292,480	---	1,444,017	7,946,865	5,098,402	---
Unallocated interest - long-term debt	1,283,120	---	---	---	(1,283,120)	---
Total primary government	\$ 184,748,146	\$ 14,824,585	\$ 75,889,848	\$ 10,679,091	(83,354,622)	---
Component units:						
Air Marshall Islands, Inc.	7,295,217	7,889,650	---	---	---	594,433
Marshalls Energy Company, Inc.	48,481,266	47,324,563	976,352	10,212,507	---	10,032,156
MI Development Bank	4,130,809	4,896,392	196,438	---	---	962,021
MI Marine Resources Authority	35,920,166	31,763,386	2,425,832	---	---	(1,730,948)
MI National Telecom. Authority	9,900,547	9,980,671	---	---	---	80,124
MI Shipping Corporation	4,588,613	1,507,285	---	---	---	(3,081,328)
RMI Ports Authority	7,896,217	3,878,488	---	4,828,969	---	811,240
Tobolar Copra Processing Authority	12,650,683	3,414,195	---	---	---	(9,236,488)
Other nonmajor component units	10,084,020	6,885,493	838,705	399,365	---	(1,960,457)
Total component units	\$ 140,947,538	\$ 117,540,123	\$ 4,437,327	\$ 15,440,841	---	(3,529,247)
General revenues:						
Taxes:						
Income taxes					20,753,754	---
Import taxes					9,113,233	---
Gross revenue taxes					10,224,465	---
Immovable property					835,616	---
Fuel taxes					596,633	---
Penalties and interest					67,411	---
Other					202,519	---
Unrestricted grants and contributions					14,250,000	---
Contributions from component units					28,000,000	---
Ship registry					11,414,340	---
Unrestricted investment earnings					198,273	196,186
Contributions from primary government					---	16,476,604
Other					181,786	81,279
Total general revenues					95,838,030	16,754,069
Contributions to permanent funds					19,160,080	---
Total general revenues and contributions					114,998,110	16,754,069
Change in net position					31,643,488	13,224,822
Net position at the beginning of the year					194,598,172	199,714,794
Net position at the end of the year					\$ 226,241,660	\$ 212,939,616

See accompanying notes.

Republic of the Marshall Islands

Balance Sheet Governmental Funds

September 30, 2023

		Special Revenue	Permanent	Other Governmental Funds	
	General	Grants Assistance	Compact Trust		Total
ASSETS					
Cash and cash equivalents	\$ 7,691,819	\$ ---	\$ ---	\$ 4,754,193	\$ 12,446,012
Receivables, net:					
Taxes	11,254,003	---	---	---	11,254,003
Federal agencies	---	17,559,807	---	---	17,559,807
General	6,561,290	15,170,935	---	4,694,026	26,426,251
Other	---	---	---	14,953	14,953
Due from other funds	12,379,516	15,723,600	---	6,502,060	34,605,176
Due from component units	6,071,299	---	---	---	6,071,299
Advances	1,441,316	1,027,846	---	459,389	2,928,551
Other assets	3,290,250	---	---	---	3,290,250
Restricted assets:					
Cash and cash equivalents	13,243,939	---	---	---	13,243,939
Investments	---	---	110,922,230	---	110,922,230
Total assets	<u>\$ 61,933,432</u>	<u>\$ 49,482,188</u>	<u>\$ 110,922,230</u>	<u>\$ 16,424,621</u>	<u>\$ 238,762,471</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,589,706	\$ 5,036,183	\$ ---	\$ 2,754,427	\$ 13,380,316
Medical claims payable	---	---	---	2,091,785	2,091,785
Other liabilities and accruals	3,501,907	1,314,511	---	1,287,601	6,104,019
Payable to federal agencies	1,068,943	6,231,390	---	---	7,300,333
Retention payable	1,096,340	2,151,800	---	---	3,248,140
Due to component units	565,682	---	---	---	565,682
Unearned revenue	1,448,916	1,515,994	---	---	2,964,910
Due to other funds	22,952,625	12,379,516	---	---	35,332,141
Total liabilities	<u>36,224,119</u>	<u>28,629,394</u>	<u>-</u>	<u>6,133,813</u>	<u>70,987,326</u>
Fund balances:					
Nonspendable	9,361,549	---	110,922,230	---	120,283,779
Restricted	4,578,927	18,726,568	---	688,788	23,994,283
Committed	14,251	2,665,953	---	9,602,020	12,282,224
Unassigned	11,754,586	(539,727)	---	---	11,214,859
Total fund balances	<u>25,709,313</u>	<u>20,852,794</u>	<u>110,922,230</u>	<u>10,290,808</u>	<u>167,775,145</u>
Total liabilities and fund balances	<u>\$ 61,933,432</u>	<u>\$ 49,482,188</u>	<u>\$ 110,922,230</u>	<u>\$ 16,424,621</u>	
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					132,323,561
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				(37,235,332)	
Due to component units				(2,839,355)	
Leases payable				(28,990,257)	
Compensated absences payable				(4,714,582)	
					<u>(73,857,046)</u>
Net position of governmental activities					<u>\$ 226,241,660</u>

See accompanying notes.

Republic of the Marshall Islands

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

Year ended September 30, 2023

	General	Special Revenue	Permanent	Other	Total
		Grants Assistance	Compact Trust	Governmental Funds	
Revenues:					
Taxes	\$ 41,793,631	\$ ---	\$ ---	\$ ---	\$ 41,793,631
Federal and other grants	12,896,015	92,419,584	---	503,340	105,818,939
Sales	-	---	---	70,673	70,673
Ship registry	11,414,340	---	---	---	11,414,340
Net change in the fair value of investments	-	---	14,160,080	---	14,160,080
Interest and dividends	177,790	---	---	20,483	198,273
Fees and charges	706,917	---	---	13,963,135	14,670,052
Contributions from component units	28,083,860	---	---	---	28,083,860
Other	181,786	---	---	---	181,786
Total revenues	95,254,339	92,419,584	14,160,080	14,557,631	216,391,634
Expenditures:					
Current:					
President and Cabinet	1,864,213	---	---	---	1,864,213
Office of the Chief Secretary	3,473,076	588,164	---	52,381	4,113,621
Special appropriations	14,133,060	---	---	---	14,133,060
Council of Iroij	597,590	---	---	---	597,590
Nitijela	2,462,222	---	---	---	2,462,222
Office of the Auditor-General	867,637	192,072	---	---	1,059,709
Public Service Commission	604,014	---	---	---	604,014
Judiciary	---	---	---	1,239,950	1,239,950
Office of the Attorney General	1,240,745	773	---	146,908	1,388,426
Ministries:					
Environment	557,871	1,476,574	---	---	2,034,445
Education, Sports and Training	14,622,281	19,344,945	---	2,558,322	36,525,548
Health and Human Services	4,994,998	16,830,299	---	11,315,343	33,140,640
Transportation, Communication and Information Technology	517,179	---	---	---	517,179
Natural Resources and Commerce	1,731,086	156,920	---	---	1,888,006
Culture and Internal Affairs	2,946,114	1,649,949	---	38,414	4,634,477
Justice, Immigration and Labor	3,769,257	173,135	---	119,584	4,061,976
Finance, Banking and Postal Services	23,709,291	22,584,264	---	976,035	47,269,590
Foreign Affairs and Trade	7,705,308	147,517	---	90,014	7,942,839
Works, Infrastructure and Utilities	2,643,956	7,460,043	---	76,667	10,180,666
Environmental Protection Authority	244,194	291,751	---	---	535,945
Nuclear claims related	---	---	---	2,240,225	2,240,225
Debt service:					
Principal repayment	5,179,104	---	---	---	5,179,104
Interest	522,400	---	---	---	522,400
Capital outlay	2,033,816	10,652,100	---	---	12,685,916
Total expenditures	96,419,412	81,548,506	-	18,853,843	196,821,761
Excess (deficiency) of revenues over (under) expenditures	(1,165,073)	10,871,078	14,160,080	(4,296,212)	19,569,873
Other financing sources (uses):					
Loan proceeds	3,789,520	---	---	---	3,789,520
Operating transfers in	3,353,798	15,526	5,000,000	6,421,794	14,791,118
Operating transfers out	(7,104,960)	(4,381,844)	(2,000,000)	(1,304,314)	(14,791,118)
Total other financing sources (uses), net	38,358	(4,366,318)	3,000,000	5,117,480	3,789,520
Net change in fund balances	(1,126,715)	6,504,760	17,160,080	821,268	23,359,393
Fund balances at the beginning of the year	26,836,028	14,348,034	93,762,150	9,469,540	144,415,752
Fund balances at the end of the year	\$ 25,709,313	\$ 20,852,794	\$ 110,922,230	\$ 10,290,808	\$ 167,775,145

See accompanying notes.

Republic of the Marshall Islands

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

Year ended September 30, 2023

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

Net change in fund balances - total governmental funds	\$23,359,393
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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	\$15,174,302	
Depreciation expense	(6,324,226)	
Amortization expense	<u>(1,715,996)</u>	
		7,134,080

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:

Loan proceeds from MIDB loan	(3,789,520)	
Repayment of ADB loans	3,256,979	
Repayment of MIDB loan	1,822,125	
Repayment of ICDF loans	<u>100,000</u>	
		1,389,584

Loss on SDR revaluation (see Note 8)	(261,969)
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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 lease liability	<u>22,400</u>
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Change in net position of governmental activities	\$ <u>31,643,488</u>
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Republic of the Marshall Islands

Statement of Fiduciary Net Position Fiduciary Funds

September 30, 2023

	Private Purpose Trust	Custodial
<u>ASSETS</u>		
Cash and cash equivalents	\$ 8,258,814	\$ 1,044,239
Time certificate of deposit	3,763,869	90,373
Receivables, net	7,052,490	---
Investments	91,050,105	---
Due from other funds	1,412,757	164,484
Capital assets, net of accumulated depreciation	205,805	---
Total assets	111,743,840	1,299,096
<u>LIABILITIES</u>		
Accounts payable	387,632	---
Other liabilities and accruals	67,936	---
Due to other funds	850,276	---
	1,305,844	---
<u>NET POSITION</u>		
Held in trust for:		
Individuals, organizations and other governments	109,067,866	1,299,096
Land use distributions	1,370,130	---
Total net position	\$ 110,437,996	\$ 1,299,096

See accompanying notes.

Republic of the Marshall Islands

Statement of Changes in Fiduciary Net Position Fiduciary Funds

Year ended September 30, 2023

	Private Purpose Trust	Custodial
Additions:		
Contributions:		
Private employees	\$ 16,665,797	\$ ---
Government employees	8,022,799	---
Penalties and interest	303,443	---
Total contributions	24,992,039	---
Investment gain:		
Net change in the fair value of investments	7,884,955	---
Interest and dividends	1,825,669	2,895
Investment gain	9,710,624	2,895
Add investment expense	165,553	---
Net investment gain	9,545,071	2,895
Other:		
Compact funding	24,022,800	---
Transfer in	1,388,800	---
Other	176,035	58,725
Total additions	60,124,745	61,620
Deductions:		
Land use distributions	23,853,818	---
Benefits	20,780,851	---
Other distributions	---	2,722,703
Administrative expenses	1,459,208	705
Total deductions	46,093,877	2,723,408
Change in net position held in trust for:		
Individuals, organizations and other governments	---	(2,661,788)
Social security benefits	13,861,886	---
Land use distributions	168,982	---
Total	14,030,868	(2,661,788)
Net position at the beginning of the year	96,407,128	3,960,884
Net position at the end of the year	\$ 110,437,996	\$ 1,299,096

See accompanying notes.

Republic of the Marshall Islands

Combining Statement of Net Position Discretely Presented Component Units

September 30, 2023

	Air Marshall Islands, Inc.	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	RMI Ports Authority	Tobolar Copra Processing Authority	Nonmajor Component Units	Total
ASSETS										
Cash and cash equivalents	\$ 3,489,446	\$ 5,457,193	\$ 1,982,240	\$ 20,121,973	\$ 571,252	\$ 125,117	\$ 1,654,181	\$ 929,646	\$ 3,503,177	\$ 37,834,225
Time certificates of deposit	---	5,213,114	2,449,872	---	540,321	---	2,831,234	137,722	---	11,172,263
Receivables, net	734,002	4,876,426	33,722,481	11,793,009	1,918,026	206,222	1,270,670	876,142	815,737	56,212,715
Inventories	1,136,602	7,502,735	---	---	350,985	125,457	---	845,210	49,643	10,010,632
Other assets	774,274	5,798,855	---	80,064	88,190	298,105	7,974	10,950	113,522	7,171,934
Investments	---	---	10,138,420	1,857,549	---	---	---	---	---	11,995,969
Due from primary government	---	---	2,839,355	---	---	---	---	---	---	2,839,355
Restricted assets:										
Cash and cash equivalents	---	380,933	554,886	---	---	---	---	---	---	935,819
Capital assets:										
Nondepreciable capital assets	---	16,433,153	6,159	1,915,253	1,462,110	---	9,384,514	17,423	---	29,218,612
Capital assets, net of accumulated depreciation	9,506,678	12,321,514	231,631	4,411,681	22,348,265	7,878,057	42,586,417	901,077	1,873,528	102,058,848
Lease assets, net	82,580	612,528	123,942	112,368	485,493	---	803,948	133,184	188,021	2,542,064
Indefeasible right of use, net	---	---	---	---	3,033,376	---	---	---	---	3,033,376
Total assets	<u>15,723,582</u>	<u>58,596,451</u>	<u>52,048,986</u>	<u>40,291,897</u>	<u>30,798,018</u>	<u>8,632,958</u>	<u>58,538,938</u>	<u>3,851,354</u>	<u>6,543,628</u>	<u>275,025,812</u>
LIABILITIES										
Accounts payable	1,521,953	10,084,296	290,063	252,279	1,279,850	742,159	1,114,141	847,585	1,249,675	17,382,001
Other liabilities and accruals	632,730	2,729,227	128,684	231,071	213,062	185,396	430,137	58,287	857,760	5,466,354
Contracts payable	---	---	---	386,234	1,738,801	---	2,091,160	---	---	4,216,195
Unearned revenue	147,088	4,941,901	367,027	---	88,130	---	---	---	289,982	5,834,128
Customer deposits	---	---	1,172,950	---	527,490	---	---	---	---	1,700,440
Noncurrent liabilities:										
Due within one year	25,309	480,290	1,088,766	14,183	1,045,674	---	289,069	3,174	59,621	3,006,086
Due in more than one year	3,183,053	4,925,686	311,265	85,537	13,669,549	---	858,298	137,882	665,924	23,837,194
Total liabilities	<u>5,510,133</u>	<u>23,161,400</u>	<u>3,358,755</u>	<u>969,304</u>	<u>18,562,556</u>	<u>927,555</u>	<u>4,782,805</u>	<u>1,046,928</u>	<u>3,122,962</u>	<u>61,442,398</u>
DEFERRED INFLOWS OF										
RESOURCES										
Deferred inflows from leases	---	---	128,022	106,326	---	---	409,450	---	---	643,798
NET POSITION										
Net investment in capital assets	9,497,786	30,894,564	234,704	5,953,348	11,175,220	7,878,057	49,822,066	910,628	1,873,528	118,239,901
Restricted	165,165	380,933	554,886	1,326,685	---	11,516	---	---	---	2,439,185
Unrestricted	550,498	4,159,554	47,772,619	31,936,234	1,060,242	(184,170)	3,524,617	1,893,798	1,547,138	92,260,530
Total net position	<u>\$ 10,213,449</u>	<u>\$ 35,435,051</u>	<u>\$ 48,562,209</u>	<u>\$ 39,216,267</u>	<u>\$ 12,235,462</u>	<u>\$ 7,705,403</u>	<u>\$ 53,346,683</u>	<u>\$ 2,804,426</u>	<u>\$ 3,420,666</u>	<u>\$212,939,616</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, 2023

	Air Marshall Islands, Inc.	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	RMI Ports Authority	Tobolar Copra Processing Authority	Nonmajor Component Units	Total
Expenses	\$ 7,295,217	\$ 48,481,266	\$ 4,130,809	\$ 35,920,166	\$ 9,900,547	\$ 4,588,613	\$ 7,896,217	\$ 12,650,683	\$ 10,084,020	\$140,947,538
Program revenues:										
Charges for services	7,889,650	47,324,563	4,896,392	31,763,386	9,980,671	1,507,285	3,878,488	3,414,195	6,885,493	117,540,123
Operating grants and contributions	---	976,352	196,438	2,425,832	---	---	---	---	838,705	4,437,327
Capital grants and contributions	---	10,212,507	---	---	---	---	4,828,969	---	399,365	15,440,841
Total program revenues	<u>7,889,650</u>	<u>58,513,422</u>	<u>5,092,830</u>	<u>34,189,218</u>	<u>9,980,671</u>	<u>1,507,285</u>	<u>8,707,457</u>	<u>3,414,195</u>	<u>8,123,563</u>	<u>137,418,291</u>
Net program revenues (expenses)	<u>594,433</u>	<u>10,032,156</u>	<u>962,021</u>	<u>(1,730,948)</u>	<u>80,124</u>	<u>(3,081,328)</u>	<u>811,240</u>	<u>(9,236,488)</u>	<u>(1,960,457)</u>	<u>(3,529,247)</u>
General revenues:										
Payments from RepMar	936,622	515,840	318,997	---	---	2,786,457	---	9,471,397	2,447,291	16,476,604
Investment earnings	---	---	(145,728)	165,674	19,863	-	156,377	---	---	196,186
Other	---	1,101	10,205	---	---	---	---	---	69,973	81,279
Total general revenues	<u>936,622</u>	<u>516,941</u>	<u>183,474</u>	<u>165,674</u>	<u>19,863</u>	<u>2,786,457</u>	<u>156,377</u>	<u>9,471,397</u>	<u>2,517,264</u>	<u>16,754,069</u>
Change in net position	1,531,055	10,549,097	1,145,495	(1,565,274)	99,987	(294,871)	967,617	234,909	556,807	13,224,822
Net position at the beginning 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
Net position at the end of the year	<u>\$ 10,213,449</u>	<u>\$ 35,435,051</u>	<u>\$ 48,562,209</u>	<u>\$ 39,216,267</u>	<u>\$ 12,235,462</u>	<u>\$ 7,705,403</u>	<u>\$ 53,346,683</u>	<u>\$ 2,804,426</u>	<u>\$ 3,420,666</u>	<u>\$212,939,616</u>

See accompanying notes.

Republic of the Marshall Islands

Notes to Financial Statements

Year ended September 30, 2023

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, wastewater 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 and 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 \$140,654,710 of restricted net position, of which \$19,421,989 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 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.

RepMar participates in an external investment pool known as the Trust Fund for the People of the Republic of the Marshall Islands. RepMar cannot directly access individual investments in the external investment pool.

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 \$3,290,250. 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-of-use (ROU) assets are recognized at the lease commencement date and represent RepMar's right to use an underlying asset for the lease term. ROU 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 ROU 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.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Unassigned - includes negative fund balances in other governmental funds.

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Fund Balances, continued

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

A formal minimum fund balance policy has not been adopted.

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

During the year ended September 30, 2023, RepMar implemented the following pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, which provides 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.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves 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.

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. 96, *Subscription-Based Information Technology Arrangements*, which 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.
- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement provides clarification of provisions in:
 - 1) GASB Statement No. 87, *Leases*, 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.
 - 2) 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.
 - 3) GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

This Statement modifies accounting and reporting guidance in:

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

The implementation of these Statements 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

Upcoming Accounting Pronouncements

In April 2022, GASB issued Statement No. 99. 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 the 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 the fiscal year ending September 30, 2024.

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 the 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 the fiscal year ending September 30, 2025.

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for the fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues identified through agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following: a) management's discussion and analysis (MD&A); b) unusual or infrequent items; c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; d) information about major component units in basic financial statements; e) budgetary comparison information; and f) financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for the fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

Republic of the Marshall Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

GASB Statement No. 104 also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for the fiscal year ending September 30, 2026.

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.

Encumbrances

RepMar utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. As of September 30, 2023, 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>\$8,352,800</u>	<u>\$48,859,029</u>	<u>\$ ---</u>	<u>\$290,147</u>	<u>\$57,501,976</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.

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

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:

- (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 it 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.

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

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, 2023, the carrying amount of the primary government's total cash and cash equivalents was \$25,689,951 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, 2023, 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.

As of September 30, 2023, the carrying amount of the fiduciary fund's total cash and cash equivalents and time certificates of deposit was \$13,157,295 and the corresponding bank balances were \$13,321,847. Of the bank balances, \$1,877,408 is maintained in financial institutions subject to FDIC insurance. Bank deposits of \$11,444,439 are maintained in financial institutions not subject to depository insurance. As of September 30, 2023, 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, 2023, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$49,942,307 and the corresponding bank balances were \$51,092,110. Of the bank balances, \$26,450,641 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2023, bank deposits in the amount of \$3,177,155 were FDIC insured. Bank deposits of \$24,641,469 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.

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments

Primary Government

Investments of the primary government as of September 30, 2023, are as follows:

Compact Trust Fund:

Investment in an external investment pool	<u>\$110,922,230</u>
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The Compact Trust Fund includes an investment in an external investment pool; Trust Fund for the People of the Republic of the Marshall Islands. The purpose of the Trust Fund is to contribute to the economic advancement and long-term self-reliance of the Marshall Islands by providing an annual source of revenue after fiscal year 2023.

The credit quality rating for aforementioned external investment pool is unrated.

The fair value of the position in the external investment pool is the same as the value of the pool shares as provided by the pool sponsor. There is no regulatory oversight for the pool.

The Compact Trust Fund has the following recurring fair value measurements as of September 30, 2023:

	Total	Fair Value Measurements Using		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
External investment pool	<u>\$110,922,230</u>	<u>\$110,922,230</u>	<u>\$ ---</u>	<u>\$ ---</u>

Fiduciary Funds

Investments in marketable securities of the Marshall Islands Social Security Administration (MISSA) as of September 30, 2023, are as follows:

Money market funds	\$ 33,847
Exchange Traded Funds	27,126,862
Mutual funds	<u>42,236,322</u>
	<u>\$69,397,031</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, 2023:

	Total	<u>Fair Value Measurements Using</u>		
		In Active	Significant	
		In Active	Other	Significant
		Markets for	Observable	Unobservable
	Identical Assets	Inputs	Inputs	
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
Investments by fair value level:				
Exchange traded funds	\$27,126,862	\$27,126,862	\$ ---	\$ ---
Mutual funds	<u>42,236,322</u>	<u>42,236,322</u>	---	---
	69,363,184	<u>\$69,363,184</u>	<u>\$ ---</u>	<u>\$ ---</u>
Investments measured at amortized cost:				
Money market funds	<u>33,847</u>			
	<u>\$69,397,031</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, 2023. 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, 2023. 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, 2023, MISSA's investment in MIHI amounted to \$20,145,023. The investment in MISC is accounted for at the Net Asset Value. As of September 30, 2023, MISSA's investment in MISC amounted to \$1,508,051. During the year ended September 30, 2023, MISSA received dividend payments from MIHI of \$482,105. For the year ended September 30, 2023, MISSA recognized \$706,055 of equity in net earnings of MIHI.

Summarized financial information of MIHI as of and for the year ended December 31, 2023 is presented on the table below:

Total assets	<u>\$ 179,699,602</u>
Total liabilities	<u>\$ 120,030,409</u>
Equity:	
Attributable to stockholders of MIHI	<u>\$ 53,598,903</u>
Noncontrolling interest	<u>\$ 6,070,290</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Fiduciary Funds, continued

Net income attributed to:	
Stockholders of MIHI	\$ <u>2,409,485</u>
Noncontrolling interests	\$ <u>171,565</u>

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 no 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.

Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Fiduciary Funds, continued

MISSA investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all these investments were held in the name of MISSA by their custodial financial institutions as of September 30, 2023.

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, 2023, 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, 2023, are as follows:

Marshall Islands Development Bank (MIDB):

Common equity securities	<u>\$10,138,420</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, 2023. 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, 2023. 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.	\$10,077,215
Marshall Islands Service Corporation	<u>61,205</u>
	<u>\$10,138,420</u>

Marshall Islands Marine Resources Authority (MIMRA):

Investment in joint venture	<u>\$ 1,857,549</u>
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Republic of the Marshall Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Discretely Presented Component Units, continued

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

A summary of financial information as of and for the year ended December 31, 2023, for investees accounted for using the equity method of accounting for investments, is as follows:

Total assets	\$ <u>32,054,394</u>
Total liabilities	\$ <u>29,414,266</u>
Net loss	\$(<u>4,598,735</u>)

3. Receivables

Primary Government

Receivables as of September 30, 2023, for the primary government's individual major governmental funds, nonmajor governmental funds in the aggregate, and fiduciary funds, including applicable allowance for uncollectible accounts, are as follows:

	General	Grants Assistance	Compact Trust	Nonmajor Governmental Funds	Fiduciary Funds	Totals
Receivables:						
Taxes	\$ 11,254,003	\$ ---	\$ ---	\$ ---	\$ ---	\$ 11,254,003
Federal agencies	---	17,559,807	---	---	---	17,559,807
General	7,119,091	15,278,257	---	4,606,560	---	27,003,908
Contributions	---	---	---	---	12,951,337	12,951,337
Loans	4,368,787	---	---	15,150,905	---	19,519,692
Other	---	---	---	426,169	614,965	1,041,134
	<u>22,741,881</u>	<u>32,838,064</u>	<u>---</u>	<u>20,183,634</u>	<u>13,566,302</u>	<u>89,329,881</u>
Less: allowance for uncollectible Accounts	<u>(4,926,588)</u>	<u>(107,322)</u>	<u>---</u>	<u>(15,474,655)</u>	<u>(6,513,812)</u>	<u>(27,022,377)</u>
Net receivables	<u>\$ 17,815,293</u>	<u>\$ 32,730,742</u>	<u>\$ ---</u>	<u>\$ 4,708,979</u>	<u>\$ 7,052,490</u>	<u>\$ 62,307,504</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 \$15,150,905, 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, 2023, loans in the amount of \$1,769,455 were converted to grants as the recipients met the criteria for conversion.

Discretely Presented Component Units

Receivables as of September 30, 2023, for the discretely presented component units, including applicable allowance for uncollectible accounts, are as follows:

	Air Marshall Islands, Inc.	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	RMI Ports Authority	Tobolar Copra Processing Authority	Non-major Component Units	Totals
Receivables:										
Federal agencies	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,312	\$ 7,312
General	937,440	23,630,473	---	12,907,345	3,466,958	621,947	2,223,282	1,556,737	1,609,113	46,953,295
Loans	---	---	36,184,658	---	---	---	---	---	---	36,184,658
Leases	---	---	130,199	114,416	---	---	499,861	---	---	744,476
Interest	---	---	215,304	---	---	---	63,703	---	---	279,007
Other	32,590	513,203	597,675	136,003	91,595	362,774	18,738	630,404	125,319	2,508,301
	970,030	24,143,676	37,127,836	13,157,764	3,558,553	984,721	2,805,584	2,187,141	1,741,744	86,677,049
Less: allowance for uncollectible Accounts	(236,028)	(19,267,250)	(3,405,355)	(1,364,755)	(1,640,527)	(778,499)	(1,534,914)	(1,310,999)	(926,007)	(30,464,334)
Net receivables	\$ 734,002	\$ 4,876,426	\$ 33,722,481	\$ 11,793,009	\$ 1,918,026	\$ 206,222	\$ 1,270,670	\$ 876,142	\$ 815,737	\$ 56,212,715

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, 2023, lease receivables and deferred inflow of resources associated with MIDB's leases totaled \$130,199 and \$128,022, respectively.

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2023, are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 130,199</u>	<u>\$ 7,150</u>	<u>\$ 137,349</u>

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, 2023, lease receivables and deferred inflow of resources associated with MIMRA's leases totaled \$114,416 and \$106,326, respectively.

Republic of the Marshall Islands

Notes to Financial Statements, continued

3. Receivables, continued

Discretely Presented Component Units, continued

Marshall Islands Marine Resources Authority (MIMRA), continued:

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2023, are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	11,301	10,385	21,686
2029 - 2033	51,869	27,563	79,432
2034 - 2036	<u>18,530</u>	<u>3,264</u>	<u>21,794</u>
	<u>\$ 114,416</u>	<u>\$ 95,242</u>	<u>\$ 209,658</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, 2023, lease receivables and deferred inflow of resources associated with RMIPA's leases totaled \$499,861 and \$409,450, respectively.

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2023, are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 161,516	\$ 55,949	\$ 217,465
2025	88,753	39,948	128,701
2026	94,830	27,969	122,799
2027	34,766	18,022	52,788
2028	23,614	14,774	38,388
2029 - 2032	<u>96,382</u>	<u>21,981</u>	<u>118,363</u>
	<u>\$ 499,861</u>	<u>\$ 178,643</u>	<u>\$ 678,504</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

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, 2023, are summarized as follows:

Receivable Fund	Payable Fund	Due From Other Funds	Due To Other Funds
General	Grants Assistance	\$12,379,516	\$12,379,516
Grants Assistance	General	15,723,600	15,723,600
Nonmajor governmental funds	General	5,651,784	5,651,784
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	850,276	---
Fiduciary Funds - Private Purpose Trust	General	---	1,412,757
Fiduciary Funds - Custodial	General	---	<u>164,484</u>
		34,605,176	35,332,141
Fiduciary Funds - Private Purpose Trust	General	1,412,757	---
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	---	850,276
Fiduciary Funds - Custodial	General	<u>164,484</u>	<u>---</u>
		<u>\$36,182,417</u>	<u>\$36,182,417</u>

Receivables and payables reflected as due to/from component units as of September 30, 2023, are summarized as follows:

	Due From	Due To
Governmental activities:		
Marshall Islands Development Bank	\$ ---	<u>\$2,839,355</u>
General Fund:		
Marshalls Energy Company, Inc.	4,798,296	---
Marshall Islands Development Bank	1,273,003	---
Marshall Islands Marine Resources Authority	---	330,000
RMI Ports Authority	---	166,619
Nonmajor component units	<u>---</u>	<u>69,063</u>
	<u>6,071,299</u>	<u>565,682</u>
	<u>\$6,071,299</u>	<u>\$3,405,037</u>

The amount recorded by the General Fund due from Marshalls Energy Company, Inc. of \$4,798,296 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.

Republic of the Marshall Islands

Notes to Financial Statements, continued

4. Interfund Receivables and Payables, continued

Primary Government, continued

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

Year ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	411,274	44,246	455,520
2029 - 2033	2,151,441	126,159	2,277,600
2034 - 2035	<u>650,777</u>	<u>5,852</u>	<u>656,629</u>
	<u>\$4,798,296</u>	<u>\$413,533</u>	<u>\$5,211,829</u>

The amount recorded by the General Fund due from Marshall Islands Development Bank (MIDB) of \$1,273,003 includes \$600,000 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:

Year ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$400,000	\$10,000	\$410,000
2025	<u>200,000</u>	<u>2,000</u>	<u>202,000</u>
	<u>\$600,000</u>	<u>\$12,000</u>	<u>\$612,000</u>

The remaining amount recorded by the General Fund due from MIDB of \$673,003 represents unexpended amount received from RepMar for the purpose of administering the Senior Citizens Housing Support project. During the year ended September 30, 2023, MIDB commenced the project and, in accordance with the memorandum of understanding, unexpended proceeds amounting to \$673,003 are recorded as due from component units.

Republic of the Marshall Islands

Notes to Financial Statements, continued

4. Interfund Receivables and Payables, continued

Primary Government, continued

The amount recorded as due from component units of the primary government of \$6,071,299 does not equal the corresponding due to primary government of the discretely presented component units of \$10,398,168 due to an immaterial difference of \$11,509 and 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 \$3,405,037 does not equal the corresponding due from primary government of the discretely presented component units of \$2,839,355 due to a \$565,682 allowance for doubtful accounts recorded by the respective component units.

Due to component units includes \$2,839,355 due to MIDB, which represents amounts drawn down on a \$3,789,520 loan facility to provide funding for a COVID-19 relief assistance program to private sector and other non-governmental organizations, the purchase of an LCU, and to facilitate seawall construction.

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

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

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

Republic of the Marshall Islands

Notes to Financial Statements, continued

4. Interfund Receivables and Payables, continued

Discretely Presented Component Units

Receivables and payables reflected as due to/from primary government as of September 30, 2023, 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	---	4,798,296
Marshall Islands Development Bank:		
Governmental activities	2,839,355	---
General Fund	---	1,273,003
Marshall Islands National Telecommunications Authority:		
General Fund	---	1,000,000
RMI Ports Authority:		
General Fund	---	285,714
	<u>\$2,839,355</u>	<u>\$10,473,903</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. Infeasible Right of Use (IRU)

In 2009, the Marshall Islands National Telecommunications Authority (MINTA) executed 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, 2023, accumulated amortization expense of \$3,466,715 has been recorded.

6. Capital Assets

Capital asset activities for the year ended September 30, 2023, are as follows:

Primary Government

	Estimated Useful Lives	Balance October 1, 2022	Additions	Transfers	Retirements	Balance September 30, 2023
Depreciable capital assets:						
Buildings	20 - 40 yrs	\$ 123,383,359	\$ 2,841,129	\$ 6,007,582	\$(2,049,085)	\$ 130,182,985
Water infrastructure system	25 yrs	9,261,029	---	---	---	9,261,029
Docks, roads and bridges	25 - 30 yrs	21,994,027	---	---	(1,283,104)	20,710,923
Ships	25 yrs	11,123,000	---	---	---	11,123,000
Software	10 yrs	3,808,631	2,881,428	682,324	---	7,372,383
Heavy equipment	3 - 10 yrs	<u>10,734,046</u>	<u>2,429,500</u>	<u>127,606</u>	<u>(76,750)</u>	<u>13,214,402</u>
		<u>180,304,092</u>	<u>8,152,057</u>	<u>6,817,512</u>	<u>(3,408,939)</u>	<u>191,864,722</u>
Less accumulated depreciation:						
Buildings		(59,470,921)	(3,003,489)	---	---	(62,474,410)
Water infrastructure system		(9,261,029)	---	---	---	(9,261,029)
Docks, roads and bridges		(16,690,412)	(412,706)	---	85,540	(17,017,578)
Ships		(10,071,000)	(952,560)	---	---	(11,023,560)
Software		(2,590,635)	(671,566)	---	---	(3,262,201)
Heavy equipment		<u>(5,355,625)</u>	<u>(1,283,905)</u>	<u>---</u>	<u>76,750</u>	<u>(6,562,780)</u>
		<u>(103,439,622)</u>	<u>(6,324,226)</u>	<u>---</u>	<u>162,290</u>	<u>(109,601,558)</u>
Total depreciable capital assets, net		76,864,470	1,827,831	6,817,512	(3,246,649)	82,263,164
Nondepreciable capital assets:						
Construction in progress		<u>19,350,145</u>	<u>9,375,863</u>	<u>(6,817,512)</u>	<u>(585,952)</u>	<u>21,322,544</u>
		<u>\$ 96,214,615</u>	<u>\$ 11,203,694</u>	<u>\$ ---</u>	<u>\$ (3,832,601)</u>	<u>\$ 103,585,708</u>

During the year ended September 30, 2023, capital asset retirements include \$2,049,085 representing the transfer of Phase 1 of the Mid-Corridor Housing Project to occupants.

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	1,760,510
Health and Human Services	1,010,339
Transportation, Communication and Information Technology	27,266
Natural Resources and Commerce	22,600
Culture and Internal Affairs	71,990
Justice, Immigration and Labor	165,841
Finance, Banking and Postal Services	309,050
Foreign Affairs and Trade	417,165
Works, Infrastructure and Utilities	2,455,360
President and Cabinet	10,958
Chief Secretary	9,775
Nitijela	<u>48,372</u>
	<u>\$6,324,226</u>

Discretely Presented Component Units

	Estimated Useful Lives	Balance October 1, 2022	Additions	Retirements	Balance September 30, 2023
Depreciable capital assets:					
Buildings	3 - 34 yrs	\$ 25,460,840	\$ ---	\$ ---	\$ 25,460,840
Utility plant	3 - 40 yrs	127,148,919	3,108,167	(369,944)	129,887,142
Vessels	25 yrs	9,878,861	---	---	9,878,861
Machinery and equipment	2 - 25 yrs	55,875,542	4,469,147	(405,723)	59,938,966
Infrastructure	5 - 50 yrs	<u>89,044,521</u>	---	---	<u>89,044,521</u>
		307,408,683	7,577,314	(775,667)	314,210,330
Less accumulated depreciation		<u>(200,110,480)</u>	<u>(12,634,564)</u>	<u>593,562</u>	<u>(212,151,482)</u>
Total depreciable capital assets, net		107,298,203	(5,057,250)	(182,105)	102,058,848
Nondepreciable capital assets:					
Construction in progress		<u>14,098,013</u>	<u>17,056,241</u>	<u>(1,935,642)</u>	<u>29,218,612</u>
		<u>\$ 121,396,216</u>	<u>\$ 11,998,991</u>	<u>\$(2,117,747)</u>	<u>\$ 131,277,460</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, 2023, were as follows:

	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Right-of-use assets	\$ 30,514,040	\$ 1,478,983	\$ ---	\$ 31,993,023
Less accumulated amortization	<u>(1,539,174)</u>	<u>(1,715,996)</u>	<u>---</u>	<u>(3,255,170)</u>
	<u>\$ 28,974,866</u>	<u>\$ (237,013)</u>	<u>\$ ---</u>	<u>\$ 28,737,853</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, 2023:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,535,356	\$ 1,105,424	\$ 2,640,780
2025	1,341,248	1,076,787	2,418,035
2026	1,139,667	1,030,608	2,170,275
2027	1,095,538	989,305	2,084,843
2028	858,842	951,356	1,810,198
2029 - 2033	4,458,953	4,228,067	8,687,020
2034 - 2038	3,935,617	3,424,770	7,360,387
2039 - 2043	4,654,593	2,577,169	7,231,762
2044 - 2048	3,946,833	1,626,795	5,573,628
2049 - 2053	1,429,192	1,158,857	2,588,049
2054 - 2058	1,468,572	855,998	2,324,570
2059 - 2063	1,583,731	554,492	2,138,223
2064 - 2068	1,494,823	206,915	1,701,738
2069 - 2073	<u>47,292</u>	<u>35,550</u>	<u>82,842</u>
	<u>\$ 28,990,257</u>	<u>\$ 19,822,093</u>	<u>\$ 48,812,350</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, 2023, were as follows:

	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Right-to-use assets	\$ 2,930,362	\$ 117,888	\$ ---	\$ 3,048,250
Less accumulated amortization	<u>(233,979)</u>	<u>(272,207)</u>	<u>---</u>	<u>(506,186)</u>
	<u>\$ 2,696,383</u>	<u>\$ (154,319)</u>	<u>\$ ---</u>	<u>\$ 2,542,064</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, 2023:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 211,301	\$ 206,713	\$ 418,014
2025	197,293	194,136	391,429
2026	148,612	181,916	330,528
2027	77,327	173,221	250,548
2028	79,183	166,663	245,846
2029 - 2033	302,637	746,213	1,048,850
2034 - 2038	360,984	631,841	992,825
2039 - 2043	416,826	452,554	869,380
2044 - 2048	347,130	234,339	581,469
2049 - 2053	164,243	134,745	298,988
2054 - 2058	133,363	53,746	187,109
2059 - 2063	89,948	16,287	106,235
2064 - 2068	51,886	4,834	56,720
2069 - 2072	<u>33,009</u>	<u>995</u>	<u>34,004</u>
	<u>\$ 2,613,742</u>	<u>\$ 3,198,203</u>	<u>\$ 5,811,945</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, 2023, 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	\$ 854,740
Loan No. 1218 MAR (SF) Typhoon Rehabilitation	January 29, 1993	1%	November 15, 2032	190,986
Loan No. 1249 MAR (SF) Basic Education Project	November 17, 1993	1%	October 15, 2033	2,793,268
Loan No. 1250 MAR (SF) Majuro Water Supply Project #1	November 17, 1993	1%	May 15, 2033	220,984
Loan No. 1316 RMI (SF) Health and Population Project	February 24, 1995	1%	July 1, 2034	2,089,453
Loan No. 1389 RMI (SF) Majuro Water Supply Project #2	February 1, 1996	1%	September 1, 2035	3,416,831
Loan No. 1513 RMI (SF) Public Sector Reform Program	January 30, 1997	1%	December 1, 2036	5,822,878
Loan No. 1694 RMI (SF) Ebeye Health and Infrastructure Project	October 8, 1999	1.5%	August 1, 2031	2,628,854
Loan No. 1791 RMI (SF) Skills Training and Vocational Education Project	January 11, 2001	1.5%	November 15, 2032	1,725,223
Loan No. 1829 RMI (SF) Fiscal and Financial Management Program #2	June 22, 2001	1.5%	May 15, 2025	1,048,621
Loan No. 1948 RMI (SF) Outer Island Transport Infrastructure Project	February 14, 2003	1.5%	August 1, 2034	168,751
Loan No. 2659 RMI (SF) Public Sector Reform Sub Program #1	September 8, 2010	1.5%	August 15, 2034	5,797,668
Loan No. 2950 RMI (SF) Public Sector Reform Sub Program #2	December 13, 2012	1.5%	November 15, 2036	<u>3,597,042</u>
				<u>30,355,299</u>
International Cooperation and Development Fund (ICDF):				
Home Energy Efficiency and Renewable Energy Project	November 8, 2016	2%	May 8, 2032	722,033
Track and Field 2022 Micronesian Games Project	August 16, 2019	2%	March 15, 2052	<u>6,158,000</u>
				<u>6,880,033</u>
Marshall Islands Development Bank:				
Loan payable	March 6, 2023	4%	May 9, 2024	<u>2,839,355</u>
				<u>\$40,074,687</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, 2023, RepMar recognized a foreign exchange loss of \$261,969 associated with year-end remeasurement, which results in an increase in ADB loans 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>
2024	\$ 3,164,175	\$ 368,169	\$ 3,532,344
2025	3,164,175	327,311	3,491,486
2026	2,639,865	288,418	2,928,283
2027	2,639,865	255,424	2,895,289
2028	2,639,865	222,430	2,862,295
2029 - 2033	12,229,427	626,175	12,855,602
2034 - 2037	<u>3,877,927</u>	<u>73,508</u>	<u>3,951,435</u>
	<u>\$30,355,299</u>	<u>\$2,161,435</u>	<u>\$32,516,734</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>
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	336,846	120,811	457,657
2029 - 2033	1,406,264	509,400	1,915,664
2034 - 2038	1,184,231	384,875	1,569,106
2039 - 2043	1,184,231	266,452	1,450,683
2044 - 2048	1,184,231	148,029	1,332,260
2049 - 2052	<u>828,961</u>	<u>33,158</u>	<u>862,119</u>
	<u>\$6,880,033</u>	<u>\$1,995,576</u>	<u>\$8,875,609</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 fulfil 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

Marshall Islands Development Bank (MIDB) Loan:

The MIDB loan in the amount of \$3,789,520, as approved by Cabinet Minute C.M. 017 (2023) is to provide funding for a COVID-19 relief assistance program to private sector and other non-governmental organizations, the purchase of an LCU, and to facilitate seawall construction.

The abovementioned MIDB loan payable is uncollateralized and is backed by the full faith and credit of RepMar.

The Loan Agreement, dated March 6, 2023, 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, MIDB may, without notice or demand, declare all unpaid principal and 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</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$2,839,355</u>	<u>\$23,133</u>	<u>\$2,862,488</u>

Changes in long-term debt of the primary government for the year ended September 30, 2023 was as follows:

	<u>Balance</u> <u>October 1,</u> <u>2022</u>	<u>Additions</u>	<u>Revaluation</u>	<u>Reductions</u>	<u>Balance</u> <u>September</u> <u>30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Loans payable:						
ADB loans	\$33,350,309	\$ ---	\$261,969	\$(3,256,979)	\$30,355,299	\$3,164,175
ICDF loans	6,980,033	---	---	(100,000)	6,880,033	100,000
Due to component units:						
MIDB loan	<u>871,960</u>	<u>3,789,520</u>	<u>---</u>	<u>(1,822,125)</u>	<u>2,839,355</u>	<u>2,839,355</u>
	<u>\$41,202,302</u>	<u>\$ 3,789,520</u>	<u>\$261,969</u>	<u>\$(5,179,104)</u>	<u>\$40,074,687</u>	<u>\$6,103,530</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

8. Long-term Debt, continued

Discretely Presented Component Units

As of September 30, 2023, the discretely presented component units 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>
Marshall Islands National Telecommunications Authority:				
Rural Utilities Service (RUS) mortgage note (Loan A)	June 4, 1992	5.00%	June 4, 2027	\$ 3,299,049
Rural Utilities Service (RUS) mortgage note (Loan C)	March 12, 2009	3.64% - 5.00%	March 12, 2041	<u>9,936,586</u>
				13,235,635
Majuro Resort, Inc.:				
Bank loan	February 3, 2022	4.00%	September 28, 2037	<u>520,000</u>
				<u>\$13,755,635</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).

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.

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:

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 and interest accrued on the Notes to be immediately due and payable and upon such declaration, all such principal and interest shall become immediately due and payable.

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	794,977	197,088	992,065
2029 - 2033	4,223,050	737,274	4,960,324
2034 - 2038	3,598,530	328,781	3,927,311
2039 - 2041	<u>1,592,827</u>	<u>40,976</u>	<u>1,633,803</u>
	<u>\$13,235,635</u>	<u>\$2,246,128</u>	<u>\$15,481,763</u>

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 and interest accrued on the loan to be immediately due and payable and upon such declaration, all such principal and interest shall become immediately due and payable.

Republic of the Marshall Islands

Notes to Financial Statements, continued

8. Long-term Debt, continued

Discretely Presented Component Units, continued

Majuro Resort, Inc. (MRI), continued:

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 14,879	\$ 20,707	\$ 35,586
2025	26,547	19,610	46,157
2026	27,517	18,640	46,157
2027	28,638	17,519	46,157
2028	29,759	16,398	46,157
2029 - 2033	168,214	62,568	230,782
2034 - 2037	<u>224,446</u>	<u>25,568</u>	<u>250,014</u>
	<u>\$520,000</u>	<u>\$181,010</u>	<u>\$701,010</u>

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, 2023, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net position:

	<u>Balance October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2023</u>	<u>Due Within One Year</u>
Other:					
Lease liabilities	\$29,012,657	\$1,478,983	\$(1,501,383)	\$28,990,257	\$1,535,356
Compensated absences	<u>4,714,582</u>	---	---	<u>4,714,582</u>	<u>2,277,045</u>
	<u>\$33,727,239</u>	<u>\$1,478,983</u>	<u>\$(1,501,383)</u>	<u>\$33,704,839</u>	<u>\$3,812,401</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

9. Change in Long-Term Obligations, continued

Discretely Presented Component Units

Changes in long-term liabilities of discretely presented component units for the year ended September 30, 2023, are as follows:

	Balance October 1, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2023	Due Within <u>One Year</u>
Due to primary government:					
AMI	\$ 3,116,890	\$ ---	\$ ---	\$ 3,116,890	\$ ---
MEC	5,104,165	---	(305,869)	4,798,296	387,337
MIDB	1,792,000	---	(518,997)	1,273,003	1,073,003
MINTA	1,000,000	---	---	1,000,000	300,000
RMIPA	285,714	---	---	285,714	285,714
Loans payable:					
MINTA	13,955,898	---	(720,263)	13,235,635	733,852
MRI	520,000	---	---	520,000	14,879
Lease liabilities	<u>2,728,157</u>	<u>117,888</u>	<u>(232,303)</u>	<u>2,613,742</u>	<u>211,301</u>
	<u>\$28,502,824</u>	<u>\$117,888</u>	<u>\$(1,777,432)</u>	<u>\$26,843,280</u>	<u>\$3,006,086</u>

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:

	<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Fund balances:					
Nonspendable:					
Investment – PIDB	\$ 3,290,250	\$ ---	\$ ---	\$ ---	\$ 3,290,250
Loan receivable - MEC	4,798,296	---	---	---	4,798,296
Loan receivable - MIDB	1,273,003	---	---	---	1,273,003
Permanent fund principal	---	---	110,922,230	---	110,922,230
Restricted:					
Education and health	---	264,455	---	1,500	265,955
Capacity building	---	163,374	---	---	163,374
World Bank projects	---	8,377,969	---	---	8,377,969
Environmental	---	91,552	---	---	91,552
Infrastructure maintenance	---	3,491,524	---	---	3,491,524
Disaster assistance	---	5,322,487	---	---	5,322,487
Compact – other	---	42,663	---	---	42,663
ADB loan # 2659 sinking fund	2,835,020	---	---	---	2,835,020
Credit card collateralization	62,500	---	---	---	62,500
Nuclear claims related	---	---	---	687,288	687,288
Other	1,681,407	972,544	---	---	2,653,951
Committed:					
Judiciary	---	---	---	656,339	656,339
Education and health	---	---	---	6,328,886	6,328,886
Capital projects	---	2,665,953	---	---	2,665,953
Environment	---	---	---	468,111	468,111
Other	14,251	---	---	2,148,684	2,162,935
Unassigned	<u>11,754,586</u>	<u>(539,727)</u>	<u>---</u>	<u>---</u>	<u>11,214,859</u>
	<u>\$25,709,313</u>	<u>\$20,852,794</u>	<u>\$110,922,230</u>	<u>\$10,290,808</u>	<u>\$167,775,145</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 \$177,767 to Plan participant accounts during the year ended September 30, 2023, and total combined Plan assets were \$996,917 as of September 30, 2023.

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 \$294,146; 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 \$3,376,434; 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 \$4,880,672; savings accounts collateralizing a credit card facility for \$62,500; deposit account established in accordance with a grant agreement with the Government of Japan for the supply of petroleum fuel to Marshalls Energy Company, Inc. for \$1,681,407; deposit account established in accordance with ADB Loan 2659-RMI (SF) for the purpose of funding loan debt service payments for \$2,835,020; and savings account established for the purpose of accounting for funds held by RepMar in a custodial capacity relating to unclaimed property for \$113,760.

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 \$110,922,230.

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 \$380,933; and savings account established by the Marshall Islands Development Bank collateralizing loans funded by Rural Housing Service for \$554,886.

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, 2023, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Compact Trust Fund	\$ 5,000,000	\$ 2,000,000
Grant Assistance Fund	15,526	49,484
Nonmajor governmental funds	<u>2,089,434</u>	<u>1,304,314</u>
	<u>7,104,960</u>	<u>3,353,798</u>
Grants Assistance Fund:		
General Fund	49,484	15,526
Nonmajor governmental funds	<u>4,332,360</u>	<u>---</u>
	<u>4,381,844</u>	<u>15,526</u>
Compact Trust Fund:		
General Fund	<u>2,000,000</u>	<u>5,000,000</u>
Nonmajor governmental funds:		
General Fund	1,304,314	2,089,434
Grants Assistance Fund	<u>---</u>	<u>4,332,360</u>
	<u>1,304,314</u>	<u>6,421,794</u>
	<u>\$ 14,791,118</u>	<u>\$ 14,791,118</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 \$3,000,000 from the General Fund to the Compact Trust Fund as a net trust fund contribution; \$2,089,434 from the General Fund to the Nonmajor Governmental Funds to finance Judicial branch operations and scholarships; \$4,332,360 from the Grants Assistance Fund to the Nonmajor Governmental Funds to finance scholarships and Four-atoll medical costs; \$1,304,314 from the Nonmajor Governmental Funds to the General Fund to fund general operations; \$15,526 from the General Fund to the Grants Assistance Fund to fund general operations; and \$49,484 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, 2023, 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”	\$100,566,462
RepMar - “D Account”	<u>10,355,768</u>
	<u>\$110,922,230</u>

As of September 30, 2023, 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”	\$510,902,190
Republic of China - “A Account” and “C Account”	<u>72,405,043</u>
	<u>\$583,307,233</u>

Republic of the Marshall Islands

Notes to Financial Statements, continued

15. Contingencies and Commitments

Economic Dependency

During the year ended September 30, 2023, RepMar's General Fund recorded contributions from the Marshall Islands Marine Resources Authority (MIMRA) of \$28,000,000, 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, 2023, 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, 2023. 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 legal proceedings existing as of September 30, 2023 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 2024, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2024. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of \$389,120,000 and \$122,760,000, respectively, as of October 1, 2024. The funded ratio of the Retirement Fund as of October 1, 2024 is 32%. As of September 30, 2023, MISSA recorded total fund equity of \$109,067,866 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, 2023 is \$14,271,921.

Leases

Marshall Islands National Telecommunications Authority (MINTA) has entered into an 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</u> <u>September 30,</u>	<u>Total</u>
2024	\$1,440,912
2025	1,440,912
2026	<u>996,704</u>
	<u>\$3,878,528</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>
2024	\$ 114,475
2025	117,909
2026	121,447
2027	125,090
2028	128,843
2029 - 2033	704,565
2034 - 2035	<u>231,904</u>
	<u>\$1,544,233</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, 2023, TCMI made payments of \$11,414,340 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 \$10,014,839 as of September 30, 2023. 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.

Other Commitments

Significant commitments of the primary government as of September 30, 2023, 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, 2023, MINTA had guaranteed RUS debt totaling \$13,235,635.
- 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, 2023, \$1,000,000 has been drawn against this loan commitment.

Republic of the Marshall Islands

Notes to Financial Statements, continued

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 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 SDR6,900,000.
- b) On October 22, 2024, RepMar executed a financing agreement with IDA for the Renewable Energy Generation and Access Increase Project in the amount of SDR45,600,000.
- c) On September 24, 2025, RepMar executed a financing agreement with IDA for the Strengthening Public Financial Management II Project in the amount of SDR11,000,000.

Republic of the Marshall Islands

REQUIRED SUPPLEMENTARY INFORMATION

Year ended September 30, 2023

Republic of the Marshall Islands

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund (Fund 10101)

Year ended September 30, 2023

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget - Positive
	Original	Final	(see Note 1)	(Negative)
Revenues:				
Taxes	\$ 36,221,516	\$ 36,221,516	\$ 41,793,631	\$ 5,572,115
MI Marine Resources Authority	26,285,000	29,285,000	28,083,860	(1,201,140)
Ship registry	10,000,000	10,000,000	11,414,340	1,414,340
Taiwan grant	4,000,000	6,463,713	7,896,015	1,432,302
Fees and charges	218,000	218,000	482,716	264,716
Interest and dividends	100,000	100,000	177,790	77,790
Other	4,830,804	5,550,804	138,275	(5,412,529)
Total revenues	<u>81,655,320</u>	<u>87,839,033</u>	<u>89,986,627</u>	<u>2,147,594</u>
Expenditures:				
President and Cabinet	2,265,503	2,265,503	2,066,487	199,016
Office of the Chief Secretary	2,247,008	4,248,830	4,337,147	(88,317)
Special appropriations	15,904,426	15,904,426	15,740,851	163,575
Council of Iroij	533,349	533,349	611,570	(78,221)
Nitijela	2,595,645	2,595,645	2,665,422	(69,777)
Office of the Auditor-General	1,647,122	2,389,120	1,348,075	1,041,045
Foreign Affairs and Trade	4,900,510	7,900,510	7,853,410	47,100
Public Service Commission	600,874	600,874	660,329	(59,455)
Office of the Attorney General	1,441,985	1,441,985	1,464,142	(22,157)
Education, Sports and Training	14,515,911	9,366,726	9,064,948	301,778
Health and Human Services	5,632,438	5,632,438	5,236,027	396,411
Transportation, Communication and Information Technology	713,563	713,563	563,704	149,859
Natural Resources and Commerce	1,989,024	1,954,024	1,797,069	156,955
Culture and Internal Affairs	3,345,216	3,345,216	3,296,382	48,834
Justice, Immigration and Labor	5,732,496	5,732,496	5,029,294	703,202
Finance, Banking and Postal Services	19,406,621	32,595,479	32,135,140	460,339
Work, Infrastructure and Utilities	4,669,384	4,669,384	4,233,790	435,594
Environment	839,745	839,745	826,497	13,248
Total expenditures	<u>88,980,820</u>	<u>102,729,313</u>	<u>98,930,284</u>	<u>3,799,029</u>
Deficiency of revenues under expenditures	<u>(7,325,500)</u>	<u>(14,890,280)</u>	<u>(8,943,657)</u>	<u>5,946,623</u>
Other financing sources (uses):				
Loan proceeds	---	3,752,000	3,789,520	37,520
Operating transfers in	1,500,000	3,500,000	3,353,798	(146,202)
Operating transfers out	(3,092,301)	(7,561,379)	(7,803,226)	(241,847)
Total other financing sources (uses), net	<u>(1,592,301)</u>	<u>(309,379)</u>	<u>(659,908)</u>	<u>(350,529)</u>
	<u>(8,917,801)</u>	<u>(15,199,659)</u>	<u>(9,603,565)</u>	<u>5,596,094</u>
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes				
	<u>8,917,801</u>	<u>8,917,801</u>	<u>8,350,135</u>	<u>(567,666)</u>
Net change in fund balance	<u>\$ ---</u>	<u>\$ (6,281,858)</u>	<u>\$ (1,253,430)</u>	<u>\$ 5,028,428</u>

Republic of the Marshall Islands

Notes to Required Supplementary Information - Budgetary Reporting September 30, 2023

(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 hearing 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 2023, Public Law No. 2022-47, was passed by the Nitijela on September 16, 2022. 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 appropriation lapse at fiscal year-end unless otherwise specified by law. Supplemental appropriations may occur throughout the year. Unexpended encumbrances at each fiscal year end are carried forward until they are expended or canceled without further legislative action. RepMar does not establish budgets for the operations of its other governmental funds.

Encumbrance accounting is employed in governmental funds. For budgetary purposes, the encumbrances (i.e. purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment 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 10101	\$ (1,253,430)	\$ 8,350,135
GASB 54 Funds included within the General Fund:		
PSS Education Fund	(12,739)	---
Reimbursable Fund	38,579	---
Judiciary Fund	54,262	---
EPA Fund	7,852	---
Agricultural Supplies Fund	<u>38,761</u>	<u>185,919</u>
	<u>126,715</u>	<u>185,919</u>
General Fund	\$ <u>(1,126,715)</u>	\$ <u>8,536,054</u>

Republic of the Marshall Islands

OTHER SUPPLEMENTARY INFORMATION

Year ended September 30, 2023

Republic of the Marshall Islands

Combining Schedule of Revenues Governmental Funds

Year ended September 30, 2023

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
Revenues:					
Taxes:					
Income taxes	\$ 20,753,754	\$ ---	\$ ---	\$ ---	\$ 20,753,754
Import taxes	9,113,233	---	---	---	9,113,233
Gross revenue taxes	10,224,465	---	---	---	10,224,465
Immovable property taxes	835,616	---	---	---	835,616
Fuel taxes	596,633	---	---	---	596,633
Penalties and interest	67,411	---	---	---	67,411
Other	202,519	---	---	---	202,519
Grants:					
Federal	5,000,000	58,777,076	---	---	63,777,076
Taiwan	6,464,500	8,000,000	---	---	14,464,500
World Bank	---	22,323,775	---	---	22,323,775
Asian Development Bank	---	749,541	---	---	749,541
Japan	1,431,515	---	---	---	1,431,515
European Union	---	1,798,667	---	---	1,798,667
Other	---	770,525	---	503,340	1,273,865
Sales	---	---	---	70,673	70,673
Ship registry	11,414,340	---	---	---	11,414,340
Net change in fair value of investments	---	---	14,160,080	---	14,160,080
Interest and dividends	177,790	---	---	20,483	198,273
Fees and charges:					
Basic Health Fund collections	---	---	---	8,904,853	8,904,853
Recycling	---	---	---	816,930	816,930
Passport services	---	---	---	960,627	960,627
Non-resident workers	---	---	---	576,370	576,370
Supplemental Health Fund collections	---	---	---	637,538	637,538
Hospital charges	---	---	---	676,222	676,222
Entry permit	---	---	---	256,345	256,345
Work permit	---	---	---	211,745	211,745
Alien registration	---	---	---	132,060	132,060
Other	706,917	---	---	790,445	1,497,362
Contributions from component units:					
MI Marine Resources Authority	28,000,000	---	---	---	28,000,000
Other	265,646	---	---	---	265,646
	<u>\$ 95,254,339</u>	<u>\$ 92,419,584</u>	<u>\$ 14,160,080</u>	<u>\$ 14,557,631</u>	<u>\$ 216,391,634</u>

Republic of the Marshall Islands

GENERAL FUND

September 30, 2023

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, 2023, 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, 2023

	10101	10217	10225	10218	10226	10220	10221	10228	20202	10229	10413			
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Agricultural Supplies	Postal Service	MIDA	Local Government	Compact Section 111	Elimination	Total
ASSETS														
Cash and cash equivalents	\$ 6,976,155	\$ 715,664	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,691,819
Receivables, net:														
Taxes	11,254,003	-	-	-	-	-	-	-	-	-	-	-	-	11,254,003
General	6,552,782	-	8,508	-	-	-	-	-	-	-	-	-	-	6,561,290
Due from other funds	12,629,519	-	-	54,458	476,732	444	-	138,712	-	-	14,251	-	(934,600)	12,379,516
Due from component units	6,071,299	-	-	-	-	-	-	-	-	-	-	-	-	6,071,299
Advances	1,432,679	-	-	-	-	-	-	8,637	-	-	-	-	-	1,441,316
Other assets	3,290,250	-	-	-	-	-	-	-	-	-	-	-	-	3,290,250
Restricted assets:														
Cash and cash equivalents	13,243,939	-	-	-	-	-	-	-	-	-	-	-	-	13,243,939
Total assets	<u>\$ 61,450,626</u>	<u>\$ 715,664</u>	<u>\$ 8,508</u>	<u>\$ 54,458</u>	<u>\$ 476,732</u>	<u>\$ 444</u>	<u>\$ -</u>	<u>\$ 147,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,251</u>	<u>\$ -</u>	<u>\$ (934,600)</u>	<u>\$ 61,933,432</u>
LIABILITIES AND FUND BALANCE (DEFICIT)														
Liabilities:														
Accounts payable	\$ 4,907,644	\$ 682,062	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,589,706
Other liabilities and accruals	3,492,244	-	7,131	-	-	28	2,504	-	-	-	-	-	-	3,501,907
Payable to federal agencies	1,068,943	-	-	-	-	-	-	-	-	-	-	-	-	1,068,943
Retention payable	1,096,340	-	-	-	-	-	-	-	-	-	-	-	-	1,096,340
Due to component units	565,682	-	-	-	-	-	-	-	-	-	-	-	-	565,682
Unearned revenue	1,448,916	-	-	-	-	-	-	-	-	-	-	-	-	1,448,916
Due to other funds	23,637,222	-	171,450	-	-	-	77,895	-	658	-	-	-	(934,600)	22,952,625
Total liabilities	<u>36,216,991</u>	<u>682,062</u>	<u>178,581</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>80,399</u>	<u>-</u>	<u>658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(934,600)</u>	<u>36,224,119</u>
Fund balance:														
Nonspendable	9,361,549	-	-	-	-	-	-	-	-	-	-	-	-	9,361,549
Restricted	4,578,927	-	-	-	-	-	-	-	-	-	-	-	-	4,578,927
Committed	-	-	-	-	-	-	-	-	-	-	14,251	-	-	14,251
Unassigned (deficits)	11,293,159	33,602	(170,073)	54,458	476,732	416	(80,399)	147,349	(658)	-	-	-	-	11,754,586
Total fund balance (deficits)	<u>25,233,635</u>	<u>33,602</u>	<u>(170,073)</u>	<u>54,458</u>	<u>476,732</u>	<u>416</u>	<u>(80,399)</u>	<u>147,349</u>	<u>(658)</u>	<u>-</u>	<u>14,251</u>	<u>-</u>	<u>-</u>	<u>25,709,313</u>
Total liabilities and fund balance	<u>\$ 61,450,626</u>	<u>\$ 715,664</u>	<u>\$ 8,508</u>	<u>\$ 54,458</u>	<u>\$ 476,732</u>	<u>\$ 444</u>	<u>\$ -</u>	<u>\$ 147,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,251</u>	<u>\$ -</u>	<u>\$ (934,600)</u>	<u>\$ 61,933,432</u>

Republic of the Marshall Islands

GENERAL FUND

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

Year ended September 30, 2023

	10101	10217		10225	10218	10226	10220	10221	10228	20202	10229	10413		
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Agricultural Supplies	Postal Service	MIDA	Local Government	Compact Section 111	Elimination	Total
Revenues:														
Taxes	\$ 41,793,631	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,793,631
Federal and other grants	7,896,015	-	-	-	-	-	-	-	-	-	-	5,000,000	-	12,896,015
Ship registry	11,414,340	-	-	-	-	-	-	-	-	-	-	-	-	11,414,340
Interest and dividends	177,790	-	-	-	-	-	-	-	-	-	-	-	-	177,790
Fees and charges	482,716	-	113,956	-	54,262	-	55,983	-	-	-	-	-	-	706,917
Contributions from component units	28,083,860	-	-	-	-	-	-	-	-	-	-	-	-	28,083,860
Other	138,275	-	-	-	-	-	-	43,511	-	-	-	-	-	181,786
Total revenues	<u>89,986,627</u>	<u>-</u>	<u>113,956</u>	<u>-</u>	<u>54,262</u>	<u>-</u>	<u>55,983</u>	<u>43,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>95,254,339</u>
Expenditures by Function:														
Current:														
President and Cabinet	1,864,213	-	-	-	-	-	-	-	-	-	-	-	-	1,864,213
Office of the Chief Secretary	3,473,076	-	-	-	-	-	-	-	-	-	-	-	-	3,473,076
Special appropriations	14,133,060	-	-	-	-	-	-	-	-	-	-	-	-	14,133,060
Council of Irojij	597,590	-	-	-	-	-	-	-	-	-	-	-	-	597,590
Nitijela	2,462,222	-	-	-	-	-	-	-	-	-	-	-	-	2,462,222
Office of the Auditor-General	867,637	-	-	-	-	-	-	-	-	-	-	-	-	867,637
Public Service Commission	604,014	-	-	-	-	-	-	-	-	-	-	-	-	604,014
Office of the Attorney General	1,240,745	-	-	-	-	-	-	-	-	-	-	-	-	1,240,745
Ministries:														
Environment	557,871	-	-	-	-	-	-	-	-	-	-	-	-	557,871
Education, Sports and Training	8,911,276	5,711,005	-	-	-	-	-	-	-	-	-	-	-	14,622,281
Health and Human Services	4,994,998	-	-	-	-	-	-	-	-	-	-	-	-	4,994,998
Transportation, Communication and Information Technology	517,179	-	-	-	-	-	-	-	-	-	-	-	-	517,179
Natural Resources and Commerce	1,726,336	-	-	-	-	-	-	4,750	-	-	-	-	-	1,731,086
Culture and Internal Affairs	2,946,114	-	-	-	-	-	-	-	-	-	-	-	-	2,946,114
Justice, Immigration and Labor	3,769,257	-	-	-	-	-	-	-	-	-	-	-	-	3,769,257
Finance, Banking and Postal Services	23,633,914	-	75,377	-	-	-	-	-	-	-	-	-	-	23,709,291
Foreign Affairs and Trade	7,705,308	-	-	-	-	-	-	-	-	-	-	-	-	7,705,308
Works, Infrastructure and Utilities	2,643,956	-	-	-	-	-	-	-	-	-	-	-	-	2,643,956
Environmental Protection Authority	196,063	-	-	-	-	-	48,131	-	-	-	-	-	-	244,194
Capital outlay	2,033,816	-	-	-	-	-	-	-	-	-	-	-	-	2,033,816
Debt service:														
Principal repayment	5,179,104	-	-	-	-	-	-	-	-	-	-	-	-	5,179,104
Interest	522,400	-	-	-	-	-	-	-	-	-	-	-	-	522,400
Total expenditures	<u>90,580,149</u>	<u>5,711,005</u>	<u>75,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,131</u>	<u>4,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,419,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(593,522)</u>	<u>(5,711,005)</u>	<u>38,579</u>	<u>-</u>	<u>54,262</u>	<u>-</u>	<u>7,852</u>	<u>38,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>(1,165,073)</u>
Other financing sources (uses):														
Loan proceeds	3,789,520	-	-	-	-	-	-	-	-	-	-	-	-	3,789,520
Operating transfers in	3,353,798	5,698,266	-	-	-	-	-	-	-	-	-	-	(5,698,266)	3,353,798
Operating transfers out	(7,803,226)	-	-	-	-	-	-	-	-	-	-	(5,000,000)	5,698,266	(7,104,960)
Total other financing sources (uses), net	<u>(659,908)</u>	<u>5,698,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>	<u>-</u>	<u>38,358</u>
Net change in fund balances (deficits)	<u>(1,253,430)</u>	<u>(12,739)</u>	<u>38,579</u>	<u>-</u>	<u>54,262</u>	<u>-</u>	<u>7,852</u>	<u>38,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,126,715)</u>
Fund balances (deficits) at the beginning														
of the year	<u>26,487,065</u>	<u>46,341</u>	<u>(208,652)</u>	<u>54,458</u>	<u>422,470</u>	<u>416</u>	<u>(88,251)</u>	<u>108,588</u>	<u>(658)</u>	<u>-</u>	<u>14,251</u>	<u>-</u>	<u>-</u>	<u>26,836,028</u>
Fund balances (deficits) at the end														
of the year	<u>\$ 25,233,635</u>	<u>\$ 33,602</u>	<u>\$ (170,073)</u>	<u>\$ 54,458</u>	<u>\$ 476,732</u>	<u>\$ 416</u>	<u>\$ (80,399)</u>	<u>\$ 147,349</u>	<u>\$ (658)</u>	<u>\$ -</u>	<u>\$ 14,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,709,313</u>

Republic of the Marshall Islands

GRANTS ASSISTANCE FUND

September 30, 2023

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, 2023, 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, 2023

Fund Number	10301	10302	10303	10414	10415	10305	10306	10307	10308	10309	10310		
	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	ADB Development Projects	Compact Sector	Total
<u>ASSETS</u>													
Receivables:													
Federal agencies	\$ -	\$ -	\$ -	\$ 549,259	\$ 614,172	\$ 4,088,322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,308,054	\$ 17,559,807
General	-	-	-	-	-	-	62,365	8,750,550	256,038	6,000,000	101,982	-	15,170,935
Due from other funds	40,380	690	1,593	-	-	-	-	2,020,858	1,636,774	-	32,258	11,991,047	15,723,600
Advances	-	-	-	-	-	314,039	9,000	114,996	72,624	187,164	718	329,305	1,027,846
Total assets	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 549,259</u>	<u>\$ 614,172</u>	<u>\$ 4,402,361</u>	<u>\$ 71,365</u>	<u>\$ 10,886,404</u>	<u>\$ 1,965,436</u>	<u>\$ 6,187,164</u>	<u>\$ 134,958</u>	<u>\$ 24,628,406</u>	<u>\$ 49,482,188</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>													
Liabilities:													
Accounts payable	\$ -	\$ -	\$ -	\$ 28,966	\$ 177,591	\$ 283,558	\$ 10,376	\$ 2,508,435	\$ 71,568	\$ 290,037	\$ 106,103	\$ 1,559,549	\$ 5,036,183
Other liabilities and accruals	-	-	-	-	-	284,833	-	-	7,260	18,078	7,071	997,269	1,314,511
Payable to federal agencies	-	-	-	-	-	-	-	-	-	-	-	6,231,390	6,231,390
Retention payable	-	-	-	-	-	30,017	-	-	-	232,185	-	1,889,598	2,151,800
Unearned revenue	-	-	-	-	-	295,238	-	-	1,220,756	-	-	-	1,515,994
Due to other funds	-	-	-	566,593	436,581	3,468,490	13,854	-	-	2,980,911	-	4,913,087	12,379,516
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>595,559</u>	<u>614,172</u>	<u>4,362,136</u>	<u>24,230</u>	<u>2,508,435</u>	<u>1,299,584</u>	<u>3,521,211</u>	<u>113,174</u>	<u>15,590,893</u>	<u>28,629,394</u>
Fund balances:													
Restricted	40,380	690	1,593	-	-	40,225	47,135	8,377,969	665,852	-	21,784	9,530,940	18,726,568
Committed	-	-	-	-	-	-	-	-	-	2,665,953	-	-	2,665,953
Unassigned (deficits)	-	-	-	(46,300)	-	-	-	-	-	-	-	(493,427)	(539,727)
Total fund balances (deficits)	<u>40,380</u>	<u>690</u>	<u>1,593</u>	<u>(46,300)</u>	<u>-</u>	<u>40,225</u>	<u>47,135</u>	<u>8,377,969</u>	<u>665,852</u>	<u>2,665,953</u>	<u>21,784</u>	<u>9,037,513</u>	<u>20,852,794</u>
Total liabilities and fund balances	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 549,259</u>	<u>\$ 614,172</u>	<u>\$ 4,402,361</u>	<u>\$ 71,365</u>	<u>\$ 10,886,404</u>	<u>\$ 1,965,436</u>	<u>\$ 6,187,164</u>	<u>\$ 134,958</u>	<u>\$ 24,628,406</u>	<u>\$ 49,482,188</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, 2023

Fund Number	10301	10302	10303	10414	10415	10305	10306	10307	10308	10309	10310			
	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	ADB Development Projects	Compact Sector	Elimination	Total
Revenues:														
Federal and other grants	\$ -	\$ -	\$ -	\$ 141,858	\$ 2,050,741	\$ 15,188,791	\$ 1,798,667	\$ 22,323,775	\$ 770,525	\$ 8,000,000	\$ 749,541	\$ 41,395,686	\$ -	\$ 92,419,584
Expenditures by Function:														
Current:														
Office of the Chief Secretary	-	-	-	-	-	496,908	-	-	46,693	44,563	-	-	-	588,164
Office of the Auditor-General	-	-	-	141,858	-	50,214	-	-	-	-	-	-	-	192,072
Office of the Attorney General	-	-	-	-	-	-	-	-	-	773	-	-	-	773
Ministries:														
Environment	-	-	-	-	-	-	1,422,367	-	45,408	8,799	-	-	-	1,476,574
Education, Sports and Training	-	-	-	-	-	1,407,735	-	781,435	-	-	-	17,155,775	-	19,344,945
Health and Human Services	-	-	-	-	-	7,500,843	15,526	-	202,944	288,940	-	8,822,046	-	16,830,299
Natural Resources and Commerce	-	-	-	-	-	60,537	-	-	58,306	38,077	-	-	-	156,920
Culture and Internal Affairs	-	-	-	-	-	265,758	-	-	35,977	1,348,214	-	-	-	1,649,949
Justice, Immigration and Labor	-	-	-	-	-	173,135	-	-	-	-	-	-	-	173,135
Finance, Banking and Postal Services	-	-	-	-	2,050,741	2,044,333	-	15,871,496	78,342	1,817,542	721,810	-	-	22,584,264
Foreign Affairs and Trade	-	-	-	-	-	-	129,165	-	-	18,352	-	-	-	147,517
Works, Infrastructure and Utilities	-	-	-	-	-	-	-	-	115,242	2,358,236	-	4,986,565	-	7,460,043
Environmental Protection Authority	-	-	-	-	-	-	-	-	22,870	820	-	268,061	-	291,751
Capital outlay	-	-	-	-	-	327,003	-	-	-	1,707,391	-	8,617,706	-	10,652,100
Total expenditures	-	-	-	141,858	2,050,741	12,326,466	1,567,058	16,652,931	605,782	7,631,707	721,810	39,850,153	-	81,548,506
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	2,862,325	231,609	5,670,844	164,743	368,293	27,731	1,545,533	-	10,871,078
Other financing sources (uses):														
Operating transfers in	-	-	-	-	-	-	15,526	-	-	-	-	799,180	(799,180)	15,526
Operating transfers out	-	-	-	(46,300)	-	(2,862,325)	(200,000)	-	-	(980,197)	-	(1,092,202)	799,180	(4,381,844)
Total other financing sources (uses), net	-	-	-	(46,300)	-	(2,862,325)	(184,474)	-	-	(980,197)	-	(293,022)	-	(4,366,318)
Net change in fund balances (deficits)	-	-	-	(46,300)	-	-	47,135	5,670,844	164,743	(611,904)	27,731	1,252,511	-	6,504,760
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	-	40,225	-	2,707,125	501,109	3,277,857	(5,947)	7,785,002	-	14,348,034
Fund balances at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ (46,300)	\$ -	\$ 40,225	\$ 47,135	\$ 8,377,969	\$ 665,852	\$ 2,665,953	\$ 21,784	\$ 9,037,513	\$ -	\$ 20,852,794

Republic of the Marshall Islands

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2023

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, 2023, 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, 2023

	10201	10222	10223	10202	10203	10204	10205	10206	10207	NTC	10208
	Public Works	COVID-19 Disaster Assistance	Immigration (Bond)	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Recycling	Resident Workers Training Account	National Training	Sea Patrol
<u>ASSETS</u>											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,701	\$ -
Receivables, net:											
General	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	321,769	16,640	709,800	18,118	803,929	374,545	1,184,981	468,111	1,180,900	-	9,055
Advances	-	-	-	-	5,124	-	27,420	-	-	-	-
Total assets	<u>\$ 321,769</u>	<u>\$ 16,640</u>	<u>\$ 709,800</u>	<u>\$ 18,118</u>	<u>\$ 809,053</u>	<u>\$ 374,545</u>	<u>\$ 1,212,401</u>	<u>\$ 468,111</u>	<u>\$ 1,180,900</u>	<u>\$ 549,701</u>	<u>\$ 9,055</u>
<u>LIABILITIES AND FUND BALANCES</u>											
Liabilities:											
Accounts payable	\$ 495	\$ -	\$ -	\$ -	\$ 14,140	\$ -	\$ 701,250	\$ -	\$ -	\$ -	\$ -
Medical claims payable	-	-	-	-	-	-	-	-	-	-	-
Other liabilities and accruals	-	-	709,800	-	-	374,545	-	-	18,451	6,074	-
Total liabilities	<u>495</u>	<u>-</u>	<u>709,800</u>	<u>-</u>	<u>14,140</u>	<u>374,545</u>	<u>701,250</u>	<u>-</u>	<u>18,451</u>	<u>6,074</u>	<u>-</u>
Fund balances:											
Restricted	-	-	-	-	-	-	-	-	-	-	-
Committed	321,274	16,640	-	18,118	794,913	-	511,151	468,111	1,162,449	543,627	9,055
Total fund balances	<u>321,274</u>	<u>16,640</u>	<u>-</u>	<u>18,118</u>	<u>794,913</u>	<u>-</u>	<u>511,151</u>	<u>468,111</u>	<u>1,162,449</u>	<u>543,627</u>	<u>9,055</u>
Total liabilities and fund balances	<u>\$ 321,769</u>	<u>\$ 16,640</u>	<u>\$ 709,800</u>	<u>\$ 18,118</u>	<u>\$ 809,053</u>	<u>\$ 374,545</u>	<u>\$ 1,212,401</u>	<u>\$ 468,111</u>	<u>\$ 1,180,900</u>	<u>\$ 549,701</u>	<u>\$ 9,055</u>

Republic of the Marshall Islands

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

Combining Balance Sheet, Continued

September 30, 2023

	10209	10210	10211	10219	10212	10224						
	Transportation Services	Registrar General	Ministry of Internal Affairs	Banking Commissioner	Four-Atoll Medical	Cultural and Historic Preservation	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Elimination	Total
ASSETS												
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 903,288	\$ 673,414	\$ 2,567,134	\$ 60,656	\$ -	\$ 4,754,193
Receivables, net:												
General	-	-	-	-	589,653	-	-	-	715,445	3,388,928	-	4,694,026
Other	-	-	-	-	-	-	9,107	5,846	-	-	-	14,953
Due from other funds	41,063	391	220,825	200,322	97,635	3,700	-	-	-	850,276	-	6,502,060
Advances	-	-	3,745	28,058	-	-	-	-	16,300	378,742	-	459,389
Total assets	<u>\$ 41,063</u>	<u>\$ 391</u>	<u>\$ 224,570</u>	<u>\$ 228,380</u>	<u>\$ 687,288</u>	<u>\$ 3,700</u>	<u>\$ 912,395</u>	<u>\$ 679,260</u>	<u>\$ 3,298,879</u>	<u>\$ 4,678,602</u>	<u>\$ -</u>	<u>\$ 16,424,621</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ 466	\$ 17,605	\$ -	\$ 1,000	\$ 28,821	\$ -	\$ 921,293	\$ 1,069,357	\$ -	\$ 2,754,427
Medical claims payable	-	-	-	-	-	-	-	-	-	2,091,785	-	2,091,785
Other liabilities and accruals	-	-	-	-	-	-	-	22,921	155,810	-	-	1,287,601
Total liabilities	<u>-</u>	<u>-</u>	<u>466</u>	<u>17,605</u>	<u>-</u>	<u>1,000</u>	<u>28,821</u>	<u>22,921</u>	<u>1,077,103</u>	<u>3,161,142</u>	<u>-</u>	<u>6,133,813</u>
Fund balances:												
Restricted	-	-	-	-	687,288	-	1,500	-	-	-	-	688,788
Committed	41,063	391	224,104	210,775	-	2,700	882,074	656,339	2,221,776	1,517,460	-	9,602,020
Total fund balances	<u>41,063</u>	<u>391</u>	<u>224,104</u>	<u>210,775</u>	<u>687,288</u>	<u>2,700</u>	<u>883,574</u>	<u>656,339</u>	<u>2,221,776</u>	<u>1,517,460</u>	<u>-</u>	<u>10,290,808</u>
Total liabilities and fund balances	<u>\$ 41,063</u>	<u>\$ 391</u>	<u>\$ 224,570</u>	<u>\$ 228,380</u>	<u>\$ 687,288</u>	<u>\$ 3,700</u>	<u>\$ 912,395</u>	<u>\$ 679,260</u>	<u>\$ 3,298,879</u>	<u>\$ 4,678,602</u>	<u>\$ -</u>	<u>\$ 16,424,621</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, 2023

	10201	10222	10223	10202	10203	10204	10205	10206	10207	NTC	10208
	Public Works	COVID-19 Disaster Assistance	Immigration (Bond)	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Recycling	Resident Workers Training Account	National Training	Sea Patrol
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	121,893	-	-	-	211,746	-	1,703,930	816,930	576,370	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-	-	21,485	-
Total revenues	121,893	-	-	-	211,746	-	1,703,930	816,930	576,370	21,485	-
Expenditures by Function:											
Current:											
Judiciary	-	-	-	-	-	-	-	-	-	-	-
Office of the Chief Secretary	-	52,381	-	-	-	-	-	-	-	-	-
Office of the Attorney General	-	-	-	-	-	-	146,908	-	-	-	-
Ministries:											
Education, Sports and Training	-	-	-	-	-	-	-	-	275,204	484,357	-
Health and Human Services	-	-	-	-	-	-	-	-	-	-	-
Culture and Internal Affairs	-	-	-	-	-	-	-	-	-	-	-
Justice, Immigration and Labor	-	-	-	-	-	-	119,584	-	-	-	-
Finance, Banking and Postal Services	-	-	-	-	-	-	-	832,844	-	-	-
Foreign Affairs and Trade	-	-	-	-	90,014	-	-	-	-	-	-
Works, Infrastructure and Utilities	76,667	-	-	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	76,667	52,381	-	-	90,014	-	266,492	832,844	275,204	484,357	-
Excess (deficiency) of revenues over (under) expenditures	45,226	(52,381)	-	-	121,732	-	1,437,438	(15,914)	301,166	(462,872)	-
Other financing sources (uses):											
Operating transfers in	-	-	-	-	-	-	-	-	-	454,444	-
Operating transfers out	-	-	-	-	-	-	(1,304,314)	-	(254,444)	-	-
Total other financing sources (uses), net	-	-	-	-	-	-	(1,304,314)	-	(254,444)	454,444	-
Net change in fund balances	45,226	(52,381)	-	-	121,732	-	133,124	(15,914)	46,722	(8,428)	-
Fund balances at the beginning of the year	276,048	69,021	-	18,118	673,181	-	378,027	484,025	1,115,727	552,055	9,055
Fund balances at the end of the year	\$ 321,274	\$ 16,640	\$ -	\$ 18,118	\$ 794,913	\$ -	\$ 511,151	\$ 468,111	\$ 1,162,449	\$ 543,627	\$ 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, 2023

	10209	10210	10211	10219	10212	10224						
	Transportation Services	Registrar General	Ministry of Internal Affairs	Banking Commissioner	Four-Atoll Medical	Cultural and Historic Preservation	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Elimination	Total
Revenues:												
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 503,340	\$ -	\$ -	\$ 503,340
Fees and charges	-	-	12,043	162,063	-	2,700	-	136,847	676,222	9,542,391	-	13,963,135
Interest	-	-	-	-	-	-	11,850	8,633	-	-	-	20,483
Sales	1,324	-	-	-	-	-	-	47,864	-	-	-	70,673
Total revenues	1,324	-	12,043	162,063	-	2,700	11,850	193,344	1,179,562	9,542,391	-	14,557,631
Expenditures by Function:												
Current:												
Judiciary	-	-	-	-	-	-	-	1,239,950	-	-	-	1,239,950
Office of the Chief Secretary	-	-	-	-	-	-	-	-	-	-	-	52,381
Office of the Attorney General	-	-	-	-	-	-	-	-	-	-	-	146,908
Ministries:												
Education, Sports and Training	-	-	-	-	-	-	1,798,761	-	-	-	-	2,558,322
Health and Human Services	-	-	-	-	-	-	-	-	3,768,162	7,547,181	-	11,315,343
Culture and Internal Affairs	-	-	38,414	-	-	-	-	-	-	-	-	38,414
Justice, Immigration and Labor	-	-	-	-	-	-	-	-	-	-	-	119,584
Finance, Banking and Postal Services	-	-	-	143,191	-	-	-	-	-	-	-	976,035
Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	-	-	90,014
Works, Infrastructure and Utilities	-	-	-	-	-	-	-	-	-	-	-	76,667
Nuclear claims related	-	-	-	-	2,240,225	-	-	-	-	-	-	2,240,225
Total expenditures	-	-	38,414	143,191	2,240,225	-	1,798,761	1,239,950	3,768,162	7,547,181	-	18,853,843
Excess (deficiency) of revenues over (under) expenditures	1,324	-	(26,371)	18,872	(2,240,225)	2,700	(1,786,911)	(1,046,606)	(2,588,600)	1,995,210	-	(4,296,212)
Other financing sources (uses):												
Operating transfers in	-	-	-	-	2,240,225	-	1,892,135	1,089,434	3,909,210	1,000,000	(4,163,654)	6,421,794
Operating transfers out	-	-	-	-	-	-	-	-	-	(3,909,210)	4,163,654	(1,304,314)
Total other financing sources (uses), net	-	-	-	-	2,240,225	-	1,892,135	1,089,434	3,909,210	(2,909,210)	-	5,117,480
Net change in fund balances	1,324	-	(26,371)	18,872	-	2,700	105,224	42,828	1,320,610	(914,000)	-	821,268
Fund balances at the beginning of the year	39,739	391	250,475	191,903	687,288	-	778,350	613,511	901,166	2,431,460	-	9,469,540
Fund balances at the end of the year	\$ 41,063	\$ 391	\$ 224,104	\$ 210,775	\$ 687,288	\$ 2,700	\$ 883,574	\$ 656,339	\$ 2,221,776	\$ 1,517,460	\$ -	\$ 10,290,808

Republic of the Marshall Islands

FIDUCIARY FUNDS - PRIVATE PURPOSE TRUSTS

September 30, 2023

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, 2023, 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, 2023

Fund Number	20102	20103	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners
	<u> </u>	<u> </u>	<u> </u>
			Total
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 8,258,814	\$ -	\$ 8,258,814
Time certificate of deposit	3,763,869	-	3,763,869
Receivables, net:			
Contributions	6,437,525	-	6,437,525
Other	614,965	-	614,965
Investments	91,050,105	-	91,050,105
Due from other funds	-	421,658	991,099
Capital assets, net of accumulated depreciation	205,805	-	205,805
Total assets	<u>110,331,083</u>	<u>421,658</u>	<u>111,743,840</u>
<u>LIABILITIES</u>			
Accounts payable	345,005	-	42,627
Other liabilities and accruals	67,936	-	67,936
Due to other funds	850,276	-	850,276
Total liabilities	<u>1,263,217</u>	<u>-</u>	<u>42,627</u>
<u>NET POSITION</u>			
Restricted for:			
Social security benefits	109,067,866	-	109,067,866
Land use distributions	-	421,658	948,472
Total net position	<u>\$ 109,067,866</u>	<u>\$ 421,658</u>	<u>\$ 110,437,996</u>

Republic of the Marshall Islands

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

Year ended September 30, 2023

Fund Number	20102	20103	Total
Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	
Additions:			
Contributions:			
Private employees	\$ 16,665,797	\$ -	\$ 16,665,797
Government employees	8,022,799	-	8,022,799
Penalties and interest	303,443	-	303,443
	24,992,039	-	24,992,039
Investment income:			
Net change in the fair value of investments	7,884,955	-	7,884,955
Interest and dividends	1,825,669	-	1,825,669
	9,710,624	-	9,710,624
Investment income	9,710,624	-	9,710,624
Less investment expense	165,553	-	165,553
	9,545,071	-	9,545,071
Other:			
Compact funding	-	24,022,800	24,022,800
Transfer in	1,388,800	-	1,388,800
Other	176,035	-	176,035
	1,564,835	24,022,800	25,587,635
Total additions	36,101,945	24,022,800	60,124,745
Deductions:			
Land use distributions	-	23,853,818	23,853,818
Benefits	20,780,851	-	20,780,851
Administrative expenses	1,459,208	-	1,459,208
	22,240,059	23,853,818	46,093,877
Change in net position held in trust for:			
Social security benefits	13,861,886	-	13,861,886
Land use distributions	-	168,982	168,982
Net position at the beginning of the year	95,205,980	421,658	96,407,128
Net position at the end of the year	\$ 109,067,866	\$ 421,658	\$ 110,437,996

Republic of the Marshall Islands

FIDUCIARY FUNDS - CUSTODIAL

September 30, 2023

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, 2023, 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, 2023

Fund Number	20201	20201	
	Unclaimed Bank Deposits	UMDA Stock Buyout	Total
	<u>Judiciary</u>		
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,044,239	\$ -	\$ -
Time certificate of deposit	90,373	-	90,373
Due from other funds	-	93,737	70,747
	<u>1,134,612</u>	<u>93,737</u>	<u>70,747</u>
Total assets			<u>1,299,096</u>
<u>NET POSITION</u>			
Restricted for:			
Individuals, organizations and other governments	<u>\$ 1,134,612</u>	<u>\$ 93,737</u>	<u>\$ 70,747</u>
			<u>\$ 1,299,096</u>

Republic of the Marshall Islands

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

Year ended September 30, 2023

Fund Number	20201	20201	20201	20201
	Unclaimed Bank Deposits	UMDA Stock Buyout	Total	
	<u>Judiciary</u>			<u>Total</u>
Additions:				
Investment earnings:				
Interest and dividends	\$ 2,895	\$ -	\$ -	\$ 2,895
Other	<u>58,725</u>	<u>-</u>	<u>-</u>	<u>58,725</u>
Total additions	<u>61,620</u>	<u>-</u>	<u>-</u>	<u>61,620</u>
Deductions:				
Other distributions	2,722,703	-	-	2,722,703
Administrative expenses	<u>705</u>	<u>-</u>	<u>-</u>	<u>705</u>
Total deductions	<u>2,723,408</u>	<u>-</u>	<u>-</u>	<u>2,723,408</u>
Change in net position held in trust for:				
Individuals, organizations and other governments	(2,661,788)	-	-	(2,661,788)
Net position at the beginning of the year	<u>3,796,400</u>	<u>93,737</u>	<u>70,747</u>	<u>3,960,884</u>
Net position at the end of the year	<u>\$ 1,134,612</u>	<u>\$ 93,737</u>	<u>\$ 70,747</u>	<u>\$ 1,299,096</u>

Republic of the Marshall Islands

NONMAJOR COMPONENT UNITS

September 30, 2023

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, 2023, 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, 2023

	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	\$ 418,805	\$ 717,578	\$ 1,345,350	\$ 755,038	\$ 266,406	\$ 3,503,177
Receivables, net	163,599	568,412	22,645	20,975	40,106	815,737
Inventories	-	43,517	6,126	-	-	49,643
Other assets	1,500	102,776	9,246	-	-	113,522
Capital assets:						
Other capital assets, net of accumulated depreciation	818,530	819,123	94,644	73,261	67,970	1,873,528
Leased assets, net	-	-	188,021	-	-	188,021
Total assets	<u>1,402,434</u>	<u>2,251,406</u>	<u>1,666,032</u>	<u>849,274</u>	<u>374,482</u>	<u>6,543,628</u>
<u>LIABILITIES</u>						
Accounts payable	116,154	941,604	70,868	79,737	41,312	1,249,675
Other liabilities and accruals	57,033	675,523	74,294	4,814	46,096	857,760
Unearned revenue	-	26,294	23,748	239,940	-	289,982
Noncurrent liabilities:						
Due within one year	-	14,879	44,742	-	-	59,621
Due in more than one year	-	505,121	160,803	-	-	665,924
Total liabilities	<u>173,187</u>	<u>2,163,421</u>	<u>374,455</u>	<u>324,491</u>	<u>87,408</u>	<u>3,122,962</u>
<u>NET POSITION</u>						
Net investment in capital assets	818,530	819,123	94,644	73,261	67,970	1,873,528
Restricted	-	-	-	-	92,520	92,520
Unrestricted	<u>410,717</u>	<u>(731,138)</u>	<u>1,196,933</u>	<u>451,522</u>	<u>126,584</u>	<u>1,454,618</u>
Total net position	<u>\$ 1,229,247</u>	<u>\$ 87,985</u>	<u>\$ 1,291,577</u>	<u>\$ 524,783</u>	<u>\$ 287,074</u>	<u>\$ 3,420,666</u>

Republic of the Marshall Islands

NONMAJOR COMPONENT UNITS

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

Year ended September 30, 2023

	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	\$ 1,657,250	\$ 5,109,777	\$ 1,098,316	\$ 1,463,032	\$ 755,645	\$ 10,084,020
Program revenues:						
Charges for services	871,808	4,951,832	834,303	218,390	9,160	6,885,493
Operating grants and contributions	-	-	-	736,919	101,786	838,705
Capital grants and contributions	399,365	-	-	-	-	399,365
Total program revenues	1,271,173	4,951,832	834,303	955,309	110,946	8,123,563
Net program revenues (expenses)	(386,077)	(157,945)	(264,013)	(507,723)	(644,699)	(1,960,457)
General revenues:						
Payments from RepMar	776,756	297,600	223,054	424,757	725,124	2,447,291
Other	-	50,039	-	-	19,934	69,973
Total general revenues	776,756	347,639	223,054	424,757	745,058	2,517,264
Change in net position	390,679	189,694	(40,959)	(82,966)	100,359	556,807
Net position at the beginning of the year	838,568	(101,709)	1,332,536	607,749	186,715	2,863,859
Net position at the end of the year	\$ 1,229,247	\$ 87,985	\$ 1,291,577	\$ 524,783	\$ 287,074	\$ 3,420,666

Republic of the Marshall Islands

COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND

September 30, 2023

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.

Republic of the Marshall Islands

COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND, CONTINUED

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

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

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

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

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, 2023

Fund Number	10401	10402	10403	10404	10405	10406	10408	10409	10410	10411	10412	
	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)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Section 211(b)(2) Landowners Special Needs	Total
ASSETS												
Receivables:												
Federal agencies	\$ -	\$ 2,532,471	\$ 395,495	\$ -	\$ -	\$ 932,997	\$ -	\$ 5,869,195	\$ 1,373,934	\$ 251,660	\$ 952,302	\$ 12,308,054
Due from other funds	1,186,516	-	663,207	163,374	-	1,736,171	139,759	-	2,616,713	5,070,827	414,480	11,991,047
Advances	34,875	86,076	39,291	-	-	163,513	-	3,175	-	-	2,375	329,305
Total assets	<u>\$ 1,221,391</u>	<u>\$ 2,618,547</u>	<u>\$ 1,097,993</u>	<u>\$ 163,374</u>	<u>\$ -</u>	<u>\$ 2,832,681</u>	<u>\$ 139,759</u>	<u>\$ 5,872,370</u>	<u>\$ 3,990,647</u>	<u>\$ 5,322,487</u>	<u>\$ 1,369,157</u>	<u>\$ 24,628,406</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ 39,852	\$ 325,245	\$ 142,746	\$ -	\$ -	\$ 333,581	\$ 360	\$ 218,806	\$ 22,637	\$ -	\$ 476,322	\$ 1,559,549
Other liabilities and accruals	384,208	147,614	295,497	-	-	124,577	13,138	25,159	-	-	7,076	997,269
Payable to federal agencies	853,788	-	548,019	-	-	1,960,572	34,709	2,164,571	204,219	-	465,512	6,231,390
Retention payable	-	-	-	-	-	261,227	-	1,133,405	272,267	-	222,699	1,889,598
Due to other funds	-	2,145,688	-	-	-	-	-	2,767,399	-	-	-	4,913,087
Total liabilities	<u>1,277,848</u>	<u>2,618,547</u>	<u>986,262</u>	<u>-</u>	<u>-</u>	<u>2,679,957</u>	<u>48,207</u>	<u>6,309,340</u>	<u>499,123</u>	<u>-</u>	<u>1,171,609</u>	<u>15,590,893</u>
Fund balances:												
Restricted	-	-	111,731	163,374	-	152,724	91,552	-	3,491,524	5,322,487	197,548	9,530,940
Unassigned (deficits)	(56,457)	-	-	-	-	-	-	(436,970)	-	-	-	(493,427)
Total fund balances (deficit)	<u>(56,457)</u>	<u>-</u>	<u>111,731</u>	<u>163,374</u>	<u>-</u>	<u>152,724</u>	<u>91,552</u>	<u>(436,970)</u>	<u>3,491,524</u>	<u>5,322,487</u>	<u>197,548</u>	<u>9,037,513</u>
Total liabilities and fund balances	<u>\$ 1,221,391</u>	<u>\$ 2,618,547</u>	<u>\$ 1,097,993</u>	<u>\$ 163,374</u>	<u>\$ -</u>	<u>\$ 2,832,681</u>	<u>\$ 139,759</u>	<u>\$ 5,872,370</u>	<u>\$ 3,990,647</u>	<u>\$ 5,322,487</u>	<u>\$ 1,369,157</u>	<u>\$ 24,628,406</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, 2023

Fund Number	10401	10402	10403	10404	10405	10406	10408	10409	10410	10411	10412	Total
	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)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Section 211(b)(2) Landowners Special Needs	
Revenues:												
Compact funding	\$ 8,903,108	\$ 5,828,968	\$ 6,849,619	\$ -	\$ -	\$ 6,511,616	\$ 266,920	\$ 9,829,047	\$ 850,044	\$ 266,920	\$ 2,089,444	\$ 41,395,686
Expenditures by Function:												
Current:												
Ministries:												
Education, Sports and Training	8,313,926	5,828,968	-	-	-	2,512,881	-	500,000	-	-	-	17,155,775
Health and Human Services	-	-	6,849,759	-	-	1,972,287	-	-	-	-	-	8,822,046
Works, Infrastructure and Utilities	-	-	-	-	-	699,991	-	2,232,226	497,675	-	1,556,673	4,986,565
Environmental Protection Authority	-	-	-	-	-	-	268,061	-	-	-	-	268,061
Capital outlay	-	-	-	-	-	1,117,014	-	7,500,692	-	-	-	8,617,706
Total expenditures	8,313,926	5,828,968	6,849,759	-	-	6,302,173	268,061	10,232,918	497,675	-	1,556,673	39,850,153
Excess (deficiency) of revenues over (under) expenditures	589,182	-	(140)	-	-	209,443	(1,141)	(403,871)	352,369	266,920	532,771	1,545,533
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	532,260	266,920	-	799,180
Operating transfers out	(592,202)	-	-	-	-	(200,000)	-	-	-	-	(300,000)	(1,092,202)
Total other financing sources (uses), net	(592,202)	-	-	-	-	(200,000)	-	-	532,260	266,920	(300,000)	(293,022)
Net change in fund balances (deficits)	(3,020)	-	(140)	-	-	9,443	(1,141)	(403,871)	884,629	533,840	232,771	1,252,511
Fund balances at the beginning of the year	(53,437)	-	111,871	163,374	-	143,281	92,693	(33,099)	2,606,895	4,788,647	(35,223)	7,785,002
Fund balances (deficit) at the end of the year	\$ (56,457)	\$ -	\$ 111,731	\$ 163,374	\$ -	\$ 152,724	\$ 91,552	\$ (436,970)	\$ 3,491,524	\$ 5,322,487	\$ 197,548	\$ 9,037,513