

REPUBLIC OF THE MARSHALL ISLANDS

**BASIC FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED SEPTEMBER 30, 2018

REPUBLIC OF THE MARSHALL ISLANDS

FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

Her Excellency Dr. Hilda C. Heine
President
Republic of the Marshall Islands:

Report on the Financial Statements

We have audited the accompanying 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, 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 as of September 30, 2018, 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.

Emphasis-of-Matters

Federal Grants Receivable

As discussed in Note 3 to the financial statements, RepMar is currently negotiating with federal grantor agencies to determine the ultimate collectability of certain receivables from federal agencies.

Social Security Obligations

As discussed in Note 14 to the financial statements, the Marshall Islands Social Security Administration may be unable to meet its future benefit obligations.

Our opinions are not modified with respect to these matters.

Other Matters

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, as well as the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

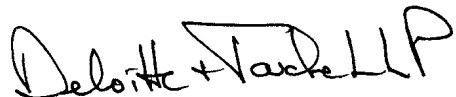
Other Information

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

The Other Supplementary 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information set forth in Section V of the foregoing table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, 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.

A handwritten signature in black ink that reads "Deloitte + Tuck LLP". The signature is stylized, with the "D" being large and the "LLP" being written in a cursive-like font.

June 28, 2019

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with RepMar's basic financial statements, which follow this section. Fiscal year 2017 comparative information has been included, where appropriate.

FINANCIAL HIGHLIGHTS

- The assets of RepMar exceeded its liabilities at the close of the most recent fiscal year by \$155 million (net position), increasing by \$2 million (or 1%) from \$153 million in the prior year. Of this amount, \$75 million represents RepMar's investment in capital assets; \$92 million represents amounts restricted for various purposes, with the remaining deficiency of \$12 million to be funded from future governmental activities.
- During the current fiscal year, RepMar's expenses for governmental activities were \$153 million, including special appropriations made to the autonomous agencies, and were funded in part by \$71 million in program revenues and \$81 million in taxes and other general revenues. Program revenues increased by \$5 million (or 8%) from \$66 million in the prior year to \$71 million, which was attributable primarily to the increase in operating grants and contributions. Taxes and other general revenues decreased by \$9 million (or 10%) from \$90 million in the prior year to \$81 million, which was attributable primarily to the decrease in unrestricted grants and contributions. Expenses increased by \$9 million (or 7%) from \$144 million in the prior year to \$152 million, which was attributable primarily to an increase in transportation, communication and information technology expenses.
- The Compact Trust Fund experienced an increase in fund balance of \$3 million in the current fiscal year, increasing RepMar's trust fund balance to \$74 million from \$71 million in the prior year (up 4%).
- For the current fiscal year, General Fund expenditures (and other financing uses) of \$76.5 million exceeded General Fund revenues (and other financing sources) of \$75.5 million. General fund revenues (and other financing sources) were down \$8 million (or 10%) from prior year primarily due to a decrease in fishing revenue contributions from the Marshall Islands Marine Resources Authority (MIMRA) of \$10.5 million (or 26%) offset by an increase in tax revenues of \$2 million (or 6%) from prior year. Concurrently, General Fund expenditures (and other financing uses) were down \$2 million (or 2%) from prior year primarily due to a decrease in special appropriations 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.

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 similar to a private-sector business. The statement of net position presents information on all of RepMar's assets and liabilities, with the difference between the two reported as net position. All of 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 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.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2018

Government-wide Financial Statements, Continued

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 18 and 19 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 particular purposes (like the Republic of China Projects Fund) or to show that it is properly using certain grants (like federal grants reported in the U.S. Federal Grants Fund).

All of 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 near future to finance RepMar's programs. The basic governmental fund financial statements can be found on pages 20 and 21 of this report.

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 of 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 23 and 24 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 similar to private-sector businesses. The discretely presented component unit financial statements can be found on pages 25 and 26 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 27 through 67 of this report.

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Management's Discussion and Analysis Year Ended September 30, 2018

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons. Required supplementary information can be found on pages 68 through 70 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 71 through 113 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 \$155 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 comprised of 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 \$42 million while its current liabilities were \$17 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.

RepMar's Net Position
As of September 30

	Governmental Activities 2018	Governmental Activities 2017	Total Percentage Change 2018-2017
Current and other assets	\$ 133,972,288	\$ 133,077,869	1%
Capital assets	89,395,924	93,445,163	(4)%
Total assets	223,368,212	226,523,032	(1)%
Long-term debt outstanding	51,441,262	54,064,673	(5)%
Current and other liabilities	16,938,637	19,254,891	(12)%
Total liabilities	68,379,899	73,319,564	(7)%
Net position:			
Net investment in capital assets	75,134,665	78,174,651	(4)%
Restricted	91,483,782	87,963,947	4%
Unrestricted	(11,630,134)	(12,935,130)	(10)%
Total net position	\$ 154,988,313	\$ 153,203,468	1%

At the end of the current fiscal year, RepMar's unrestricted net position deficiency was \$12 million, a decrease of the prior year amount by \$1 million (or 10%). This deficiency is the result of having long-term commitments that are greater than currently available resources. Specifically, RepMar did not include in past annual budgets the full amounts needed to finance future liabilities arising from ADB loans as well as to pay for unused employee annual leave balances. RepMar will include these amounts in future years' budgets as they become due.

Total liabilities decreased by \$5 million (or 7%) from the prior year amount of \$73 million to \$68 million, which was primarily attributable to a decrease in current liabilities of \$2 million (or 11%) due to a decrease in accounts payable and a decrease in Asian Development Bank (ADB) loans payable of \$3 million (or 5%) due to current year debt service reduction.

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Management's Discussion and Analysis Year Ended September 30, 2018

Changes in Net Position

As discussed earlier, net position of the primary government increased by \$2 million, which represents an increase of 1% from the prior year's amount of \$156 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.

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

	Governmental Activities 2018	Governmental Activities 2017	Total Percentage Change 2018-2017
Revenues:			
Program revenues:			
Charges for services	\$ 11,224,025	\$ 10,578,157	6%
Operating grants and contributions	47,295,469	42,945,911	10%
Capital grants and contributions	12,400,929	12,818,231	(3)%
	<u>70,920,423</u>	<u>66,342,299</u>	7%
General revenues:			
Taxes	31,555,501	29,800,032	6%
Grants and contributions	41,596,869	51,541,990	(19)%
Ship registry	7,279,385	7,294,153	(0)%
Other general revenues	500,813	1,064,725	(53)%
	<u>80,932,568</u>	<u>89,700,900</u>	(10)%
Total revenues	<u>151,852,991</u>	<u>156,043,199</u>	(3)%
Expenses:			
Education, sports and training	33,246,489	32,626,995	2%
Health and human services	33,786,999	28,402,074	19%
Finance, banking and postal services	10,833,034	9,258,259	17%
Special appropriations	11,283,525	12,791,183	(12)%
Foreign affairs and trade	4,478,901	4,247,459	5%
Works, infrastructure and utilities	9,610,240	9,447,424	2%
Justice, immigration and labor	3,572,524	3,803,647	(6)%
Culture and internal affairs	5,901,943	6,828,960	(14)%
Capital projects	5,896,038	6,560,532	(10)%
Natural resources and commerce	6,431,232	8,650,860	(26)%
Transportation, communication and information technology	13,262,260	7,495,520	77%
President and cabinet	3,099,570	2,606,259	19%
Nitijela	2,433,110	2,087,345	17%
Nuclear claims related	1,387,533	1,420,105	(2)%
Interest	732,034	699,006	5%
Other	7,267,643	6,593,179	10%
Total expenses	<u>153,223,075</u>	<u>143,518,807</u>	7%
	<u>(1,370,084)</u>	<u>12,524,392</u>	(111)%
Contributions to permanent funds	3,154,929	8,825,977	(64)%
Change in net position	<u>1,784,845</u>	<u>21,350,369</u>	(92)%
Net position, beginning of year	<u>153,203,468</u>	<u>131,853,099</u>	16%
Net position, end of year	<u>\$ 154,988,313</u>	<u>\$ 153,203,468</u>	1%

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Management's Discussion and Analysis Year Ended September 30, 2018

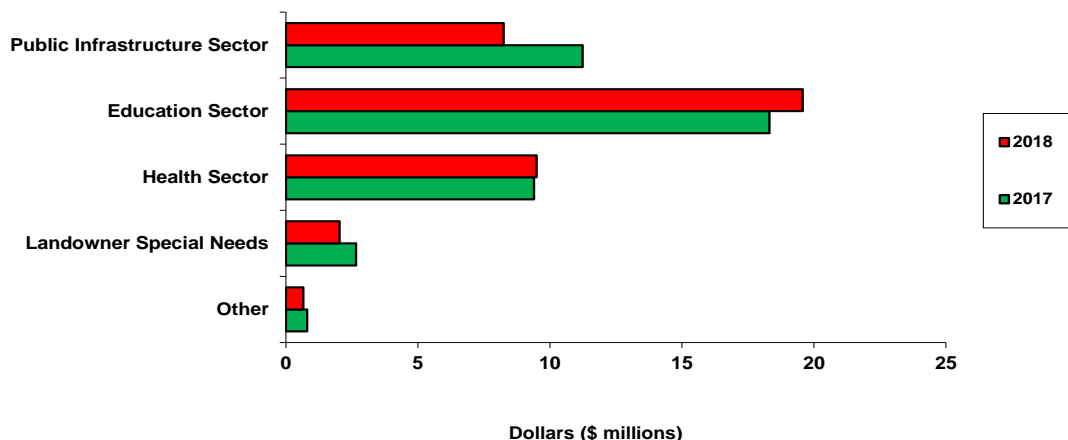
Changes in Net Position, Continued

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

- Total revenues decreased by \$4 million (or 3%) compared with prior year. General revenues decreased by \$9 million (or 10%) as compared with prior year whereas program revenues increased by \$5 million (or 7%) as compared with prior year. The decrease in general revenues reflects a \$10.5 million (or 26%) decrease in contributions from MIMRA due to a decrease in collections from fishing rights revenues offset by a \$2 million (or 6%) increase in tax revenues due primarily to an increase in collections from gross revenue taxes. The increase in program revenues reflects a \$4 million (or 10%) increase in operating grants and contributions due primarily to an increase in donor grant funds received from the European Union and World Bank as well as an increase in budgetary support from the Republic of China.
- At the same time, cost of governmental activities increased in the current year by \$9 million (or 7%) as compared with prior year, which was attributable primarily to an increase in transportation, communication and information technology expenses.
- The Compact Trust Fund experienced an increase in fund balance of \$3 million in the current fiscal year, increasing RepMar's trust fund balance to \$74 million from \$71 million in the prior year (up 4%). The investment earnings are less than the earnings experienced in prior year of \$9 million due to external global financial market forces.

A significant portion of RepMar's program revenues involve contributions from the Government of the United States under the Compact of Free Association. Overall funding from Compact sector grant revenues decreased by \$2 million (or 6%) from prior year primarily due to a decrease in Compact public infrastructure sector activities. A graphic summary of 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



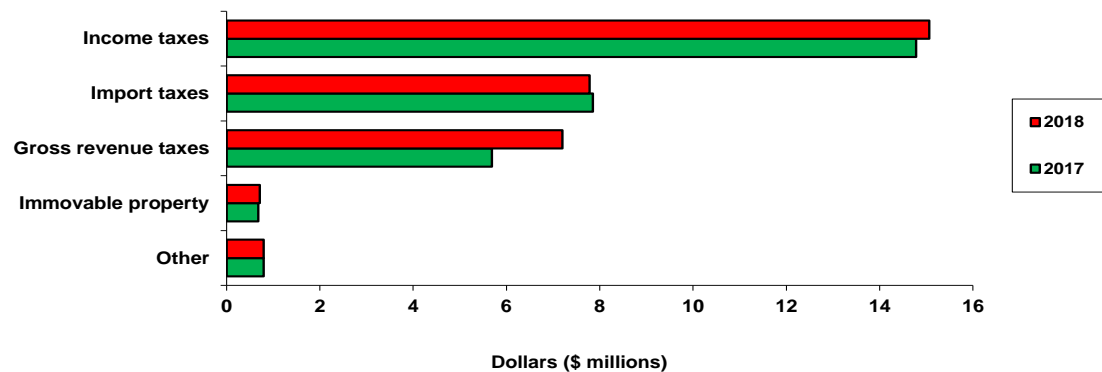
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Management's Discussion and Analysis Year Ended September 30, 2018

Changes in Net Position, Continued

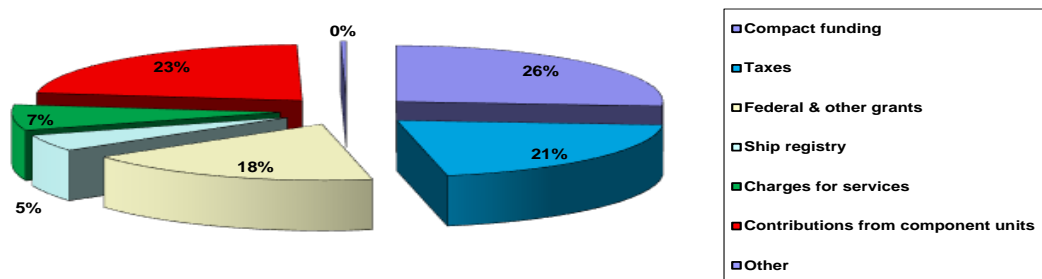
A significant portion of RepMar's general revenues involves tax revenue collections. At \$32 million in the current year, tax revenues increased by \$2 million (or 6%) compared with \$30 million collected in the prior year. A graphic summary of RepMar's tax revenue collections for the current year compared 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, 2018



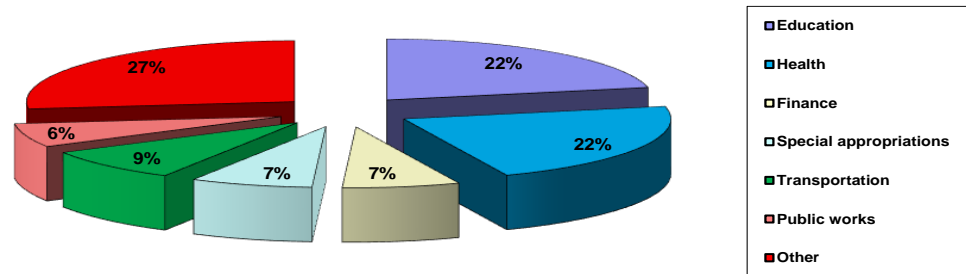
Compact funding, local taxes and federal and other grants are the major sources of revenue for RepMar, which comprise 65% of total revenues for the current year. The remaining 35% is primarily comprised of ship registry fees, fishing revenue contributions from MIMRA, and various fees and service charges.

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Management's Discussion and Analysis Year Ended September 30, 2018

Changes in Net Position, Continued

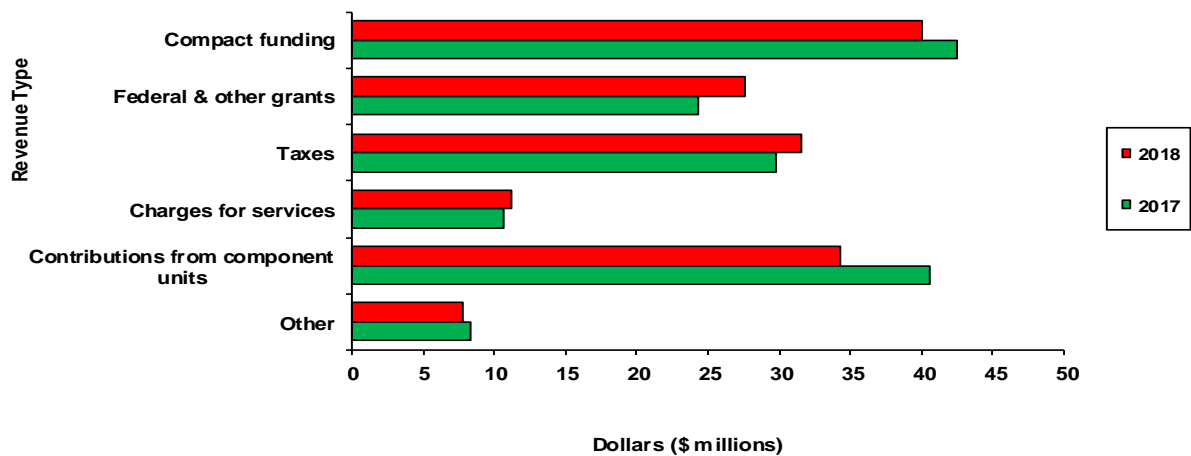
Graph 4
RepMar's Cost of Governmental Activities
For the Year Ended September 30, 2018



Other expenses that make up a portion of the costs of governmental activities include ministerial expenses within the Ministry of Natural Resources and Commerce (\$6.4 million), the Ministry of Culture and Internal Affairs (\$5.9 million), the Ministry of Foreign Affairs and Trade (\$4.5 million), and the Ministry of Justice, Immigration and Labor (\$3.6 million); legislative expenses within the Nitijela (\$2.4 million); and executive expenses within the President's Office and Cabinet (\$3.1 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:

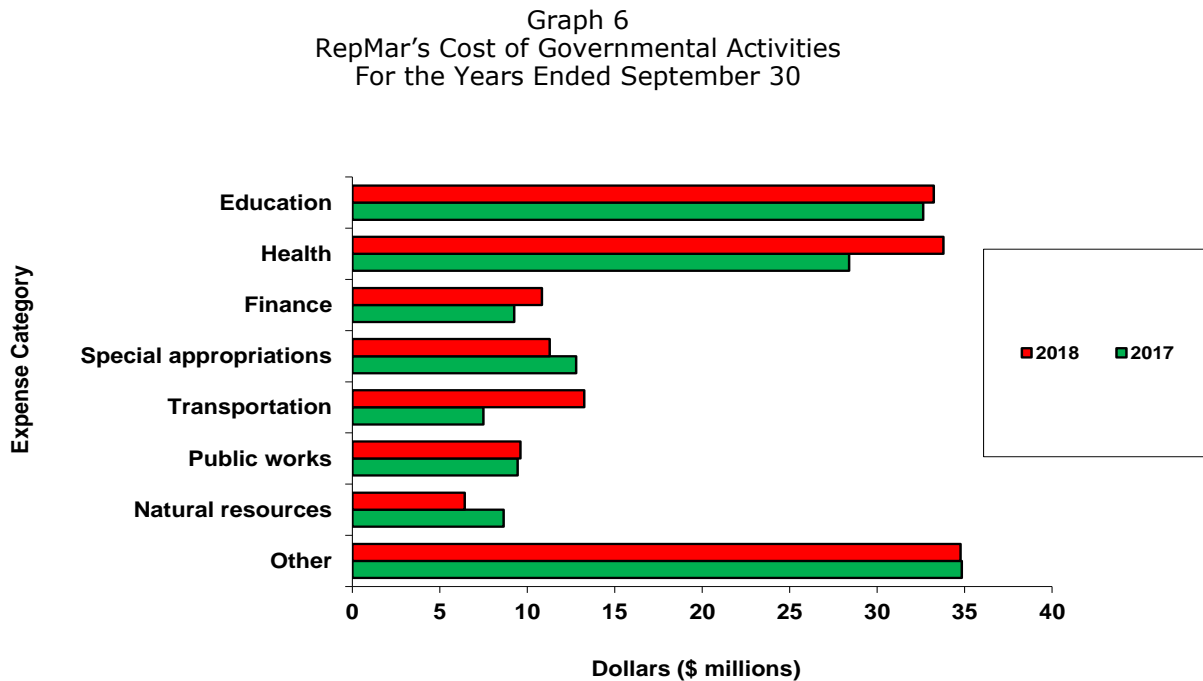
Graph 5
RepMar's Revenue Sources
For the Years Ended September 30



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Management's Discussion and Analysis Year Ended September 30, 2018

Changes in Net Position, Continued



Other expenses in the current year includes ministerial expenses within the Ministry of Foreign Affairs and Trade of \$4.5 million, up from \$4.2 million in the prior year; the Ministry of Justice, Immigration and Labor of \$3.6 million, down from \$3.8 million in the prior year; the Ministry of Culture and Internal Affairs of \$5.9 million, down from \$6.8 million in the prior year; legislative expenses within the Nitijela of \$2.4 million, up from \$2.1 million in the prior year; and executive expenses within the President's Office and Cabinet of \$3.1 million, up from \$2.6 million in the prior year.

Analysis of Changes in Net Position

During the current fiscal year, RepMar's total net position increased by \$2 million compared with an increase in the prior fiscal year of \$21 million. This represents a decrease year on year in the change in net position of \$19 million (or 92%). The key elements of this decrease are: (1) a decrease in contributions from component units of \$11 million; (2) a decrease in Compact Trust earnings of \$6 million; and (3) an increase in expenses, net of program revenues, of \$4 million. The elements of these changes are reflected below:

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Management's Discussion and Analysis Year Ended September 30, 2018

Analysis of Changes in Net Position, Continued

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

	Governmental Activities 2018	Governmental Activities 2017	Total Percentage Change 2018-2017
General revenues:			
Taxes	\$ 31,555,501	\$ 29,800,032	6%
Grants and contributions	12,000,000	11,000,000	9%
Contributions from component units	29,596,869	40,541,990	(27)%
Ship registry	7,279,385	7,294,153	(0)%
Other general revenues	500,813	1,064,725	(53)%
Total general revenues	80,932,568	89,700,900	(10)%
Expenses, net of program revenues:			
Education, sports and training	12,839,498	12,717,780	1%
Health and human services	9,581,893	4,954,681	93%
Special appropriations	11,283,525	12,791,183	(12)%
Finance, banking and postal services	2,527,095	3,764,989	(33)%
Works, infrastructure and utilities	5,394,358	6,679,183	(19)%
Natural resources and commerce	6,311,625	8,627,675	(27)%
Justice, immigration and labor	2,422,120	2,972,271	(19)%
Culture and internal affairs	5,795,733	6,472,911	(10)%
Foreign affairs and trade	4,367,566	4,145,868	5%
President and cabinet	3,099,570	2,606,259	19%
Capital projects	(3,196,655)	(4,981,454)	(36)%
Nitijela	2,433,110	2,087,345	17%
Transportation, communication and information technology	13,258,313	8,594,208	54%
Nuclear claims related	(47,147)	25,331	(286)%
Interest	732,034	699,006	5%
Other	5,500,014	5,019,272	10%
Total expenses	82,302,652	77,176,508	7%
	(1,370,084)	12,524,392	(111)%
Contributions to permanent fund	3,154,929	8,825,977	(64)%
Change in net position	\$ 1,784,845	\$ 21,350,369	(92)%

General revenues decreased by \$9 million (or 10%) from the previous fiscal year. The decrease was primarily due to a \$10.5 million (or 26%) decrease in contributions from MIMRA due to a decrease in collections from fishing rights revenues offset by a \$2 million (or 6%) increase in tax revenues due to primarily to an increase in collections from gross revenue taxes.

Expenses, net of program revenues, increased by \$5 million (or 7%) from the previous fiscal year. The increase was primarily which was attributable primarily to an increase in transportation, communication and information technology expenses compared with prior year.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2018

FINANCIAL ANALYSIS OF REPMAR'S FUNDS

As noted earlier, RepMar uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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. In particular, 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 fiscal year, RepMar's governmental funds reported combined ending fund balances of \$121 million, which represents a net increase of \$3 million (or 3%) in comparison with the prior year. This net increase is primarily attributable to: 1) unexpended foreign donor grants received in the current year of \$2 million from the European Union, World Bank and Republic of China; 2) an increase in the fair value of RepMar's investments in the Compact Trust Fund of \$3 million; and 3) a deficiency of revenues under expenditures for the aggregate remaining governmental funds of \$2.5 million. Of this total combined fund balance, \$83 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; \$14 million is designated as restricted and is constrained for specific purposes which are externally imposed; and \$13 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 million.

The General Fund is the chief operating fund of RepMar. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$11 million, a decrease of \$1 million from the prior year \$12 million. Total fund balance was \$24 million compared with a total fund balance of \$25 million at the end of the prior fiscal year, a decrease of \$1 million. The decrease in the overall fund balance of the General Fund was primarily the result of a one-time \$1 million transfer out to the Grants Assistance Fund to finance education expenditures.

The Grants Assistance Fund has a total fund balance of \$17 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 \$4 million (or 27%).

The Compact Trust Fund has a total fund balance of \$74 million, all of which is reserved for the funding of future operations of the primary government commencing in fiscal year 2023. The net increase in fund balance during the current year in the Compact Trust Fund was \$3 million (or 4%), which reflects entirely a net increase in the value of trust fund investments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the fiscal year, budget revisions of \$1 million were made by management and elected officials of RepMar to the General Fund budget. Revenues collected (including transfers in) of \$74 million were lower than budgeted amounts of \$78 million (or \$4 million) due primarily to lower than anticipated fees and charges collections, which fell short of budgeted amounts by \$3 million. In addition, charges to appropriations (including transfers out) of \$83 million were lower than budgeted amounts of \$87 million due primarily to lower actual ministerial expenditures.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

RepMar's investment in capital assets for its governmental activities as of September 30, 2018 amounted to \$202 million, net of accumulated depreciation of \$113 million, leaving a net book value of \$89 million. This represents a decrease of \$4 million (or 4%) from the \$93 million reported in the prior year. RepMar's capital assets include electrical and water infrastructure, roads and bridges, heavy equipment, ships, buildings, and various projects under construction.

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

	Governmental Activities 2018	Governmental Activities 2017	Total Percentage Change 2018-2017
Electrical distribution	\$ 995,393	\$ 1,106,186	(10)%
Buildings	59,929,726	60,957,266	(2)%
Water infrastructure system	1,093,258	1,528,854	(28)%
Docks, roads and bridges	6,779,820	3,260,408	108%
Ships	4,862,240	12,089,503	(60)%
Software	680,224	983,916	(31)%
Heavy equipment	5,922,747	7,108,609	(17)%
Construction in progress	9,132,516	6,410,421	42%
Total	\$ 89,395,924	\$ 93,445,163	(4)%

Major capital asset additions during the current year were as follows:

- Ongoing construction in progress of the following infrastructure projects:

<u>Infrastructure Project</u>	<u>Current Year Additions (\$ millions)</u>	<u>Estimated Completed Cost (\$ millions)</u>
Surgical Ward Phase 1	\$ 1.32	\$ 2.70
Ebeye Public School Classrooms	\$ 0.99	\$ 3.67
Delap Elementary School Classrooms	\$ 0.87	\$ 2.10
Outer Island Water Catchment Project	\$ 0.38	\$ 1.80
Jaluit High School Boys Dormitory	\$ 0.19	\$ 1.06
Outer Island School/Health Center	\$ 0.85	\$ 2.38
Border Management System	\$ 0.40	\$ 0.77

- Acquisition of various heavy equipment in the amount of \$0.56 million funded primarily by donated capital assets from the Government of Japan and Republic of China.

The governmental activities was also the recipient of a transfer of certain roadway infrastructure of \$4.1 million from the RMI Ports Authority. In addition, the Cabinet authorized and approved the transfer of ships with a book value of \$6.8 million to the Marshall Islands Shipping Corporation.

Additional information on RepMar's capital assets can be found in note 5 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 entered into thirteen separate loans with the ADB (See table below). Long-term debt obligations decreased by \$2.6 million (or 5%) in the current fiscal year.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2018

Long-term Debt, Continued

RepMar's Outstanding Debt Asian Development Bank September 30,

	Governmental Activities 2018	Governmental Activities 2017	Total Percentage Change 2018-2017
Fisheries Development Project	\$ 1,833,152	\$ 1,973,816	(7)%
Typhoon Rehabilitation	295,644	315,732	(6)%
Basic Education Project	4,836,462	5,148,710	(6)%
Majuro Water Supply Project No. 1	432,390	461,362	(6)%
Health and Population Project	3,337,489	3,551,045	(6)%
Majuro Water Supply Project No. 2	5,644,372	5,976,968	(6)%
Public Sector Reform Program	8,355,035	8,806,643	(5)%
Ebeye Health and Infrastructure Project	4,849,892	5,222,960	(7)%
Skills Training and Vocational Education Project	2,974,523	3,179,663	(6)%
Fiscal and Financial Management Program No. 2	3,670,159	4,194,483	(13)%
Outer Island Transport Infrastructure Project	338,337	359,484	(6)%
Public Sector Program Loan	9,979,846	9,979,846	0%
Fiscal Reform and Debt Management Project	<u>4,893,961</u>	<u>4,893,961</u>	0%
Total	<u>\$ 51,441,262</u>	<u>\$ 54,064,673</u>	(5)%

As mentioned above, total long-term debt decreased by \$2.6 million (or 5%) during the current year. This decrease resulted from declining principal balances associated with debt service payments.

Additional information on RepMar's long-term debt can be found in note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic growth is estimated to be at about 2.2 percent in FY2018 as a result of continued infrastructure projects and revenue from the fisheries. Fisheries revenues continue to represent a significant portion of General Fund revenues, representing 40 percent of overall General Fund revenues compared to 25% in FY14. Per the 2018 IMF Report, it is estimated that the fiscal surplus will narrow to 3% of GDP because of the increase in government's recurrent spending. Furthermore, fiscal surplus is projected to narrow by 1.75% in GDP and turn into a deficit of 1.5% by 2023 as government expenditure is expected to increase while fisheries revenue remains stable in nominal terms.

In the 2018 IMF mission (Article IV Review), the staff has recommended the following:

The mission recommends multi-pronged efforts to achieve the needed medium-term fiscal adjustment. In particular, the RMI Government should reverse the recent increase in recurrent spending while improving revenue administration and implementing tax reform. Accelerating the pace of medium-term fiscal framework and public financial management reforms will be critical in implementing the needed fiscal adjustment.

- **Expenditure compression.** The mission encourages the government to strongly implement its initiative to lower current spending, including costs of travel, supplies and personnel. The recently introduced ceilings for ministries' recurrent spending (to be approved by the Cabinet) should play a key role to discipline the total expenditure throughout the budgeting process.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2018

- **Revenue administration.** Further efforts are needed to enhance tax administration, including (i) further improving the information exchange between Social Security Administration and the government to increase taxpayer registration, (ii) improving return and payment collection processes, and (iii) strengthening tax audits.
- **Tax reform.** The authorities should enact the tax reform bill, which includes (i) reforming the personal income tax; (ii) introducing a net profits tax; (iii) introducing a consumption tax to replace the gross revenue tax; and (iv) replacing the existing import duties with excise taxes.

The Asian Development Bank continues to provide technical assistance for the implementation of the RMI Public Financial Reform Roadmap (PFM). A Reform Coordination Unit (RCU) is in place and is designed to achieve the objectives set out in the RMI Public Financial Management (PFM) Reform Roadmap over the next three years until December 2020. The original 2014 timeline for implementing the reforms envisaged by the Ministry of Finance, Banking and Postal Services (MOF) along with key stakeholders was revisited to align with the latest government strategies and priorities.

The RCU is comprised of four international experts: Advisor and Team Leader, two Financial Management Specialists (Accounting), Public Finance Specialist (Budget) and a State-owned Enterprise (SOE) Monitoring and Community Service Obligation Expert. Additionally two national consultants (Finance/Budget) and (Human Resources) are part of the RCU. It is expected that these two consultants will remain as part of MOF staff at the end of the project.

The RCU continues to lead the implementation of reform activities in regular consultation with the PFM Reform Steering Committee, the Ministry of Finance, Banking and Postal Services (MOF), the Asian Development Bank (ADB), concerned Line Ministries (LMs), SOEs and other development partners and key stakeholders.

Given the wide-ranging scope of the reform program, prioritization for the work plan primarily addresses the six focus areas communicated by the MOF to the RCU, namely:

- Accounting Systems and Fiscal Reporting
- Budgeting Framework
- Procurement System
- Tax Administration and Management of Non-tax and Special Revenues
- Oversight and Management of SOEs
- Human Resources (also a cross cutting issue)

The SOE component of the PFM Reform project seeks to oversee the implementation of the SOE Act, 2015 (as amended). The Act has been largely dormant until this project intervention commencing in late February 2018. The focus is on establishing and training the state-owned enterprise monitoring unit (SOEMU) within the Ministry of Finance, Banking and Postal Services, to monitor compliance with the requirements of the Act; commencing with the need for all SOEs to develop business plans and statements of corporate intent and thereafter to comply with governance and reporting requirements. Institutional strengthening takes time and training programs have been developed for the benefit of SOEMU and SOEs as well. Procedural guidelines in the form of manuals and templates have been developed for the benefit of the SOEs and to assist SOEMU in monitoring internal reporting to the Minister on SOE compliance.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2018

In addition, a mechanism is being developed for SOEs to conform with the community service obligation (CSO) requirements of the Act, that aim to enable government to purchase specific services from SOEs rather than provide ad-hoc subsidies. Various trading and market constraints mean that this will take some time to structure well for the benefit of all stakeholders. Adherence to regular planning and reporting, under SOEMU supervision, and public disclosure of performance targets and achievements by SOEs will heighten awareness of the real SOE issues, enforce management accountability and will provide the platform upon which significant reforms and performance improvements can be achieved with political will.

This intervention seeks to equip SOEMU with all necessary monitoring capacity, training and tools, and to assist four (AMI, MISC, Tobolar and MEC) SOEs with their CSO Agreements and business plans.

In addition to the ADB support on Public Financial Management Improvement Efforts, World Bank is supporting the RMI Government to strengthen budget execution and financial reporting systems for Marshall Islands. It is aimed at improving the completeness, reliability and timeliness of Government's annual financial statements, and the availability of reliable socioeconomic statistics. The project has 5 components. 1. Strengthening the public financial management environment component will improve the legal and regulatory framework of the Public Financial Management (PFM) and procurement system. 2. Financial management information system component will implement a new Financial Management Information System (FMIS) which will support effective management of public resources and improve financial reporting for management and accountability. 3. Change management and human resource development component will support the successful implementation of the FMIS with active stakeholder engagement and development of individual competencies and institutional capacity needed to sustain FMIS operations and related PFM functions. 4. Household Income and Expenditure Survey (HIES) implementation component will strengthen the capacity of the national statistics organization (EPPSO) to conduct and publicly release the results of an HIES that meets international quality standards. 5. Project management component will support overall project management and coordination.

Regarding climate change, the Marshall Islands is one of the most vulnerable countries to rising sea levels. With this in mind, RepMar needs to plan for both structural and cyclical fiscal costs stemming from climate change. Intensified efforts have been initiated to mitigate natural disaster risk and build resilience, including the Joint National Action Plan (JNAP) that contains climate-change adaptation and disaster risk-management strategies. In FY2018, RMI completed its first electricity roadmap, a roadmap that aims to reduce gas emission and meeting its Nationally Determined Contribution by 2050. Furthermore, the RMI Government has commissioned a National Adaptation Committee to start work on an adaptation plan.

The Balance for the RMI Trust funds stands at \$402,436,422 (A Account) and \$15,593,889 (Account D) and is estimated to reach about \$615 million by FY2023 given the contributions of both US and RMI-with a 5 percent nominal return on the trust fund assets. However, given the anticipated draws from the fund post 2023, it is anticipated that the growth will not be sufficient to preserve the real value of the Compact Trust Fund.

CONTACTING REPMAR'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors 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, 2018

	<u>Primary Government</u>	<u>Component Units</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 14,137,063	\$ 34,866,386
Time certificates of deposit	-	11,930,754
Receivables, net	23,013,943	38,538,193
Inventories	-	9,671,552
Other assets	3,717,054	3,443,903
Due from external parties	1,039,098	-
Due from component units	6,650,417	843,545
Investments	-	14,676,879
Restricted assets:		
Cash and cash equivalents	11,413,485	611,610
Time certificates of deposit	-	1,594,212
Investments	74,001,228	-
Capital assets:		
Nondepreciable capital assets	9,132,516	13,804,747
Capital assets, net of accumulated depreciation	80,263,408	121,663,458
Indefeasible right of use, net	-	4,333,394
Total assets	<u>223,368,212</u>	<u>255,978,633</u>
<u>LIABILITIES</u>		
Accounts payable	5,874,333	20,574,335
Medical claims payable	2,101,855	-
Other liabilities and accruals	2,913,219	5,679,666
Contracts payable	-	1,609,899
Retention payable	1,078,535	-
Due to component units	551,741	843,545
Payable to federal agencies	479,263	447,171
Unearned revenues	99,102	5,889,195
Customer deposits	-	1,965,388
Accrued interest payable	151,003	-
Noncurrent liabilities:		
Due within one year	4,044,139	5,444,973
Due in more than one year	<u>51,086,709</u>	<u>28,353,801</u>
Total liabilities	<u>68,379,899</u>	<u>70,807,973</u>
Commitments and contingencies		
<u>NET POSITION</u>		
Net investment in capital assets	75,134,665	117,554,255
Restricted for:		
Future operations - nonexpendable	74,001,228	-
Debt service	3,330,752	-
Compact related	6,151,992	-
Other purposes	7,999,810	5,400,501
Unrestricted (deficits)	<u>(11,630,134)</u>	<u>62,215,904</u>
Total net position	<u>\$ 154,988,313</u>	<u>\$ 185,170,660</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Activities Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government:						
Governmental activities:						
President and Cabinet	\$ 3,099,570	\$ -	\$ -	\$ -	\$ (3,099,570)	\$ -
Office of the Chief Secretary	1,427,974	-	620,498	-	(807,476)	-
Special appropriations	11,283,525	-	-	-	(11,283,525)	-
Council of Iroij	522,481	-	-	-	(522,481)	-
Nitijela	2,433,110	-	-	-	(2,433,110)	-
Office of the Auditor-General	1,444,759	-	346,267	-	(1,098,492)	-
Public Service Commission	673,760	3,500	-	-	(670,260)	-
Judiciary	1,204,424	149,426	-	-	(1,054,998)	-
Office of the Attorney General	1,453,928	89,401	-	-	(1,364,527)	-
Education, Sports and Training	33,246,489	-	20,406,991	-	(12,839,498)	-
Health and Human Services	33,786,999	8,690,261	15,514,845	-	(9,581,893)	-
Transportation, Communication and Information Technology	13,262,260	3,947	-	-	(13,258,313)	-
Natural Resources and Commerce	6,431,232	19,637	99,970	-	(6,311,625)	-
Culture and Internal Affairs	5,901,943	73,208	33,002	-	(5,795,733)	-
Justice, Immigration and Labor	3,572,524	1,150,404	-	-	(2,422,120)	-
Finance, Banking and Postal Services	10,833,034	752,755	7,553,184	-	(2,527,095)	-
Foreign Affairs and Trade	4,478,901	102,645	8,690	-	(4,367,566)	-
Works, Infrastructure and Utilities	9,610,240	61,645	85	4,154,152	(5,394,358)	-
Environmental Protection Authority	540,317	127,196	431,341	-	18,220	-
Nuclear claims related	1,387,533	-	1,434,680	-	47,147	-
Capital projects	5,896,038	-	845,916	8,246,777	3,196,655	-
Unallocated interest - long-term debt	732,034	-	-	-	(732,034)	-
Total primary government	\$ 153,223,075	\$ 11,224,025	\$ 47,295,469	\$ 12,400,929	(82,302,652)	-
Component units:						
Air Marshall Islands, Inc.	5,017,554	4,355,702	-	-	-	(661,852)
College of the Marshall Islands	12,905,580	1,411,256	5,372,403	-	-	(6,121,921)
Marshalls Energy Company, Inc.	34,741,896	34,341,247	-	-	-	(400,649)
MI Development Bank	2,433,961	3,431,301	161,526	-	-	1,158,866
MI Marine Resources Authority	33,485,997	33,938,061	492,906	153,875	-	1,098,845
MI National Telecom. Authority	9,223,440	8,313,644	-	-	-	(909,796)
RMI Ports Authority	7,036,296	4,171,187	-	812,711	-	(2,052,398)
Other nonmajor component units	29,071,870	14,548,570	97,482	11,258,203	-	(3,167,615)
Total component units	\$ 133,916,594	\$ 104,510,968	\$ 6,124,317	\$ 12,224,789	-	(11,056,520)
General revenues:						
Taxes:						
Income taxes					15,064,738	-
Import taxes					7,781,520	-
Gross revenue taxes					7,202,228	-
Immovable property					709,100	-
Fuel taxes					609,200	-
Penalties and interest					81,054	-
Other					107,661	-
Unrestricted grants and contributions					12,000,000	-
Contributions from component units					29,596,869	-
Ship registry					7,279,385	-
Unrestricted investment earnings					115,584	1,645,763
Contributions from primary government					-	17,956,001
Other					385,229	372,419
Total general revenues					80,932,568	19,974,183
Special item					-	(4,154,152)
Contributions to permanent funds					3,154,929	-
Total general revenues, special items and contributions					84,087,497	15,820,031
Change in net position					1,784,845	4,763,511
Net position at the beginning of the year					153,203,468	180,407,149
Net position at the end of the year					\$ 154,988,313	\$ 185,170,660

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Balance Sheet Governmental Funds September 30, 2018

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 11,030,779	\$ -	\$ -	\$ 3,106,284	\$ 14,137,063
Receivables, net:					
Taxes	2,865,041	-	-	158,250	3,023,291
Federal agencies	487,614	12,164,165	-	-	12,651,779
General	3,483,305	1,716,005	-	1,982,604	7,181,914
Other	-	-	-	156,959	156,959
Due from other funds	9,193,557	16,161,320	-	4,106,294	29,461,171
Due from component units	6,650,417	-	-	-	6,650,417
Advances	430,875	368,164	-	427,765	1,226,804
Other assets	2,490,250	-	-	-	2,490,250
Restricted assets:					
Cash and cash equivalents	11,413,485	-	-	-	11,413,485
Investments	-	-	74,001,228	-	74,001,228
Total assets	<u>\$ 48,045,323</u>	<u>\$ 30,409,654</u>	<u>\$ 74,001,228</u>	<u>\$ 9,938,156</u>	<u>\$ 162,394,361</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 2,732,712	\$ 2,017,455	\$ -	\$ 1,124,166	\$ 5,874,333
Medical claims payable	-	-	-	2,101,855	2,101,855
Other liabilities and accruals	1,634,806	1,052,989	-	225,424	2,913,219
Payable to federal agencies	-	479,263	-	-	479,263
Retention payable	203,340	875,195	-	-	1,078,535
Due to component units	551,741	-	-	-	551,741
Unearned revenue	99,102	-	-	-	99,102
Due to other funds	<u>19,228,516</u>	<u>9,193,557</u>	<u>-</u>	<u>-</u>	<u>28,422,073</u>
Total liabilities	<u>24,450,217</u>	<u>13,618,459</u>	<u>-</u>	<u>3,451,445</u>	<u>41,520,121</u>
Fund balances:					
Nonspendable	9,140,667	-	74,001,228	-	83,141,895
Restricted	3,393,248	10,132,001	-	675,254	14,200,503
Committed	14,251	6,969,098	-	5,811,942	12,795,291
Unassigned (deficits)	<u>11,046,940</u>	<u>(309,904)</u>	<u>-</u>	<u>(485)</u>	<u>10,736,551</u>
Total fund balances	<u>23,595,106</u>	<u>16,791,195</u>	<u>74,001,228</u>	<u>6,486,711</u>	<u>120,874,240</u>
Total liabilities and fund balances	<u>\$ 48,045,323</u>	<u>\$ 30,409,654</u>	<u>\$ 74,001,228</u>	<u>\$ 9,938,156</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					89,395,924
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities include:					
Accrued interest payable				(151,003)	
Loans payable				(51,446,412)	
Compensated absences payable				<u>(3,684,436)</u>	
					<u>(55,281,851)</u>
Net position of governmental activities					<u>\$ 154,988,313</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended September 30, 2018

		Special Revenue	Permanent		
	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
Revenues:					
Taxes	\$ 31,555,501	\$ -	\$ -	\$ -	\$ 31,555,501
Federal and other grants	5,580,605	61,573,488	-	388,153	67,542,246
Sales	-	-	-	169,983	169,983
Ship registry	7,279,385	-	-	-	7,279,385
Net change in the fair value of investments	-	-	3,154,929	-	3,154,929
Interest and dividends	88,686	-	-	26,898	115,584
Fees and charges	286,570	-	-	10,767,472	11,054,042
Contributions from component units	29,596,869	-	-	-	29,596,869
Other	385,229	-	-	-	385,229
Total revenues	<u>74,772,845</u>	<u>61,573,488</u>	<u>3,154,929</u>	<u>11,352,506</u>	<u>150,853,768</u>
Expenditures:					
Current:					
President and Cabinet	2,526,480	87,920	-	-	2,614,400
Office of the Chief Secretary	1,132,929	295,045	-	-	1,427,974
Special appropriations	11,735,349	11,986	-	-	11,747,335
Council of Iroij	522,481	-	-	-	522,481
Nitijela	2,394,720	-	-	-	2,394,720
Office of the Auditor-General	1,158,492	346,267	-	-	1,504,759
Public Service Commission	658,760	-	-	-	658,760
Judiciary	92,256	-	-	1,112,168	1,204,424
Office of the Attorney General	1,453,928	-	-	-	1,453,928
Ministries:					
Education, Sports and Training	9,575,431	20,070,015	-	2,339,855	31,985,301
Health and Human Services	5,187,902	15,256,839	-	11,923,266	32,368,007
Transportation, Communication and Information Technology	6,188,847	-	-	-	6,188,847
Natural Resources and Commerce	4,947,433	1,424,674	-	-	6,372,107
Culture and Internal Affairs	3,665,810	2,283,400	-	21,397	5,970,607
Justice, Immigration and Labor	3,319,832	66,507	-	351,343	3,737,682
Finance, Banking and Postal Services	5,339,977	5,361,283	-	91,227	10,792,487
Foreign Affairs and Trade	4,241,203	16,445	-	40,510	4,298,158
Works, Infrastructure and Utilities	6,147,843	-	-	10,203	6,158,046
Environmental Protection Authority	169,664	370,653	-	-	540,317
Nuclear claims related	-	-	-	1,387,533	1,387,533
Debt service:					
Principal repayment	2,618,261	-	-	-	2,618,261
Interest	758,465	-	-	-	758,465
Capital outlay	-	10,959,777	-	-	10,959,777
Total expenditures	<u>73,836,063</u>	<u>56,550,811</u>	<u>-</u>	<u>17,277,502</u>	<u>147,664,376</u>
Excess (deficiency) of revenues over (under) expenditures	<u>936,782</u>	<u>5,022,677</u>	<u>3,154,929</u>	<u>(5,924,996)</u>	<u>3,189,392</u>
Other financing sources (uses):					
Operating transfers in	799,061	814,800	-	4,130,568	5,744,429
Operating transfers out	(2,718,486)	(2,226,882)	-	(799,061)	(5,744,429)
Total other financing sources (uses), net	<u>(1,919,425)</u>	<u>(1,412,082)</u>	<u>-</u>	<u>3,331,507</u>	<u>-</u>
Net change in fund balances	(982,643)	3,610,595	3,154,929	(2,593,489)	3,189,392
Fund balances at the beginning of the year	<u>24,577,749</u>	<u>13,180,600</u>	<u>70,846,299</u>	<u>9,080,200</u>	<u>117,684,848</u>
Fund balances at the end of the year	<u>\$ 23,595,106</u>	<u>\$ 16,791,195</u>	<u>\$ 74,001,228</u>	<u>\$ 6,486,711</u>	<u>\$ 120,874,240</u>

See accompanying notes to basic financial statements.

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, 2018

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

Net change in fund balances - total governmental funds	\$ 3,189,392
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Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts consist of:

Capital outlays, net of disposals	\$ 3,720,173	
Depreciation expense	<u>(5,113,595)</u>	
		(1,393,422)

Capital assets transferred from the RMI Ports Authority.	4,154,152
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Capital assets transferred to the Marshall Islands Shipping Corporation.	(6,809,969)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. For the current year, these amounts consist of:

Repayment of ADB loans	2,618,261
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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 accrued interest payable	<u>26,431</u>
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Change in net position of governmental activities	\$ <u>1,784,845</u>
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See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Fiduciary Net Position Fiduciary Funds September 30, 2018

	Private Purpose Trust	Agency
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,615,309	\$ -
Receivables, net:		
Contributions	2,918,010	-
Other	935,697	-
Investments	73,798,112	-
Due from other funds	709,898	164,484
Capital assets, net of accumulated depreciation	120,059	-
Total assets	<u>82,097,085</u>	<u>\$ 164,484</u>
<u>LIABILITIES</u>		
Accounts payable	131,645	\$ -
Other liabilities and accruals	76,618	164,484
Due to other funds	1,913,480	-
Total liabilities	<u>2,121,743</u>	<u>\$ 164,484</u>
<u>NET POSITION</u>		
Held in trust for:		
Social security benefits	79,265,444	
Land use distributions	709,898	
Total net position	<u>\$ 79,975,342</u>	

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended September 30, 2018

	Private Purpose Trust
Additions:	
Contributions:	
Private employees	\$ 12,788,369
Government employees	6,542,417
Penalties and interest	1,088,728
Total contributions	20,419,514
Investment income:	
Net change in the fair value of investments	3,100,446
Interest and dividends	1,766,062
Total investment income	4,866,508
Less investment expense	136,555
Net investment income	4,729,953
Other:	
Compact funding	21,670,200
Transfers in from the General Fund	2,976,000
Other	226,975
Total additions	24,873,175
	50,022,642
Deductions:	
Land use distributions	21,791,868
Benefits	20,734,016
Administrative expenses	1,067,563
Total deductions	43,593,447
Change in net position held in trust for:	
Social security benefits	6,550,863
Land use distributions	(121,668)
Net position at the beginning of the year	73,546,147
Net position at the end of the year	\$ 79,975,342

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Statement of Net Position Component Units September 30, 2018

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshall's Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Nonmajor Component Units	Total
ASSETS									
Cash and cash equivalents	\$ 1,591,644	\$ 1,815,829	\$ 5,381,918	\$ 6,647,034	\$ 11,840,709	\$ 1,361,289	\$ 2,664,448	\$ 3,563,515	\$ 34,866,386
Time certificates of deposit	-	9,136	2,396,919	-	6,869,341	795,934	1,740,791	118,633	11,930,754
Receivables, net	235,005	920,683	6,193,316	20,559,472	7,253,169	1,444,333	299,111	1,633,104	38,538,193
Inventories	596,727	530,646	6,855,245	18,150	-	302,431	-	1,368,353	9,671,552
Other assets	981,194	145,890	704,653	-	-	97,403	356,311	1,158,452	3,443,903
Due from component units	-	-	-	700,000	-	-	143,545	-	843,545
Investments	-	1,569,512	-	8,189,665	4,917,702	-	-	-	14,676,879
Restricted assets:									
Cash and cash equivalents	-	-	-	611,610	-	-	-	-	611,610
Time certificates of deposit	-	-	-	894,212	-	-	700,000	-	1,594,212
Capital assets:									
Nondepreciable capital assets	-	372,306	655,881	110,685	3,215,900	2,123,939	1,563,061	5,762,975	13,804,747
Capital assets, net of accumulated depreciation	8,455,538	12,603,799	6,543,884	411,463	626,878	18,055,192	59,087,671	15,879,033	121,663,458
Indefeasible right of use, net	-	-	-	-	-	4,333,394	-	-	4,333,394
Total assets	<u>11,860,108</u>	<u>17,967,801</u>	<u>28,731,816</u>	<u>38,142,291</u>	<u>34,723,699</u>	<u>28,513,915</u>	<u>66,554,938</u>	<u>29,484,065</u>	<u>255,978,633</u>
LIABILITIES									
Accounts payable	753,606	517,319	7,130,460	236,605	407,594	595,108	533,856	10,399,787	20,574,335
Other liabilities and accruals	724,539	780,122	2,464,813	-	159,498	168,026	283,545	1,099,123	5,679,666
Contracts payable	-	-	-	-	335,949	604,800	5,150	664,000	1,609,899
Due to component units	143,545	-	-	-	-	-	-	700,000	843,545
Payable to federal agencies	-	447,171	-	-	-	-	-	-	447,171
Unearned revenues	146,822	1,564,831	3,988,717	-	-	-	-	188,825	5,889,195
Customer deposits	-	-	-	1,501,941	-	463,447	-	-	1,965,388
Noncurrent liabilities:									
Due within one year	400,371	-	1,462,236	292,018	-	2,743,778	310,032	236,538	5,444,973
Due in more than one year	3,116,890	-	6,544,096	9,937	-	17,990,452	-	692,426	28,353,801
Total liabilities	<u>5,285,773</u>	<u>3,309,443</u>	<u>21,590,322</u>	<u>2,040,501</u>	<u>903,041</u>	<u>22,565,611</u>	<u>1,132,583</u>	<u>13,980,699</u>	<u>70,807,973</u>
NET POSITION									
Net investment in capital assets	8,455,538	12,976,105	5,843,850	522,148	3,842,778	4,078,295	60,626,414	21,209,127	117,554,255
Restricted	-	1,569,512	-	1,505,822	742,780	-	-	1,582,387	5,400,501
Unrestricted	(1,881,203)	112,741	1,297,644	34,073,820	29,235,100	1,870,009	4,795,941	(7,288,148)	62,215,904
Total net position	<u>\$ 6,574,335</u>	<u>\$ 14,658,358</u>	<u>\$ 7,141,494</u>	<u>\$ 36,101,790</u>	<u>\$ 33,820,658</u>	<u>\$ 5,948,304</u>	<u>\$ 65,422,355</u>	<u>\$ 15,503,366</u>	<u>\$ 185,170,660</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Statement of Revenues, Expenses, and Changes in Net Position Component Units Year Ended September 30, 2018

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshall's Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Nonmajor Component Units	Total
Expenses	\$ 5,017,554	\$ 12,905,580	\$ 34,741,896	\$ 2,433,961	\$ 33,485,997	\$ 9,223,440	\$ 7,036,296	\$ 29,071,870	\$ 133,916,594
Program revenues:									
Charges for services	4,355,702	1,411,256	34,341,247	3,431,301	33,938,061	8,313,644	4,171,187	14,548,570	104,510,968
Operating grants and contributions	-	5,372,403	-	161,526	492,906	-	-	97,482	6,124,317
Capital grants and contributions	-	-	-	-	153,875	-	812,711	11,258,203	12,224,789
Total program revenues	4,355,702	6,783,659	34,341,247	3,592,827	34,584,842	8,313,644	4,983,898	25,904,255	122,860,074
Net program revenues (expenses)	(661,852)	(6,121,921)	(400,649)	1,158,866	1,098,845	(909,796)	(2,052,398)	(3,167,615)	(11,056,520)
General revenues:									
Payments from RepMar	1,415,106	4,271,769	1,169,925	-	-	1,500,000	-	9,599,201	17,956,001
Investment earnings	-	57,709	-	1,190,909	286,487	17,749	92,909	-	1,645,763
Other	-	-	-	-	-	1,650	364,686	6,083	372,419
Total general revenues	1,415,106	4,329,478	1,169,925	1,190,909	286,487	1,519,399	457,595	9,605,284	19,974,183
Special item	-	-	-	-	-	-	(4,154,152)	-	(4,154,152)
Change in net position	753,254	(1,792,443)	769,276	2,349,775	1,385,332	609,603	(5,748,955)	6,437,669	4,763,511
Net position at the beginning of the year	5,821,081	16,450,801	6,372,218	33,752,015	32,435,326	5,338,701	71,171,310	9,065,697	180,407,149
Net position at the end of the year	\$ 6,574,335	\$ 14,658,358	\$ 7,141,494	\$ 36,101,790	\$ 33,820,658	\$ 5,948,304	\$ 65,422,355	\$ 15,503,366	\$ 185,170,660

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(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 Legislative Branch (the Nitijela) enacted Public Law 2018-53 declaring the issuance of a digital decentralized currency as legal tender in addition to the United States dollar, which is to be introduced through an Initial Currency Offering (ICO). Regulations associated with this ICO have yet to be formulated by the Minister of Finance, Banking and Postal Services.

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.

A. Reporting Entity

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

For financial reporting purposes, RepMar has included all funds, organizations, 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 has the ability to 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.

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* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and 34*. 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 is able to impose its will on these organizations or because the organizations provide specific financial benefits or impose specific financial burdens on RepMar.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

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. 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.
- 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.
- 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 Board of Directors appointed by the Cabinet of RepMar. 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

- 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 has the ability to 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 has the ability to 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.
- 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 has the ability to impose its will on RMIPA.

The component units' column of the basic financial statements also includes the financial data of the following nonmajor component units: Kwajalein Atoll Joint Utilities Resources, Inc., Majuro Atoll Waste Company, Inc., Majuro Resort, Inc., Majuro Water and Sewer Company, Inc., Marshall Islands Postal Service Authority, Marshall Islands Shipping Corporation, Marshall Islands Visitors Authority, RMI Environmental Protection Authority, Office of Commerce, Investment and Tourism, and Tobolar Copra Processing Authority.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

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:

P.O. Box 245
Majuro, Marshall Islands 96960

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

B. 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 of 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 \$91,483,782 of restricted net position, of which \$7,999,810 is restricted by enabling legislation.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements, Continued

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.

C. 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.

D. 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 considered to be 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 September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

D. 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 actually 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 measurement focus and the accrual basis of accounting, similar to 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.

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 subgranted 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

- 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.
- Agency Funds - this fund is used to report resources held by the primary government relating to unclaimed property in a purely custodial capacity.

E. Cash and Cash Equivalents and Time Certificates of Deposit

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

F. Investments

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

F. Investments, Continued

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 27% of the outstanding shares of Pacific Islands Development Bank at cost of \$2,490,250. 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.

G. 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.

H. Inventories

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

I. Interfund Receivables/Payables

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

J. 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.

K. 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 of time, 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
September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

L. 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.

M. 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.

N. 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.

O. 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.

P. 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, as a result of employee resignations and retirements. Annual leave accumulates at the rate of one working day per bi-weekly pay period.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

Q. 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.

R. 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.

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.

S. 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 its risks internally. In the event of claim settlements and judgments, RepMar reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these policies in any of the past three fiscal years.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

T. New Accounting Standards

During the year ended September 30, 2018, RepMar implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

The implementation of these statements did not have a material effect on the accompanying financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(1) Summary of Significant Accounting Policies, Continued

T. New Accounting Standards, Continued

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

U. Encumbrances

RepMar utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2018, 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>\$ 7,376,082</u>	<u>\$14,258,978</u>	<u>\$ -</u>	<u>\$ 88,649</u>	<u>\$21,723,709</u>

V. Estimates

The preparation of financial statements in conformity 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.

W. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with RepMar's financial statements for the year ended September 30, 2017 from which summarized information was derived.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(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, subject to approval of the Cabinet, may transfer specific amounts of money from the General Fund, and invest such money in financial institution investment accounts.

Investment guidelines to be followed by the Secretary of Finance 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 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 out of 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 out of or charged against the demand deposit account of the General Fund only.

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

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

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

The Compact Trust Fund (the Trust Fund) operates under an investment policy adopted by the Trust Fund Committee. The investment policy has been established to reflect the growth objectives and risk tolerance of the Committee. The investment policy was adjusted in June 2018 and requires the Trust Fund to allocate its managed investment portfolios among domestic and foreign equity and fixed income securities. All or a portion of the Trust Fund may be invested in exchange traded funds ("ETFs"), mutual funds, real estate investment trusts ("REITs"), common trust funds ("commingled vehicles"), private equity funds, and other pooled investment vehicles ("pooled vehicles").

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(2) Deposits and Investments, Continued

Equity securities issued by ETFs, mutual funds, REITs, commingled and pooled vehicles which invest exclusively in fixed income securities are considered to be fixed income securities for the purpose of compliance with the Trust Fund's investment policy. The fair values of ETFs, mutual funds, commingled and pooled vehicles are generally determined by the fair value of the underlying marketable equity and debt securities owned, which are principally common stocks and bonds. The fair value of REITs is generally based upon the quoted market value of underlying REIT units owned. Publicly traded ETFs, mutual funds, REITs, and similar vehicles may trade at prices above or below the fair values of the underlying investments owned; therefore the fair value of such investments may differ from the sum of the fair values of the underlying investments owned.

The Trust Fund's equity investment objective is for its various portfolios to achieve total returns similar to their benchmark equity indices. Benchmark indices include the CRSP US Total Market Index, the FTSE Global All Cap ex US Index, and the MSCI ACWI Index.

The core fixed income portfolios may be invested in securities issued by the U.S. government and government agencies, foreign governments, domestic and international corporate securities, including asset-backed and mortgage-backed obligations. The fixed income portfolio may invest in high yield securities; however the average quality of the fixed income portfolio must be rated "investment grade" by at least one nationally recognized rating agency at the time of purchase.

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

Hedge funds are a form of pooled investment vehicle, generally a limited partnership or a foreign (off-shore) investment corporation, that seeks to maximize absolute returns whose offering memorandum allows for the fund to take both long and short positions, use leverage and derivatives, and invest in many markets. Hedge funds often take large risks using a broad range of speculative strategies, including investing in unconventional and illiquid investments. The fair value of the Trust Fund's investment in a hedge fund is determined by the hedge fund manager and is based upon the Trust Fund's percentage ownership of the underlying investments.

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(2) Deposits and Investments, Continued

A. 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, 2018, the carrying amount of the primary government's total cash and cash equivalents was \$25,550,548 and the corresponding bank balances were \$28,876,005. Of the bank balances, \$25,127,654 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2018, bank deposits in the amount of \$1,338,791 were FDIC insured. Bank deposits of \$3,748,351 are maintained in financial institutions not subject to depository insurance. RepMar does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2018, the carrying amount of the fiduciary fund's total cash and cash equivalents was \$3,615,309 and the corresponding bank balances were \$3,853,283. Of the bank balances, \$647,792 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2018, bank deposits in the amount of \$250,000 were FDIC insured. Bank deposits of \$3,205,491 are maintained in financial institutions not subject to depository insurance. RepMar does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2018, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$49,002,962 and the corresponding bank balances were \$48,759,749. Of the bank balances, \$24,054,428 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2018, bank deposits in the amount of \$3,050,207 were FDIC insured. Bank deposits of \$24,705,321 are maintained in financial institutions not subject to depository insurance. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

B. Investments

Primary Government

Investments of the primary government as of September 30, 2018, are as follows:

Compact Trust Fund:

Common trust funds:

Domestic Equity	\$ 27,787,768
International Equity	23,079,374
Fixed Income	16,938,953
Real Estate Investment Trust	1,006,520
Private Markets	4,895,510
Money market funds	<u>293,103</u>

\$ 74,001,228

At September 30, 2018, all fixed income investments were held in ETFs.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(2) Deposits and Investments, Continued

B. Investments, Continued

Primary Government, Continued

The Trust Fund's fixed income allocation consists of a Vanguard Total Bond Market Index ("VTBMI"), a Vanguard Intermediate-Term Investment Grade Fund ("VIT IGF"), and a Vanguard Short-Term Investment-Grade Fund ("VST IGF"); the performance of the fixed income funds is expected to closely replicate the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. The bonds held by VTBMI vary in credit quality with an average overall rating of "AA" as rated by Moody's as of September 30, 2018. High yield debt receiving a credit rating below "A" comprises approximately 17.2% of the VTBMI fixed income portfolio as rated by Moody's at September 30, 2018. At September 30, 2018, the weighted average maturity of the bonds comprising VTBMI is 8.6 years. The bonds held by VIT IGF vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2018. High yield debt receiving a credit rating below "A" comprises approximately 22.1% of the VIT IGF fixed income portfolio as rated by Moody's at September 30, 2018. At September 30, 2018, the weighted average maturity of the bonds comprising VIT IGF is 5.9 years. The bonds held by VST IGF vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2018. High yield debt receiving a credit rating below "A" comprises approximately 24.1% of the VST IGF fixed income portfolio as rated by Moody's at September 30, 2018. At September 30, 2018, the weighted average maturity of the bonds comprising VST IGF is 3.5 years.

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

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

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. At September 30, 2018, the Trust Fund held approximately \$17,060,000 in securities of foreign issuers held in common trust funds. Of this amount, approximately \$4,093,000 was held in securities whose functional currency is the Euro, \$2,964,000 was held in securities whose functional currency is the Japanese Yen, \$2,236,000 whose functional currency is the British pound, and \$7,767,000 in functional currencies of 33 other countries.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of September 30, 2018, there were no investments in any one issuer that exceeded 5% of total investments.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(2) Deposits and Investments, Continued

B. Investments, Continued

Primary Government, Continued

The Trust Fund has the following recurring fair value measurements as of September 30, 2018:

		Fair Value Measurements Using		
		Quoted Prices		
		In Active	Significant	
		Markets for	Other	Significant
		Identical	Observable	Unobservable
		Assets	Inputs	Inputs
		(Level 1)	(Level 2)	(Level 3)
Investments by fair value level:				
Common trust funds:				
Domestic Equity	\$ 27,787,768	\$ 27,787,768	\$ -	\$ -
International Equity	23,079,374	23,079,374	-	-
Fixed Income	16,938,953	16,938,953	-	-
Real Estate Investment Trust	<u>1,006,520</u>	<u>1,006,520</u>	-	-
	68,812,615	<u>\$ 68,812,615</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
Private Markets	4,895,510			
Investments measured at amortized cost:				
Money market funds	<u>293,103</u>			
	<u>\$ 74,001,228</u>			

Fiduciary Funds

Investments in marketable securities of the Marshall Islands Social Security Administration (MISSA) as of September 30, 2018, are as follows:

Money market funds	\$ 252,535
Exchange Traded Funds	8,932,001
Mutual funds	<u>46,688,465</u>
	<u>\$ 55,873,001</u>

Fiduciary funds have the following recurring fair value measurements as of September 30, 2018:

		Fair Value Measurements Using		
		Quoted Prices		
		In Active	Significant	
		Markets for	Other	Significant
		Identical	Observable	Unobservable
		Assets	Inputs	Inputs
		(Level 1)	(Level 2)	(Level 3)
Investments by fair value level:				
Exchange traded funds	\$ 8,932,001	\$ 8,932,001	\$ -	\$ -
Mutual funds	<u>46,688,465</u>	<u>46,688,465</u>	-	-
	55,620,466	<u>\$ 55,620,466</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	<u>252,535</u>			
	<u>\$ 55,873,001</u>			

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(2) Deposits and Investments, Continued

B. Investments, Continued

Fiduciary Funds, Continued

Additionally, MISSA owns 62,575 shares of common stock of Marshall Islands Holdings, Inc. (MIHI), which represents approximately 32% of the outstanding shares of MIHI as of September 30, 2018. 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 41,469 shares of common stock of Marshall Islands Service Corporation (MISC), which represents approximately 3% of the outstanding shares of MISC as at September 30, 2018. 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. At September 30, 2018, MISSA's investment in MIHI amounted to \$17,395,014. The investment in MISC is accounted for at the Net Asset Value. At September 30, 2018, MISSA's investment in MISC amounted to \$530,097. During the year ended September 30, 2018, MISSA received dividend payments from MIHI of \$493,099. For the year ended September 30, 2018, MISSA recognized \$2,430,530 of equity in net earnings of MIHI.

Summarized financial information of MIHI is presented on the table below:

	As of the quarter ended December 31, 2017 and for the period from January 1, 2018 to September 30, 2018 (Unaudited)
Total assets	\$ <u>125,344,714</u>
Total liabilities	\$ <u>73,194,162</u>
Equity:	
Attributable to stockholders of MIHI	\$ <u>48,021,161</u>
Noncontrolling interest	\$ <u>4,129,391</u>
Net income attributed to:	
Stockholder of MIHI	\$ <u>4,411,011</u>
Noncontrolling interests	\$ <u>396,532</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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(2) Deposits and Investments, Continued

B. Investments, Continued

Fiduciary Funds, Continued

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

MISSA investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all of these investments were held in the name of MISSA by their custodial financial institutions at September 30, 2018.

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, 2018, 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, 2018, are as follows:

College of the Marshall Islands (CMI):

Money market funds	\$ 3,656
Exchange Traded Funds	581,506
Mutual funds	<u>984,350</u>
	\$ <u>1,569,512</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units, Continued

The deposit and investment policies of CMI are governed by the Board of Regents. As such, the Board of Regents is authorized to delegate certain responsibilities to third parties. Investment managers have discretion to purchase, sell, or hold the specific securities to meet the objectives set forth in the investment policy. Generally, CMI can invest in cash and cash equivalents, bonds, U.S. and non-U.S. equities, and fixed income securities.

CMI has the following recurring fair value measurements as of September 30, 2018:

		Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Investments by fair value level:				
Exchange traded funds	\$ 581,506	\$ 581,506	\$ -	\$ -
Mutual funds	984,350	984,350	-	-
	1,565,856	\$ 1,565,856	\$ -	\$ -
Investments measured at amortized cost:				
Money market funds	3,656			
	\$ 1,569,512			

Marshall Islands Development Bank:
Common equity securities

\$ 8,189,665

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, 2018. MIDB also owns 3,000 shares of common stock of Marshall Islands Service Corporation (MISC), which represents approximately 1% of the outstanding shares of MISC as of September 30, 2018. MISC is majority-owned by MIHI. The investments in MIHI and MISC are accounted for at the Net Asset Value.

Marshall Islands Marine Resources Authority (MIMRA):
Investment in joint venture

\$ 4,917,702

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units, Continued

A summary of audited financial information as of and for the year ended December 31, 2018, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>15,156,141</u>
Liabilities	\$ <u>5,169,593</u>
Net loss	\$ <u>(193,891)</u>

During the year ended September 30, 2018, MIMRA received dividend payments from MIFCO of \$1,440,214. For the year ended September 30, 2018, MIMRA recognized equity in net earnings of MIFCO of \$148,763.

(3) Receivables

Primary Government

Receivables as of September 30, 2018, 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	\$ 2,865,041	\$ -	\$ -	\$ 158,250	\$ -	\$ 3,023,291
Federal agencies	487,614	12,164,165	-	-	-	12,651,779
General	4,041,106	1,907,941	-	8,073,917	-	14,022,964
Contributions	-	-	-	-	10,340,757	10,340,757
Loans	4,368,787	-	-	19,130,489	-	23,499,276
Other	-	-	-	262,600	179,046	441,646
	11,762,548	14,072,106	-	27,625,256	10,519,803	63,979,713
Less: allowance for uncollectible						
Accounts	(4,926,588)	(191,936)	-	(25,327,443)	(6,666,096)	(37,112,063)
Net receivables	\$ <u>6,835,960</u>	\$ <u>13,880,170</u>	\$ -	\$ <u>2,297,813</u>	\$ <u>3,853,707</u>	\$ <u>26,867,650</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 September 30, 2018

(3) Receivables, Continued

Primary Government, Continued

Loans receivable of the primary government are summarized as follows:

General Fund:

Notes receivable from four fishing companies 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. \$ 1,780,000

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

\$ 4,368,787

Nonmajor Governmental Funds:

Loans to qualified Marshallese students under a student financial assistance program, interest free, uncollateralized with no set repayment terms, and may be converted to grants at a later date 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, 2018, loans in the amount of \$307,153 were converted to grants as the recipients met the criteria for conversion. \$ 19,130,489

Discretely Presented Component Units

Receivables as of September 30, 2018, for the discretely presented component units, including applicable allowance for uncollectible accounts, are as follows:

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Non-major Component Units	Totals
Receivables:									
Federal agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,635	\$ 87,134	\$ 91,769
General	245,927	4,145,375	14,428,543	-	8,092,648	2,052,374	1,530,908	7,908,389	38,404,164
Loans	-	-	-	26,307,802	-	-	-	-	26,307,802
Interest	-	-	-	165,696	84,624	-	54,767	-	305,087
Other	<u>101,058</u>	<u>181,541</u>	<u>937,662</u>	<u>87,188</u>	<u>134,796</u>	<u>320,299</u>	<u>173,274</u>	<u>758,442</u>	<u>2,694,260</u>
	346,985	4,326,916	15,366,205	26,560,686	8,312,068	2,372,673	1,763,584	8,753,965	67,803,082
Less: allowance for uncollectible accounts	<u>(111,980)</u>	<u>(3,406,233)</u>	<u>(9,172,889)</u>	<u>(6,001,214)</u>	<u>(1,058,899)</u>	<u>(928,340)</u>	<u>(1,464,473)</u>	<u>(7,120,861)</u>	<u>(29,264,889)</u>
Net receivables	<u>\$ 235,005</u>	<u>\$ 920,683</u>	<u>\$ 6,193,316</u>	<u>\$ 20,559,472</u>	<u>\$ 7,253,169</u>	<u>\$ 1,444,333</u>	<u>\$ 299,111</u>	<u>\$ 1,633,104</u>	<u>\$ 38,538,193</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(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. The majority 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.

(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 at September 30, 2018, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	Grants Assistance	\$ 9,193,557	\$ 9,193,557
Grants Assistance	General	16,161,320	16,161,320
Nonmajor governmental funds	General	2,192,814	2,192,814
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	1,913,480	-
Fiduciary Funds - Private Purpose Trust	General	-	709,898
Fiduciary Funds - Agency	General	-	164,484
		<u>29,461,171</u>	<u>28,422,073</u>
Fiduciary Funds - Private Purpose Trust	General	709,898	-
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	-	1,913,480
Fiduciary Funds - Agency	General	164,484	-
		<u>\$ 30,335,553</u>	<u>\$ 30,335,553</u>

Receivables and payables reflected as due to/from component units at September 30, 2018, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Marshall's Energy Company, Inc.	\$ 6,650,417	\$ -
Marshall Islands Marine Resources Authority	-	330,000
RMI Ports Authority	-	152,678
Nonmajor component units	-	69,063
	<u>\$ 6,650,417</u>	<u>\$ 551,741</u>

The amount recorded by the General Fund due from the Marshall's Energy Company, Inc. of \$6,650,417 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% per annum through September 30, 2018 and at 1.5% per annum thereafter with principal and interest payments due of \$37,960 and matures on May 31, 2034.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(4) Interfund Receivables and Payables, Continued

Primary Government, 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>
2019	\$ 331,961	\$ 123,559	\$ 455,520
2020	364,380	91,140	455,520
2021	369,884	85,636	455,520
2022	375,470	80,050	455,520
2023	381,141	74,379	455,520
2024 - 2028	1,993,814	283,786	2,277,600
2029 - 2033	2,149,000	128,600	2,277,600
2034	684,767	5,076	689,843
	<u>\$ 6,650,417</u>	<u>\$ 872,226</u>	<u>\$ 7,522,643</u>

The amount recorded as due from component units of the primary government of \$6,650,417 does not equal the corresponding due to primary government of the discretely presented component units of \$11,053,021 due to an allowance for doubtful accounts recorded by the General Fund and the Grants Assistance Fund of \$2,802,604 and \$1,600,000, respectively. The amount recorded as due to component units of the primary government of \$551,741 does not equal the corresponding due from primary government of the discretely presented component units due to a \$551,741 allowance for doubtful accounts recorded by the respective component units.

Discretely Presented Component Units

Receivables and payables reflected as due to/from primary government at September 30, 2018, 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	-	6,650,417
Marshall Islands National Telecommunications Authority:		
General Fund	-	1,000,000
RMI Ports Authority:		
General Fund	-	285,714
	<u>\$ -</u>	<u>\$ 11,053,021</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 September 30, 2018

(4) Interfund Receivables and Payables, Continued

Discretely Presented Component Units, Continued

Receivables and payables reflected as due to/from component units at September 30, 2018, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Air Marshall Islands, Inc.:		
RMI Ports Authority	\$ -	\$ 143,545
Marshall Islands Development Bank:		
Tobolar Copra Processing Authority	700,000	-
RMI Ports Authority:		
Air Marshall Islands, Inc.	143,545	-
Tobolar Copra Processing Authority:		
Marshall Islands Development Bank	<u>-</u>	<u>700,000</u>
	<u>\$ 843,545</u>	<u>\$ 843,545</u>

The amount recorded by the RMI Ports Authority due from Air Marshall Islands, Inc. of \$143,545 accrues interest at the rate of 8% per annum and matured on March 30, 2013. The amount recorded by the Marshall Islands Development Bank (MIDB) due from Tobolar Copra Processing Authority (TCPA) includes short-term borrowings by TCPA primarily for the purpose of funding the purchase of raw copra from producers. On August 22, 2018, TCPA obtained an interest free short-term advance from MIDB in the amount of \$700,000, payable in full on October 31, 2018. In the event that payment is not made in full, interest shall be payable at 6% per annum.

(5) Capital Assets

Capital asset activities for the year ended September 30, 2018, are as follows:

Primary Government

	Estimated Useful Lives	Balance October 1, 2017	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Balance September 30, 2018
Depreciable capital assets:						
Electrical distribution	30 yrs	\$ 30,540,465	\$ -	\$ -	\$ -	\$ 30,540,465
Buildings	30 - 40 yrs	108,148,574	-	3,220,408	(2,782,252)	108,586,730
Water infrastructure system	25 yrs	9,616,908	-	(355,879)	-	9,261,029
Docks, roads and bridges	25 - 30 yrs	14,722,760	260,561	5,727,602	-	20,710,923
Ships	25 yrs	24,082,254	-	(10,959,254)	(2,000,000)	11,123,000
Software	10 yrs	3,438,329	-	-	(1,060,002)	2,378,327
Heavy equipment	3 - 10 yrs	<u>12,325,066</u>	<u>555,282</u>	<u>(514,213)</u>	<u>(1,939,627)</u>	<u>10,426,508</u>
		<u>202,874,356</u>	<u>815,843</u>	<u>(2,881,336)</u>	<u>(7,781,881)</u>	<u>193,026,982</u>
Less accumulated depreciation:						
Electrical distribution		(29,434,279)	(110,793)	-	-	(29,545,072)
Buildings		(47,191,308)	(2,122,372)	(180,396)	837,072	(48,657,004)
Water infrastructure system		(8,088,054)	(364,419)	284,702	-	(8,167,771)
Docks, roads and bridges		(11,462,352)	(748,942)	(1,719,809)	-	(13,931,103)
Ships		(11,992,751)	(683,290)	4,526,392	1,888,889	(6,260,760)
Software		(2,454,413)	(91,691)	-	848,001	(1,698,103)
Heavy equipment		<u>(5,216,457)</u>	<u>(992,088)</u>	<u>137,106</u>	<u>1,567,678</u>	<u>(4,503,761)</u>
		<u>(115,839,614)</u>	<u>(5,113,595)</u>	<u>3,047,995</u>	<u>5,141,640</u>	<u>(112,763,574)</u>
Total depreciable capital assets, net		87,034,742	(4,297,752)	166,659	(2,640,241)	80,263,408
Nondepreciable capital assets:						
Construction in progress		<u>6,410,421</u>	<u>6,029,741</u>	<u>(2,822,476)</u>	<u>(485,170)</u>	<u>9,132,516</u>
		<u>\$ 93,445,163</u>	<u>\$ 1,731,989</u>	<u>\$ (2,655,817)</u>	<u>\$ (3,125,411)</u>	<u>\$ 89,395,924</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(5) 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	1,520,548
Health and Human Services	587,962
Transportation, Communication and Information Technology	529,440
Natural Resources and Commerce	15,925
Culture and Internal Affairs	54,536
Justice, Immigration and Labor	64,142
Finance, Banking and Postal Services	40,547
Foreign Affairs and Trade	180,743
Works, Infrastructure and Utilities	2,066,362
Nitijela	<u>38,390</u>
	<u>\$ 5,113,595</u>

During the year ended September 30, 2018, the primary government was the recipient of capital contributions in the amount of \$4,154,152 associated with the transfer of roadway from the RMI Ports Authority.

Discretely Presented Component Units

	Estimated Useful Lives	Balance October 1, 2017	Additions	Retirements	Balance September 30, 2018
Depreciable capital assets:					
Buildings	3 - 34 yrs	\$ 46,543,589	\$ 60,830	\$ (12,000)	\$ 46,592,419
Utility plant	3 - 40 yrs	81,932,989	4,886,081	(1,749,269)	85,069,801
Machinery and equipment	2 - 25 yrs	50,974,136	9,536,336	(1,834,625)	58,675,847
Infrastructure	5 - 50 yrs	<u>81,825,664</u>	<u>10,320,393</u>	<u>(5,769,656)</u>	<u>86,376,401</u>
		261,276,378	24,803,640	(9,365,550)	276,714,468
Less accumulated depreciation		<u>(146,819,222)</u>	<u>(13,032,056)</u>	<u>4,800,268</u>	<u>(155,051,010)</u>
Total depreciable capital assets, net		114,457,156	11,771,584	(4,565,282)	121,663,458
Nondepreciable capital assets:					
Land		372,306	-	-	372,306
Construction in progress		<u>18,022,239</u>	<u>9,408,105</u>	<u>(13,997,903)</u>	<u>13,432,441</u>
		<u>18,394,545</u>	<u>9,408,105</u>	<u>(13,997,903)</u>	<u>13,804,747</u>
		<u>\$ 132,851,701</u>	<u>\$ 21,179,689</u>	<u>\$ (18,563,185)</u>	<u>\$ 135,468,205</u>

During the year ended September 30, 2018, the Marshall Islands Shipping Corporation was the recipient of capital contributions in the amount of \$6,809,969 associated with the transfer of ships from the primary government.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(6) Indefeasible Right of Use (IRU)

In 2009, the Marshall Islands National Telecommunications Authority (MINTA) entered into an IRU Capital Lease agreement with a third party for the exclusive use of 8 wave lengths of fiber capacity of the two fibers of the Kwajalein Cable System (KCS) which runs between Guam and Kwajalein and which is known as the "HANTRU1 System". Under the terms of the agreement, MINTA made certain payments of \$6,500,091. The initial term of the agreement is for a period of 10 years commencing on the date MINTA is initially granted access, and which term is automatically renewable for a further 10 year period and an additional 5 year period thereafter. Prior to the tenth and twentieth anniversary dates, MINTA has the option to terminate this agreement; however, such is subject to prior approval of the Rural Utilities Services (RUS) of the U.S. Department of Agriculture. MINTA's policy is to amortize the right of use over the 25 year period. As of September 30, 2018, accumulated amortization expense of \$2,166,697 has been recorded.

(7) Long-term Obligations

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, 2018, the primary government had the following long-term debt outstanding and payable to the Asian Development Bank (ADB):

Loan Number 1102 MAR (SF) - Fisheries Development Project Loan (SDR 2,432,599), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced January 1, 2002 in an amount of SDR 24,300, increasing to SDR 48,600 on January 1, 2012.	\$ 1,833,098
Loan Number 1218 MAR (SF) - Typhoon Rehabilitation Loan (SDR 364,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced May 15, 2003 in an amount of SDR 3,600, increasing to SDR 7,300 on May 15, 2013.	295,362
Loan Number 1249 MAR (SF) - Basic Education Project Loan (SDR 5,717,446), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced April 15, 2004 in an amount of SDR 57,200, increasing to SDR 114,300 on April 15, 2014.	4,836,787
Loan Number 1250 MAR (SF) - Majuro Water Supply Project Loan No. 1 (SDR 478,496), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced November 15, 2003 in an amount of SDR 4,800, increasing to SDR 9,600 on November 15, 2013.	432,385
Loan Number 1316 RMI (SF) - Health and Population Project Loan (SDR 3,858,516), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced January 1, 2005 in an amount of SDR 38,600, increasing to SDR 77,200 on January 1, 2015.	3,342,042

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(7) Long-term Obligations, Continued

Primary Government, Continued

Loan Number 1389 RMI (SF) - Majuro Water Supply Project Loan No. 2 (SDR 6,062,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced March 1, 2006 in an amount of SDR 60,700, increasing to SDR 121,200 on March 1, 2016.	5,644,914
Loan Number 1513 RMI (SF) - Public Sector Reform Program Loan (SDR 8,241,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced June 1, 2007 in an amount of SDR 82,400, increasing to SDR 164,800 on June 1, 2018.	8,355,090
Loan Number 1694 RMI (SF) - Ebeye Health and Infrastructure Project Loan (SDR 6,918,118), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced February 1, 2008 in an amount of SDR 144,127.	4,849,894
Loan Number 1791 RMI (SF) - Skills Training and Vocational Education Project Loan (SDR 3,483,174), non-interest bearing with a service charge of 1.5% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced May 15, 2009 in an amount of SDR 72,566.	2,974,524
Loan Number 1829 RMI (SF) - Fiscal and Financial Management Program Loan No. 2 (SDR 6,320,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence November 15, 2009 in an amount of SDR 197,500, at which time the service charge increases to 1.5% per annum.	3,670,173
Loan Number 1948 RMI (SF) - Outer Island Transport Infrastructure Project (SDR 5,304,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence February 1, 2011 in an amount of SDR 110,500, at which time the service charge increases to 1.5% per annum.	338,336
Loan Number 2659 RMI (SF) - Public Sector Program Loan (SDR 6,413,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence February 15, 2019 in an amount of SDR 200,406, at which time the service charge increases to 1.5% per annum. Concurrently, RepMar entered into a subsidiary loan agreement with the Marshalls Energy Company, Inc. whereby RepMar will on lend a portion of the loan proceeds for the purpose of restructuring certain commercial bank debt.	9,979,846
Loan Number 2950 RMI (SF) - Fiscal Reform and Debt Management Project (SDR 3,242,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence May 15, 2021 in an amount of SDR 101,313, at which time the service charge increases to 1.5% per annum.	<u>4,893,961</u>
	\$ <u>51,446,412</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(7) Long-term Obligations, Continued

Primary Government, Continued

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 four major currencies; the U.S. dollar, the euro, the British pound, and the Japanese yen. The International Monetary Fund re-evaluates this currency basket every five years. The effects of foreign currency transaction gains or losses resulting from this re-evaluation are included in the government-wide financial statements in the period when such re-evaluation occurs.

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>
2019	\$ 2,623,411	\$ 544,077	\$ 3,167,488
2020	3,247,151	563,483	3,810,634
2021	3,402,574	535,611	3,938,185
2022	3,557,996	504,768	4,062,764
2023	3,557,996	460,604	4,018,600
2024 – 2028	16,216,900	1,669,688	17,886,588
2029 – 2033	14,034,982	747,510	14,782,492
2034 - 2037	<u>4,805,402</u>	<u>93,896</u>	<u>4,899,298</u>
	\$ <u>51,446,412</u>	\$ <u>5,119,637</u>	\$ <u>56,566,049</u>

Discretely Presented Component Units

As of September 30, 2018, the discretely presented component units had the following long-term debt outstanding:

Air Marshall Islands, Inc. (AMI):

Note payable to Marshall Islands Development Bank, dated May 30, 2013, interest at 6.5% per annum, with principal and interest due in monthly installments of \$51,100, due May 30, 2018. The loan has been collateralized by certain aircraft operated by AMI and a guarantee from RepMar. Loan proceeds of \$2,500,000 were used to fund Dash 8 aircraft improvements. \$ 400,371

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>
2019	\$ <u>400,371</u>	\$ <u>-</u>	\$ <u>400,371</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

Marshall's Energy Company, Inc. (MEC):

Loan payable to the Federal Financing Bank (FFB), dated November 17, 1997, interest based on the FFB rates at the date of the loan advances and range from 5.49% to 7.25% per annum, with principal and interest payable in quarterly installments of \$273,770 through January 2, 2018, with loan repayments guaranteed by the Rural Utilities Service (RUS). On June 22, 2012, RUS granted a two-year \$2 million loan deferment giving MEC a two-year break from having to make payments to RUS. Effective June 22, 2012 through March 31, 2014, interest payments of \$25,000 were due quarterly. Thereafter, quarterly payments of \$299,121 are due. The loan will mature on December 31, 2019. The mortgage notes have been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS in the event of default by MEC, and have been collateralized by a leasehold mortgage and security agreement over the assets of MEC. These notes are subject to certain coverage ratio requirements. MEC is in compliance with these ratio requirements as of September 30, 2018.

\$ 1,355,915

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>
2019	\$ 1,130,275	\$ 66,209	\$ 1,196,484
2020	<u>225,640</u>	<u>73,481</u>	<u>299,121</u>
	<u>\$ 1,355,915</u>	<u>\$ 139,690</u>	<u>\$ 1,495,605</u>

Marshall Islands Development Bank (MIDB):

Bank loan dated September 22, 2015, interest at 6.5% per annum, principal and interest due in monthly installments of \$25,265 through November 30, 2019, collateralized by time certificate of deposit. Loan proceeds of \$1,090,500 were used to consolidate prior year loans.

\$ 301,955

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>
2019	\$ 292,018	\$ 11,162	\$ 303,180
2020	<u>9,937</u>	<u>53</u>	<u>9,990</u>
	<u>\$ 301,955</u>	<u>\$ 11,215</u>	<u>\$ 313,170</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

Marshall Islands National Telecommunications Authority (MINTA):

Loans payable to the RUS (formerly the Rural Electrification Administration) from the Rural Electrification and Telephone Revolving Fund, dated August 17, 1989 of \$18,800,000, increased by \$3,999,000 on April 23, 1993, and further increased by \$18,500,000, with interest at 3.64% to 5% per annum. Certain portions of these loans have been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS up to \$1,500,000 annually in the event of default by MINTA. Mortgages over specific MINTA ground leases and essentially all assets of MINTA have collateralized both loans. \$ 19,734,230

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>
2019	\$ 1,743,778	\$ 909,962	\$ 2,653,740
2020	1,830,030	823,710	2,653,740
2021	1,920,585	733,155	2,653,740
2022	2,015,658	638,082	2,653,740
2023	2,115,475	538,265	2,653,740
2024 - 2028	7,743,244	1,401,891	9,145,135
2029 - 2031	<u>2,365,460</u>	<u>84,106</u>	<u>2,449,566</u>
	\$ <u>19,734,230</u>	\$ <u>5,129,171</u>	\$ <u>24,863,401</u>

RMI Ports Authority (RMIPA):

Bank loan dated January 11, 2013, interest at 7% per annum, principal and interest due in monthly installments of \$12,300 through December 31, 2018, collateralized by time certificate of deposit. Loan proceeds of \$700,000 were used to fund various capital improvement projects. \$ 24,318

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>
2019	\$ <u>24,318</u>	\$ <u>445</u>	\$ <u>24,763</u>

Tobolar Copra Processing Authority (TCPA):

Term loan with a bank refinanced from a bank credit line in the amount of \$1,430,000, dated June 23, 2016, interest at 8.5% per annum, principal and interest due in monthly installments of \$25,500 through June 30, 2022, collateralized by a general security agreement over all assets of TCPA and a guarantee from the Marshall Islands Development Bank. \$ 928,964

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

Tobolar Copra Processing Authority (TCPA), 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>
2019	\$ 236,538	\$ 69,462	\$ 306,000
2020	257,298	48,702	306,000
2021	252,291	26,209	278,500
2022	<u>182,837</u>	<u>6,484</u>	<u>189,321</u>
	<u>\$ 928,964</u>	<u>\$ 150,857</u>	<u>\$ 1,079,821</u>

(8) Change in Long-term Obligations

Primary Government

Other 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, 2018, 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, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2018</u>	<u>Due Within One Year</u>
Loans payable:					
ADB loans	\$ 54,064,673	\$ -	\$ (2,618,261)	\$ 51,446,412	\$ 2,623,411
Other:					
Compensated absences	<u>3,684,436</u>	<u>1,126,256</u>	<u>(1,126,256)</u>	<u>3,684,436</u>	<u>1,420,728</u>
	<u>\$ 57,749,109</u>	<u>\$ 1,126,256</u>	<u>\$ (3,744,517)</u>	<u>\$ 57,749,109</u>	<u>\$ 4,044,139</u>

Discretely Presented Component Units

Changes in long-term liabilities of discretely presented component units for the year ended September 30, 2018, are as follows:

	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2018</u>	<u>Due Within One Year</u>
Loans payable:					
AMI	\$ 526,349	\$ -	\$ (125,978)	\$ 400,371	\$ 400,371
MEC	2,436,391	-	(1,080,476)	1,355,915	1,130,275
MIDB	603,070	-	(301,115)	301,955	292,018
MINTA	21,391,717	-	(1,657,487)	19,734,230	1,743,778
RMIPA	183,350	-	(159,032)	24,318	24,318
TCPA	<u>1,230,648</u>	<u>-</u>	<u>(301,684)</u>	<u>928,964</u>	<u>236,538</u>
	26,371,525	-	(3,625,772)	22,745,753	3,827,298
Due to primary government	<u>11,485,074</u>	<u>5,200</u>	<u>(437,253)</u>	<u>11,053,021</u>	<u>1,617,675</u>
	<u>\$ 37,856,599</u>	<u>\$ 5,200</u>	<u>\$ (4,063,025)</u>	<u>\$ 33,798,774</u>	<u>\$ 5,444,973</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(9) Fund Balances

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

	General	Grants Assistance	Compact Trust	Nonmajor Governmental Funds	Totals
Fund balances:					
Nonspendable:					
Pacific Islands Development Bank investment	\$ 2,490,250	\$ -	\$ -	\$ -	\$ 2,490,250
Loan receivable – MEC	6,650,417	-	-	-	6,650,417
Permanent fund principal	-	-	74,001,228	-	74,001,228
Restricted:					
Education and health	-	927,306	-	400,826	1,328,132
Capacity building	-	163,374	-	-	163,374
Environmental	-	161,205	-	-	161,205
Infrastructure	-	9,519	-	-	9,519
Infrastructure maintenance	-	1,831,495	-	-	1,831,495
Disaster assistance	-	4,549,688	-	-	4,549,688
Compact – other	-	41,070	-	-	41,070
ADB loan # 2659 sinking fund	3,330,752	-	-	-	3,330,752
European Development Fund	-	1,807,187	-	-	1,807,187
World Bank	-	641,157	-	-	641,157
Credit card collateralization	62,496	-	-	-	62,496
Nuclear claims related	-	-	-	274,428	274,428
Committed:					
Judiciary	-	-	-	472,478	472,478
Education and health	-	-	-	4,468,096	4,468,096
Capital projects	-	6,969,098	-	-	6,969,098
Other	14,251	-	-	871,368	885,619
Unassigned	11,046,940	(309,904)	-	(485)	10,736,551
	<u>\$ 23,595,106</u>	<u>\$ 16,791,195</u>	<u>\$ 74,001,228</u>	<u>\$ 6,486,711</u>	<u>\$ 120,874,240</u>

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

	Beginning Balance	Revenues	Expenditures	Ending Balance
Telecommunications and ICT Technical Assistance	\$ 69,135	\$ 338,901	\$ 415,478	\$ (7,442)
Pacific Resilience Project II	3,636	500,000	523,744	(20,108)
Sustainable Energy Development Project	144,510	600,000	253,947	490,563
RMI Maritime Investment Project	-	150,000	35,965	114,035
Strengthen Budget Execution and Financial Reporting	-	200,000	133,947	66,053
Multisectoral Early Childhood Development Project	-	-	1,944	(1,944)
	<u>\$ 217,281</u>	<u>\$ 1,788,901</u>	<u>\$ 1,365,025</u>	<u>\$ 641,157</u>

(10) Special Item

During the year ended September 30, 2018, the RMI Ports Authority transferred a \$4,154,152 roadway to the primary government, which is presented as a special item in the accompanying component unit financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(11) Restricted Assets

Primary Government

Restricted cash and cash equivalents of the primary government are as follows:

Escrow account established for the benefit of landowners of Kwajalein Atoll.	\$ 293,485
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.	4,496,194
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.	2,929,562
Savings accounts collateralizing a credit card facility.	62,496
Deposit account established in accordance with ADB Loan 2659-RMI (SF) for the purpose of funding loan debt service payments.	3,330,752
Deposit account established to satisfy a court judgment pertaining to Civil Action 2014-133.	200,375
Savings account established for the purpose of accounting for funds held by RepMar in a custodial capacity relating to unclaimed property.	<u>100,621</u>
	\$ <u>11,413,485</u>

Restricted investments of the primary government are as follows:

Investments held in a trust fund for the purpose of accumulating resources to fund RepMar government operations after fiscal year 2023.	\$ <u>74,001,228</u>
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Discretely Presented Component Units

Restricted assets of the discretely presented component units are as follows:

Marshall Islands Development Bank:

Savings account collateralizing loans funded by Rural Housing Service (RHS).	\$ 611,610
Time certificate of deposit collateralizing bank loans payable.	<u>894,212</u>
	<u>1,505,822</u>

RMI Ports Authority:

Time certificate of deposit collateralizing bank loans payable.	<u>700,000</u>
	\$ <u>2,205,822</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(12) 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, 2018, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Grants Assistance Fund	\$ 814,800	\$ -
Nonmajor governmental funds	<u>1,903,686</u>	<u>799,061</u>
	<u>2,718,486</u>	<u>799,061</u>
Grants Assistance Fund:		
General Fund	-	814,800
Nonmajor governmental funds	<u>2,226,882</u>	<u>-</u>
	<u>2,226,882</u>	<u>814,800</u>
Nonmajor governmental funds:		
General Fund	799,061	1,903,686
Grants Assistance Fund	<u>-</u>	<u>2,226,882</u>
	<u>799,061</u>	<u>4,130,568</u>
	<u>\$ 5,744,429</u>	<u>\$ 5,744,429</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 \$814,800 from the General Fund to the Grants Assistance Fund to fund educational operations; \$1,903,686 from the General Fund to the Nonmajor Governmental Funds to finance Judicial branch operations and scholarships; \$2,226,882 from the Grants Assistance Fund to the Nonmajor Governmental Funds to finance scholarships and Four-atoll medical costs; and \$799,061 from the Nonmajor Governmental Funds to the General Fund to fund general operations.

(13) 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, 2018, 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".

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(13) Compact Trust Fund, Continued

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"	\$ 58,047,339
RepMar - "D Account"	<u>15,953,889</u>
	\$ <u>74,001,228</u>

At September 30, 2018, 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"	\$ 299,496,060
Republic of China - "A Account" and "C Account"	<u>44,893,023</u>
	\$ <u>344,389,083</u>

(14) Contingencies and Commitments

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, 2018, 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, in order 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 a number of federally assisted grant programs and other various U.S. Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Questioned costs relating to fiscal years 2005 through 2018 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2018. 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(14) Contingencies and Commitments, Continued

Economic Dependency

During the year ended September 30, 2018, RepMar's General Fund recorded contributions from component units of \$29,596,869, which represents 40% of total General Fund revenues. These contributions include fisheries revenues of \$29,440,214 collected by the Marshall Islands Marine Resources Authority (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 have an effect on the General Fund's programs and activities.

Marshall's Energy Company, Inc. (MEC)

As of September 30, 2018, MEC is in compliance with certain coverage ratio requirements relating to a loan agreement with Rural Utilities Service (RUS). The mortgage notes have been unconditionally guaranteed by RepMar. RepMar may be liable for the debt service payments to RUS in the event of default by MEC.

Marshall Islands Social Security Administration (MISSA)

In 2018, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2017. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of \$415,160,000 and \$72,720,000, respectively, as of October 1, 2017. The funded ratio of the Retirement Fund as of October 1, 2017 is 18%. As of September 30, 2018, MISSA recorded total fund equity of \$79,249,845 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.

Coin Issue

RepMar authorized the issuance of certain commemorative coins that are represented to be the legal tender of the Republic of the Marshall Islands. Under the terms of the contract, if an owner of the coins presents them in the Republic of the Marshall Islands, the Government must redeem them for the face value. In 1998, the Cabinet of RepMar directed the Minister of Finance, Banking and Postal Services to terminate the contract.

Litigation

RepMar is party to various legal proceedings, many of which are normal recurrences in governmental operations. The Attorney General of RepMar is of the opinion that the probable outcome of suits existing at September 30, 2018 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.

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, 2018 is \$13,259,308.

Insurance Coverage

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(14) Contingencies and Commitments, Continued

Leases

RepMar enters into numerous leases with various landowners. The lease terms generally range from one to fifteen years. However, appropriations to fund these leases are made only on an annual basis. For the year ended September 30, 2018, RepMar appropriated \$1,417,172 to fund such leases.

College of the Marshall Islands has entered into a thirty year ground lease agreement. Future minimum annual lease payments under this lease are as follows:

<u>Year ending September 30,</u>	<u>Total</u>
2019	\$ 94,484
2020	94,484
2021	97,684
2022	97,684
2023	97,684
2024 - 2028	498,018
2029 - 2033	264,418
2034 - 2038	99,418
2039 - 2043	79,418
2044	<u>15,884</u>
	<u>\$ 1,439,174</u>

Marshall Islands National Telecommunications Authority (MINTA) has long-term commitments for several ground leases and satellite circuit leases. Leases are both cancelable and noncancelable operating leases. Future minimum annual lease payments under these leases are as follows:

<u>Year ending September 30,</u>	<u>Total</u>
2019	\$ 475,853
2020	448,722
2021	159,386
2022	138,529
2023	141,766
2024 - 2028	754,846
2029 - 2033	846,567
2034 - 2038	368,069
2039 - 2041	<u>17,075</u>
	<u>\$ 3,350,813</u>

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%.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2018

(14) Contingencies and Commitments, Continued

Operation, Management and Repair (OM&R) Agreement, Continued

Approximate future minimum annual payments under this agreement are as follows:

<u>Year ending September 30,</u>	<u>Total</u>
2019	\$ 98,747
2020	101,710
2021	104,761
2022	107,904
2023	111,141
2024 - 2028	607,764
2029 - 2033	704,565
2034 - 2037	<u>231,904</u>
	\$ <u>2,068,496</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. On June 8, 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.

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
2018	\$ 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. In the event that net earnings of TCMI fall below 2007 levels, the annual payments are to be adjusted accordingly on a prorated basis.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(14) Contingencies and Commitments, Continued

4G LTE Project

In 2016, MINTA entered into a 6-year master services agreement with a vendor for the purpose of providing 4G LTE services to MINTA, which MINTA will re-sell to its customers. The vendor will be responsible for finance, implementation, and operation of the 4G LTE Project at no cost to MINTA. Upon commencement of services, the vendor will be reimbursed from net project revenues, which are defined as new revenue generated by the project less MINTA expense directly related to the project, and MINTA lost revenues, which are defined as revenues lost from existing MINTA services as a result of the new 4G LTE Project.

Ebeye Water Supply and Sanitation Project (EWSSP)

In 2015, the Asian Development Bank (ADB) approved two grants (Grant Nos. 0438-RMI and 0439-RMI) to RepMar in the aggregate amount of \$9,000,000 for the EWSSP. Simultaneously, the ADB entered into a project agreement with the Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR) for the purpose of implementing the Project by improving water and sanitation systems on Ebeye. The grant agreements required that the grant proceeds be made available to KAJUR for the purpose of financing expenditures of the Project. During the year ended September 30, 2018, \$2,792,744 of Project capital expenditures were incurred.

Loan Guarantees

Marshall Islands Development Bank (MIDB) has pledged an escrow account in support of certain USDA Rural Development housing loans, the balance of which amounted to \$11,466,905 as of September 30, 2018. In the event of default, MIDB could be exposed to an amount in excess of the escrow account balance, an amount that is presently indeterminable. No provision for any liability that may result from this matter has been provided for within the accompanying financial statements.

Budgetary Compliance

For the year ended September 30, 2018, over-expenditures exceeding appropriations within the General Fund were as follows:

V7AB	\$ 159,861
Water Project	\$ 26,041
Land Leases	\$ 111,952
Majuro Landowners Electricity Bills	\$ 1,042,329
International Subscriptions	\$ 76,261
Prior Year Liabilities	\$ 90,818
AMI Repayment Plan	\$ 120,301
Kwajalein Atoll Local Government (MISSA) payments	\$ 650,106
Council of Iroij - Administration	\$ 3,848
TB and Leprosy	\$ 9,493
Public Health Administration	\$ 37,362
Kwajalein Atoll Health Services	\$ 384,581

These over-expenditures of the General Fund have not been funded by legislative authorization.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2018

(14) Contingencies and Commitments, Continued

Other Commitments

Significant commitments of the primary government as of September 30, 2018, are as follows:

- a) Guaranteed bank debt of Air Marshall Islands, Inc. (AMI) with a letter of guarantee. At September 30, 2018, AMI had guaranteed debt totaling \$400,371.
- b) Guaranteed debt of MEC in respect to a loan from the United States Rural Utilities Service (RUS) with a letter of guarantee. At September 30, 2018, MEC had guaranteed RUS debt totaling \$1,355,915.
- c) Guaranteed debt of Marshall Islands National Telecommunications Authority (MINTA) in respect of a loan from RUS with a letter of guarantee. At September 30, 2018, MINTA had guaranteed RUS debt totaling \$19,734,230.
- d) RepMar has entered into lease agreements with certain landowners for the use of land situated at the Majuro international airport. The terms of the lease agreements are for a 25-year period commencing September 1, 1996. Annual lease rental commitments are \$305,613 per year.
- e) RepMar has issued a letter of guarantee of \$178,000 plus interest for the benefit of the Delap Assembly of God Church for a loan issued by Marshall Islands Development Bank.
- f) On October 27, 2016, the Cabinet of RepMar authorized and approved a \$5,000,000 loan from the International Cooperation and Development Fund for the Home Energy Efficiency and Renewable Energy Projects. At September 30, 2018, no drawdowns have been made against this loan commitment.

(15) Subsequent Events

On November 2, 2018, RepMar entered into a \$4,000,000 loan agreement with the International Cooperation and Development Fund for the purpose of funding the Home Energy Efficiency and Renewable Energy Project. Interest accrues at the rate of 3% per annum payable bi-monthly. Loan proceeds are to be relent to the Marshall Islands Development Bank.

On April 26, 2019, the Cabinet of RepMar authorized and approved a \$6,000,000 loan from the Marshall Islands Development Bank for the purpose of funding a copra subsidy to Tobolar Copra Processing Authority. Interest accrues at the rate of 1.25% per annum for a term of two years.

REPUBLIC OF THE MARSHALL ISLANDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2018

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund (Fund 100100) Year Ended September 30, 2018

	Budgeted Amounts		Actual - Budgetary Basis (see Note 1)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 32,584,077	\$ 32,584,077	\$ 31,555,501	\$ (1,028,576)
MI Marine Resources Authority	28,973,000	28,973,000	29,440,214	467,214
Ship registry	7,500,000	7,500,000	7,279,385	(220,615)
Taiwan grant	3,600,000	4,600,000	4,600,000	-
Fees and charges	1,032,000	1,032,000	101,531	(930,469)
Interest and dividends	160,000	160,000	88,686	(71,314)
Other	<u>3,654,843</u>	<u>3,530,685</u>	<u>541,884</u>	<u>(2,988,801)</u>
Total revenues	<u>77,503,920</u>	<u>78,379,762</u>	<u>73,607,201</u>	<u>(4,772,561)</u>
Expenditures:				
President and Cabinet	3,095,409	2,571,971	2,696,869	(124,898)
Office of the Chief Secretary	1,146,682	1,243,686	1,138,809	104,877
Special appropriations	15,066,496	14,640,895	15,256,104	(615,209)
Council of Iroij	556,229	551,807	554,344	(2,537)
Nitijela	2,512,924	2,498,450	2,474,792	23,658
Office of the Auditor-General	1,925,544	1,967,207	1,665,842	301,365
Foreign Affairs and Trade	4,941,633	4,937,755	4,530,459	407,296
Public Service Commission	815,661	802,317	668,718	133,599
Judiciary	1,461,053	1,461,053	1,393,108	67,945
Office of the Attorney General	1,865,320	1,862,469	1,752,921	109,548
Education, Sports and Training	10,805,274	10,739,321	10,545,951	193,370
Health and Human Services	5,278,699	5,456,684	5,482,211	(25,527)
Transportation, Communication and Information Technology	6,944,388	6,932,532	6,679,505	253,027
Natural Resources and Commerce	5,041,969	5,682,898	5,017,762	665,136
Culture and Internal Affairs	5,338,289	5,281,948	3,857,076	1,424,872
Justice, Immigration and Labor	3,352,368	3,372,808	3,340,016	32,792
Finance, Banking and Postal Services	4,036,046	5,333,512	4,371,576	961,936
Work, Infrastructure and Utilities	11,508,999	11,506,091	10,288,203	1,217,888
Environmental Protection Authority	<u>185,340</u>	<u>185,340</u>	<u>161,056</u>	<u>24,284</u>
Total expenditures	<u>85,878,323</u>	<u>87,028,744</u>	<u>81,875,322</u>	<u>5,153,422</u>
Deficiency of revenues under expenditures	(8,374,403)	(8,648,982)	(8,268,121)	380,861
Other financing sources(uses):				
Operating transfers in	-	274,579	799,061	524,482
Operating transfers out	<u>-</u>	<u>-</u>	<u>(814,800)</u>	<u>(814,800)</u>
Total other financing sources(uses), net	<u>-</u>	<u>274,579</u>	<u>(15,739)</u>	<u>(290,318)</u>
	(8,374,403)	(8,374,403)	(8,283,860)	90,543
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>8,374,403</u>	<u>8,374,403</u>	<u>7,204,150</u>	<u>(1,170,253)</u>
Net change in fund balance	\$ -	\$ -	\$ (1,079,710)	\$ (1,079,710)

See accompanying notes to required supplementary information - budgetary reporting.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Required Supplementary Information - Budgetary Reporting September 30, 2018

(1) Budgetary Information

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

The Budget Act for fiscal year 2018, Public Law No. 2017-47, was passed by the Nitijela on September 27, 2017. Formal budget integration is employed as a management control device during the year for all funds. The Cabinet has the authority to reprogram budgeted estimates in accordance with the Constitution. All annual appropriations lapse at fiscal year-end unless otherwise specified by law. Supplemental appropriations may occur throughout the year. Unexpended encumbrances at each fiscal year end are carried forward until they are expended or canceled without further legislative action. RepMar does not establish budgets for the operations of its other governmental funds.

Encumbrance accounting is employed in governmental funds. For budgetary purposes, the encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent fiscal year.

(2) Reconciliation of Budgetary Schedule

	Net Change In Fund Balance	Reserve for Encumbrances
Budgetary basis – Fund 100100	\$ <u>(1,079,710)</u>	\$ <u>7,204,150</u>
GASB 54 Funds included within the General Fund:		
PSS Education Fund	227,011	-
Reimbursable Fund	(13,560)	19,861
Judiciary Fund	(95,525)	-
EPA Fund	1,187	-
ADB Development Fund	<u>(22,046)</u>	<u>152,071</u>
	<u>97,067</u>	<u>171,932</u>
General Fund	\$ <u><u>(982,643)</u></u>	\$ <u><u>7,376,082</u></u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2018

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Expenditures by Account Governmental Funds Year Ended September 30, 2018

		Special Revenue	Permanent		
	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
Expenditures:					
Salaries and wages	\$ 21,781,359	\$ 21,704,659	\$ -	\$ 1,309,795	\$ 44,795,813
Grants and subsidies	22,035,352	11,585,789	-	1,818,786	35,439,927
Utilities	5,877,860	1,583,607	-	94,116	7,555,583
Contractual services	1,698,881	5,017,380	-	7,773,723	14,489,984
Capital outlay	2,828,736	7,038,217	-	208,338	10,075,291
Travel	2,381,083	1,358,708	-	1,047,005	4,786,796
Medical supplies	53,383	73,439	-	3,776,326	3,903,148
Principal repayment	2,736,959	-	-	-	2,736,959
Supplies and materials	567,472	1,784,039	-	195,095	2,546,606
Leased housing	2,416,907	50,809	-	76,800	2,544,516
Rentals	2,093,136	597,199	-	33,650	2,723,985
Food stuffs	1,646,649	772,444	-	28,739	2,447,832
Interest	639,767	-	-	-	639,767
Communications	651,634	408,754	-	113,465	1,173,853
POL	498,495	419,213	-	74,361	992,069
Allowances	1,253,741	20,706	-	-	1,274,447
Professional services	939,020	-	-	278,240	1,217,260
Printing and reproduction	54,343	59,734	-	25,681	139,758
Insurance	282,442	48,850	-	23,939	355,231
Freight	22,446	47,170	-	21,009	90,625
Other	3,376,398	2,348,464	-	378,434	6,103,296
	<u>\$ 73,836,063</u>	<u>\$ 54,919,181</u>	<u>\$ -</u>	<u>\$ 17,277,502</u>	<u>\$ 146,032,746</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

September 30, 2018

The general fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund (Fund 100100) Year Ended September 30, 2018 (with comparative totals for the year ended September 30, 2017)

	2018	2017
Revenues:		
Taxes:		
Income	\$ 15,064,738	\$ 14,781,817
Import	6,550,249	6,714,330
Import - CMI	1,231,271	1,138,725
Gross revenue	7,202,228	5,689,946
Immovable property	709,100	682,292
Fuel	609,200	612,702
Penalties and interest	81,054	77,815
Other	107,661	102,405
	<u>31,555,501</u>	<u>29,800,032</u>
Fees and charges	101,531	28,175
Interest and dividends	88,686	114,519
Other:		
Taiwan grant	4,600,000	3,600,000
Ship registry	7,279,385	7,294,153
Contribution from MI Marine Resources Authority	29,440,214	40,032,425
Contribution from RMI Ports Authority	156,655	509,565
Other	385,229	915,521
	<u>41,861,483</u>	<u>52,351,664</u>
Total revenues	<u>73,607,201</u>	<u>82,294,390</u>
Expenditures:		
President and Cabinet:		
Office of the President	1,260,900	1,621,744
President and Ministers	564,328	556,737
Cabinet Operations	579,236	644,264
Red Cross	122,016	122,508
	<u>2,526,480</u>	<u>2,945,253</u>
Office of the Chief Secretary:		
Administration	426,659	389,537
Deputy Chief Secretary - Ebeye	86,868	86,289
Economic Policy, Planning and Statistics Office	477,638	367,045
Office of Environmental Planning and Policy Coordination	136,721	117,133
	<u>1,127,886</u>	<u>960,004</u>
Special appropriations:		
Marshall Islands Social Security Administration (MISSA) subsidy	2,976,000	3,273,600
Kwajalein Atoll Local Government (Solid Waste matching)	107,136	107,136
Capitol Building	153,561	72,189
National Election	99,199	74
Centralized Utility Billings - Majuro	950,263	980,049
Nuclear Victim's Day	69	3,272
PSC Training	-	5,647
Water Project	96,400	1,214,753
KADA PIDB Housing Loan Program	-	-
Ann's Palace pavement	60,938	-
Traditional Leaders Meeting	-	1,427
Centralized Utility Billings - Ebeye	50,157	47,573
Land leases	1,517,787	977,856
Majuro Landowners Electricity	3,766,453	3,563,045
Leased housing	132,744	127,535
Contingency Fund	124,868	191,662
International Subscriptions/Membership Fees	541,108	750,660
Prior Year Liabilities	289,209	529,947
ADB loan repayment	3,376,726	3,230,810
Constitution Day - Majuro	(150)	245
Constitutional Convention	-	1,396,348
Air Marshall Islands, Inc. (Repayment Plan)	120,301	493,153
COMI Endowment Fund	99,200	-
Kwajalein Atoll Local Government (MISSA payments)	650,106	642,114
	<u>15,112,075</u>	<u>17,609,095</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund (Fund 100100), Continued Year Ended September 30, 2018 (with comparative totals for the year ended September 30, 2017)

	2018	2017
Expenditures, continued:		
Council of Iroij:		
Administration	145,796	121,082
Members	376,685	422,277
	<u>522,481</u>	<u>543,359</u>
Nitijela:		
Operations	960,948	1,024,132
General membership	1,112,895	1,075,026
Speaker's contingency	123,323	90,962
Committee	84,074	115,754
Legislative counsel	113,480	101,049
	<u>2,394,720</u>	<u>2,406,923</u>
Office of the Auditor-General:		
Operations	638,607	611,246
Single audit - local match	519,885	397,886
	<u>1,158,492</u>	<u>1,009,132</u>
Public Service Commission:		
Members	150,318	166,224
Administration	508,442	447,012
	<u>658,760</u>	<u>613,236</u>
Judiciary	92,256	-
Office of the Attorney General	1,374,494	798,293
Ministries:		
Education, Sports and Training	6,457,446	6,436,140
Health and Human Services	5,187,902	4,869,753
Transportation, Communication and Information Technology	6,188,847	6,788,672
Natural Resources and Commerce	4,932,141	6,490,345
Culture and Internal Affairs	3,647,295	4,150,056
Justice, Immigration and Labor	3,319,832	3,216,705
Finance, Banking and Postal Services	4,271,290	3,366,465
Foreign Affairs and Trade	4,241,203	3,980,722
Works, Infrastructure and Utilities	6,147,834	6,684,654
	<u>44,393,790</u>	<u>45,983,512</u>
Environmental Protection Authority	161,056	177,838
Total expenditures	<u>69,522,490</u>	<u>73,046,645</u>
Excess of revenues over expenditures	<u>4,084,711</u>	<u>9,247,745</u>
Other financing sources:		
Operating transfers in:		
Health Care Revenue Fund	-	137,181
Ministry of Justice Fund	799,061	615,123
Total other financing sources	<u>799,061</u>	<u>752,304</u>
Other financing uses:		
Operating transfers out:		
Judiciary Fund	679,066	635,910
Marshall Islands Scholarship, Grant and Loan Board Fund	743,509	737,952
Marshall Islands Judiciary Fund	327,186	311,883
Marshall Islands Public School System Fund	3,344,996	2,267,859
Supplemental Education Fund	814,800	-
Nuclear Claims Tribunal	53,925	25,331
Total other financing uses	<u>5,963,482</u>	<u>3,978,935</u>
Net change in fund balance	<u>(1,079,710)</u>	<u>6,021,114</u>
Fund balance at the beginning of the year	24,357,674	18,336,560
Fund balance at the end of the year	<u>\$ 23,277,964</u>	<u>\$ 24,357,674</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund (Fund 100100) Year Ended September 30, 2018

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Revenues:				
Taxes:				
Income	\$ 14,538,000	\$ 14,538,000	\$ 15,064,738	\$ 526,738
Import	7,504,000	7,504,000	6,550,249	(953,751)
Import - CMI	1,050,000	1,050,000	1,231,271	181,271
Gross revenue	8,012,077	8,012,077	7,202,228	(809,849)
Immovable property	642,000	642,000	709,100	67,100
Fuel	683,000	683,000	609,200	(73,800)
Penalties and interest	48,000	48,000	81,054	33,054
Other	107,000	107,000	107,661	661
	<u>32,584,077</u>	<u>32,584,077</u>	<u>31,555,501</u>	<u>(1,028,576)</u>
Fees and charges	1,032,000	1,032,000	101,531	(930,469)
Interest and dividends	160,000	160,000	88,686	(71,314)
Taiwan grant	3,600,000	4,600,000	4,600,000	-
Ship registry	7,500,000	7,500,000	7,279,385	(220,615)
MI Marine Resources Authority	28,973,000	28,973,000	29,440,214	467,214
RMI Ports Authority	-	-	156,655	156,655
Other	3,654,843	3,530,685	385,229	(3,145,456)
	<u>43,727,843</u>	<u>44,603,685</u>	<u>41,861,483</u>	<u>(2,742,202)</u>
Total revenues	<u>77,503,920</u>	<u>78,379,762</u>	<u>73,607,201</u>	<u>(4,772,561)</u>
Expenditures:				
President and Cabinet:				
Office of the President	886,236	568,073	621,978	(53,905)
President and Ministers	549,429	552,524	564,939	(12,415)
Cabinet Operations	592,598	618,732	605,895	12,837
V7AB	52,330	52,330	212,191	(159,861)
Red Cross	122,016	122,016	122,016	-
SDGs	99,200	89,684	72,144	17,540
Disaster Response & Unforeseen Emergency Fund	793,600	568,612	497,706	70,906
	<u>3,095,409</u>	<u>2,571,971</u>	<u>2,696,869</u>	<u>(124,898)</u>
Office of the Chief Secretary:				
Administration	410,452	408,113	350,291	57,822
Typhoon Nangka - 2015	11,685	11,685	-	11,685
Drought - 2016	33,358	33,358	9,881	23,477
Drought - 2017	3,132	53,132	50,035	3,097
Emergency Response	-	50,000	16,556	33,444
Deputy Chief Secretary - Ebeye	102,671	102,671	90,678	11,993
EPPSO	417,790	417,754	482,522	(64,768)
OEPPC	167,594	166,973	138,846	28,127
	<u>1,146,682</u>	<u>1,243,686</u>	<u>1,138,809</u>	<u>104,877</u>
Special appropriations:				
MISSA subsidy	2,976,000	2,976,000	2,976,000	-
Solid Waste Matching	107,136	107,136	107,136	-
Capital Building	190,577	190,577	194,186	(3,609)
KADA PIDB Housing Program	496,000	500,000	-	500,000
Anne's Palace Pavement	64,480	64,480	60,938	3,542
Constitution Day - Ebeye	-	-	(150)	150
National Election	2,250	2,250	2,250	-
Traditional Leaders Meeting	1,170	1,170	1,170	-
Centralized Utility Billings - Majuro	1,240,000	1,240,000	950,263	289,737
Nuclear Victim's Day	-	-	69	(69)
Outer Islands Projects	260	260	260	-
Water Project	127,680	124,053	150,094	(26,041)
PSC Personnel & Training	650	650	-	650
CMI Endowment Fund	198,400	198,400	99,200	99,200
Centralized Utility Billings - Ebeye	80,817	80,817	50,157	30,660
Land leases	1,405,835	1,405,835	1,517,787	(111,952)
Majuro Landowners Electricity	2,724,124	2,724,124	3,766,453	(1,042,329)
Leased housing	326,525	325,940	132,744	193,196
Contingency Fund	200,481	150,000	126,468	23,532
International Subscriptions/Membership Fees	464,847	464,847	541,108	(76,261)
Prior Year Liabilities	198,391	198,391	289,209	(90,818)
ADB loan repayment	4,067,200	3,700,000	3,376,726	323,274
Constitutional Convention	193,673	185,965	143,629	42,336
AMI Repayment Plan	-	-	120,301	(120,301)
Kwajalein Atoll Local Government (MISSA payments)	-	-	650,106	(650,106)
	<u>15,066,496</u>	<u>14,640,895</u>	<u>15,256,104</u>	<u>(615,209)</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund (Fund 100100) Year Ended September 30, 2018

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, Continued:				
Council of Iroij:				
Administration	121,197	170,248	174,096	(3,848)
Members	435,032	381,559	380,248	1,311
	<u>556,229</u>	<u>551,807</u>	<u>554,344</u>	<u>(2,537)</u>
Nitijela:				
Operations	896,429	944,304	987,614	(43,310)
General Membership	1,176,087	1,142,180	1,117,195	24,985
Speaker's Contingency	133,365	159,296	145,468	13,828
Committee	157,201	113,631	111,035	2,596
Legislative Counsel	149,842	139,039	113,480	25,559
	<u>2,512,924</u>	<u>2,498,450</u>	<u>2,474,792</u>	<u>23,658</u>
Office of the Auditor-General:				
Operations	904,964	950,093	660,830	289,263
Single audit	1,020,580	1,017,114	1,005,012	12,102
	<u>1,925,544</u>	<u>1,967,207</u>	<u>1,665,842</u>	<u>301,365</u>
Foreign Affairs and Trade:				
Administration	1,236,230	1,296,581	1,191,351	105,230
Compact Office	258,714	111,461	102,556	8,905
Nuclear Victims Day - 2015	709	709	52	657
Nuclear Victims Day	9,920	9,671	8,957	714
Nuclear Claims Tribunal	71,900	72,347	71,900	447
Climate Change Ambassador	61,157	26,410	24,665	1,745
Compact Review Commission	148,800	56,800	58,410	(1,610)
National Nuclear Commission	248,000	267,320	202,519	64,801
Arkansas Consulate	121,761	133,761	132,610	1,151
Washington D.C. Embassy	647,863	705,716	675,484	30,232
RMI-USaka Office	111,500	111,500	79,629	31,871
Honolulu Consulate	207,684	254,603	248,528	6,075
United Nations Mission - New York	436,237	500,906	464,405	36,501
Japan Embassy - Tokyo	574,100	596,385	545,916	50,469
ROC Embassy - Taipei	328,673	341,656	325,106	16,550
Fiji Embassy - Suva	360,996	420,903	390,366	30,537
Korea Embassy	117,389	31,026	8,005	23,021
	<u>4,941,633</u>	<u>4,937,755</u>	<u>4,530,459</u>	<u>407,296</u>
Public Service Commission:				
Members	202,907	179,566	153,368	26,198
Administration	612,754	622,751	515,350	107,401
	<u>815,661</u>	<u>802,317</u>	<u>668,718</u>	<u>133,599</u>
Judiciary:				
General Courts	811,940	811,940	785,248	26,692
Majuro Jail Project	294,600	294,600	294,600	-
Traditional Rights Court	142,712	142,712	140,619	2,093
Community Court	104,096	104,095	64,935	39,160
Judicial Service Commission	450	450	450	-
Judicial Fund	14,999	15,000	15,000	-
Micronesia Legal Service	92,256	92,256	92,256	-
	<u>1,461,053</u>	<u>1,461,053</u>	<u>1,393,108</u>	<u>67,945</u>
Office of the Attorney General:				
Attorney General Office	820,477	817,626	773,801	43,825
Immigration - Majuro	998,134	998,134	937,690	60,444
Immigration - Ebeye	46,709	46,709	41,430	5,279
	<u>1,865,320</u>	<u>1,862,469</u>	<u>1,752,921</u>	<u>109,548</u>
Education, Sports and Training:				
College of the Marshall Islands	1,984,000	1,984,000	1,984,000	-
CMI-CLCC	218,903	218,903	184,403	34,500
CMI Endowment Fund	99,200	99,200	-	99,200
National Training Council	91,762	91,762	91,202	560
RMI/USP Joint Project	496,000	496,000	496,000	-
Scholarship Board	818,789	766,337	743,509	22,828
Leadership and Management	217,123	217,123	159,021	58,102
Achieve 3000	248,000	248,000	248,000	-
Distant Learning	248,000	248,000	248,000	-
4 Specialist	99,200	99,200	-	99,200
Administration	753,968	931,482	937,188	(5,706)
PSS Budget and Finance	277,961	277,961	188,575	89,386

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund (Fund 100100) Year Ended September 30, 2018

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, Continued:				
Education, Sports and Training, Continued:				
National Board of Education	14,880	14,880	14,880	-
PSS Admin and Human Resources	-	-	177,945	(177,945)
PSS Hot Lunch	555,520	555,520	555,520	-
Teacher, Standard, Licensing Board	16,467	16,467	16,468	(1)
Sports and Recreation	194,918	304,438	297,330	7,108
PSS Outer Island District	129,187	129,187	111,662	17,525
Current Instruction and Assessment	-	-	192	(192)
Policy and Planning	214,618	186,682	185,107	1,575
Elementary Support Services	480,666	480,666	480,528	138
Contracted Teachers	770,455	770,455	1,129,258	(358,803)
Secondary Education and Support Services	94,034	64,450	70,790	(6,340)
Marshall Islands High School	-	-	151	(151)
Aid to Private Schools	496,000	496,000	496,000	-
Property and Maintenance	632,818	709,489	605,802	103,687
PSS Reform	1,652,805	1,333,119	1,124,420	208,699
	10,805,274	10,739,321	10,545,951	193,370
Health and Human Services:				
Office of the Secretary	843,503	696,543	649,810	46,733
Independent Programs	854,004	858,163	825,947	32,216
Identification Division	-	394	-	394
Registrar's Office	-	41,164	-	41,164
Kumit Wellness	-	25,684	25,684	-
Health Planning and Statistics	162,785	145,694	130,163	15,531
Majuro Hospital Medical Services	2,343,273	1,818,715	1,598,009	220,706
Zika Virus Response	-	20,231	12,000	8,231
Hepatitis A	-	90,657	59,266	31,391
TB and Leprosy	-	406,429	415,922	(9,493)
Hospital Capital Account	137,000	337,000	332,658	4,342
Primary Health Care	850,640	876,128	870,131	5,997
Public Health Administration	-	-	37,362	(37,362)
Outer Island Dispensaries	-	11,178	11,260	(82)
Dental Lab Services	-	41,210	41,924	(714)
Kwajalein Atoll Health Services	87,494	87,494	472,075	(384,581)
	5,278,699	5,456,684	5,482,211	(25,527)
Transportation, Communication and Information Technology:				
Office of the Secretary	515,365	491,509	411,873	79,636
Air Marshall Islands	1,289,600	1,289,600	1,289,600	-
MI Shipping Corporation	1,449,907	1,449,907	1,449,907	-
MI Shipping Corporation (Repairs)	456,320	456,320	456,320	-
MI National Telecom. Authority	1,488,000	1,500,000	1,500,000	-
Aviation Task Force	49,203	49,203	-	49,203
MI Shipping Corporation (New Vessel)	1,350,600	1,350,600	1,350,600	-
Director of Civil Aviation	345,393	345,393	221,205	124,188
	6,944,388	6,932,532	6,679,505	253,027
Natural Resources and Commerce:				
Administration	618,829	615,228	458,044	157,184
Copra Price Stabilization Subsidy	2,016,240	2,690,819	2,690,819	-
One Island One Product	223,200	234,003	133,064	100,939
MI Visitors Authority	322,400	329,331	250,485	78,846
Agro-Forestry	927,446	809,311	552,757	256,554
Trade and Investment	189,549	259,901	193,364	66,537
Renewable Energy	65,257	65,257	60,181	5,076
Office of Commerce and Investment	679,048	679,048	679,048	-
	5,041,969	5,682,898	5,017,762	665,136
Culture and Internal Affairs:				
Administration	686,091	980,744	860,313	120,431
Ebeye Office	70,773	58,244	51,949	6,295
Price Monitoring	188	188	34,532	(34,344)
Constitution Day	64,480	87,803	86,850	953
Constitution Convention	-	-	(741)	741
Outer Island Economic Development Fund	644,800	520,800	500,000	20,800
Weto In Mour (WUTMI)	49,600	49,600	49,600	-
Youth Service Corporation	297,600	305,139	155,129	150,010
Mayor Salary Adjustments	89,280	89,280	101,870	(12,590)
Social Workers	29,960	29,960	32,603	(2,643)
Referendum	644,800	481,241	3,791	477,450

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund (Fund 100100) Year Ended September 30, 2018

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, Continued:				
Culture and Internal Affairs, Continued:				
MIMA Conference	-	-	239	(239)
Alele Corporation	177,261	177,261	177,261	-
Historic Preservation Office	109,231	221,627	40,613	181,014
Land and Surveys	113,024	108,557	83,494	25,063
Local Government Affairs	64,287	90,089	70,180	19,909
Local Government Fund	1,109,404	767,012	706,345	60,667
MIMA Conference	-	77,438	77,145	293
Grant In Aid	240,000	303,749	281,729	22,020
Community Development	24,798	24,462	19,029	5,433
Youth Services Bureau	42,013	39,434	29,047	10,387
Gender and Development	61,837	60,110	28,518	31,592
Sports and Recreation Bureau	-	-	2,551	(2,551)
Peace Corps Japan	6,825	5,950	5,950	-
Electoral Administration	224,150	98,638	83,108	15,530
Elections	-	123,000	49,795	73,205
V7AB Radio Division	444,051	352,572	164,967	187,605
Registrar Office	-	7,827	42,053	(34,226)
Disability Office	21,480	21,057	19,676	1,381
Child Rights Office	49,068	49,464	32,096	17,368
Community Training Center	36,612	114,026	31,569	82,457
Central Adoption Administration	36,676	36,676	35,815	861
	<u>5,338,289</u>	<u>5,281,948</u>	<u>3,857,076</u>	<u>1,424,872</u>
Justice, Immigration and Labor:				
Public Defender	263,224	263,135	254,882	8,253
Public Safety - Majuro	1,942,505	1,987,923	1,998,169	(10,246)
Public Safety - Ebeye	488,762	488,672	481,342	7,330
Sea Patrol	543,470	518,671	491,216	27,455
Land Registry Authority	114,407	114,407	114,407	-
	<u>3,352,368</u>	<u>3,372,808</u>	<u>3,340,016</u>	<u>32,792</u>
Finance, Banking and Postal Services:				
Office of the Secretary	498,301	588,361	536,098	52,263
Appropriations Committee	105	105	-	105
ROC Budget Support	-	1,000,000	750,000	250,000
Accounting and Administration	655,532	757,651	728,442	29,209
NOAA Overhead	18,995	18,995	64,582	(45,587)
Revenue Division - Majuro	352,490	341,645	315,044	26,601
Customs Division	338,904	320,102	254,886	65,216
Treasury Division	84,189	92,189	82,606	9,583
Budget and Procurement	263,055	253,231	245,775	7,456
Grant Writers Office	-	9,109	56,384	(47,275)
Procurement and Supply Division	286,321	247,556	210,077	37,479
Ebeye - Finance	230,003	205,019	176,851	28,168
Ebeye Revenue/Custom Office	219,741	169,908	133,930	35,978
International Development Assistance	260,749	417,267	73,829	343,438
PMEU (HR and Internal Audit)	140,672	158,672	96,668	62,004
Postal Service	177,568	179,000	177,568	1,432
Banking Commission	509,421	574,702	468,836	105,866
	<u>4,036,046</u>	<u>5,333,512</u>	<u>4,371,576</u>	<u>961,936</u>
Work, Infrastructure and Utilities:				
Administration	487,008	563,196	503,355	59,841
CGMA	-	-	122,218	(122,218)
Carpentry Department	234,503	210,285	220,024	(9,739)
A/C and Electrical Division	-	12,614	88,539	(75,925)
Electrical and Plumbing	197,018	199,264	112,012	87,252
Landing Craft Operation	315,837	466,443	352,368	114,075
Road and Grounds	289,154	347,321	343,161	4,160
Equipment Repair and Maintenance	733,558	482,476	350,988	131,488
MAWC Support	337,448	337,448	337,448	-
Ebeye Public Works Support	590,265	590,265	590,265	-
Repairs and Maintenance - Majuro	577,325	577,325	575,349	1,976
Repairs and Maintenance - Ebeye	49,600	49,600	49,600	-
Repairs and Maintenance - OI	284,982	228,426	205,808	22,618
OI Projects	2,104	2,104	5,724	(3,620)
MIR Seawall Reinforcement	74,400	106,079	74,400	31,679
Solar Household Due	619,960	619,960	619,960	-
Outer Islands Runway Projects	2,521,730	2,521,730	2,852,632	(330,902)
Ebeye Morgue	-	-	(198,400)	198,400

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund (Fund 100100) Year Ended September 30, 2018

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, Continued:				
Work, Infrastructure and Utilities, Continued:				
MIPA Dock Repairs	1,110,296	1,110,296	-	1,110,296
Sea Wall Repairs	198,400	198,400	198,400	-
Nitijela Repair	99,994	99,994	97,718	2,276
WIU Office Expansion	53,052	50,500	46,955	3,545
National Energy Support Account	549,965	549,965	549,965	-
Capitol Building	1,488,000	1,488,000	1,491,157	(3,157)
Embassy Renovations (Fiji and Hawaii)	694,400	694,400	698,557	(4,157)
	<u>11,508,999</u>	<u>11,506,091</u>	<u>10,288,203</u>	<u>1,217,888</u>
Environmental Protection Authority	<u>185,340</u>	<u>185,340</u>	<u>161,056</u>	<u>24,284</u>
Total expenditures	<u>85,878,323</u>	<u>87,028,744</u>	<u>81,875,322</u>	<u>5,153,422</u>
	<u>(8,374,403)</u>	<u>(8,648,982)</u>	<u>(8,268,121)</u>	<u>380,861</u>
Other financing sources (uses):				
Operating transfers in:				
Ministry of Justice Fund	-	274,579	799,061	524,482
Operating transfers out:				
Supplemental Education Fund	-	-	814,800	(814,800)
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>8,374,403</u>	<u>8,374,403</u>	<u>7,204,150</u>	<u>(1,170,253)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,079,710)</u>	<u>\$ (1,079,710)</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2018

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, 2018, 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.

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.

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.

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2018

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.

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.

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2018

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.

Nuclear Claims Tribunal

This fund accounts for all financial transactions arising from distributions made under the (Compact of Free Association) Section 177 Agreement as a result of the Nuclear Testing Program.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Balance Sheet September 30, 2018

	200105	200224	200318	200319	200332	200333	200334	200340	200520
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Recycling	Resident Workers Training Account	Sea Patrol
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, net:									
Taxes	-	-	-	-	-	-	-	158,250	-
General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	810	-
Due from other funds	224,648	18,118	308,385	170,045	248,488	-	135,969	811,576	5,868
Advances	1,650	-	1,204	-	11,257	-	-	(1,804)	-
Total assets	<u>\$ 226,298</u>	<u>\$ 18,118</u>	<u>\$ 309,589</u>	<u>\$ 170,045</u>	<u>\$ 259,745</u>	<u>\$ -</u>	<u>\$ 135,969</u>	<u>\$ 968,832</u>	<u>\$ 5,868</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 1,350	\$ -	\$ -	\$ -	\$ 260,230	\$ -	\$ -	\$ 465,090	\$ -
Medical claims payable	-	-	-	-	-	-	-	-	-
Other liabilities and accruals	-	-	-	170,045	-	-	-	4,057	-
Total liabilities	<u>1,350</u>	<u>-</u>	<u>-</u>	<u>170,045</u>	<u>260,230</u>	<u>-</u>	<u>-</u>	<u>469,147</u>	<u>-</u>
Fund balances:									
Restricted	-	-	-	-	-	-	-	-	-
Committed	224,948	18,118	309,589	-	-	-	135,969	499,685	5,868
Unassigned	-	-	-	-	(485)	-	-	-	-
Total fund balances (deficits)	<u>224,948</u>	<u>18,118</u>	<u>309,589</u>	<u>-</u>	<u>(485)</u>	<u>-</u>	<u>135,969</u>	<u>499,685</u>	<u>5,868</u>
Total liabilities and fund balances	<u>\$ 226,298</u>	<u>\$ 18,118</u>	<u>\$ 309,589</u>	<u>\$ 170,045</u>	<u>\$ 259,745</u>	<u>\$ -</u>	<u>\$ 135,969</u>	<u>\$ 968,832</u>	<u>\$ 5,868</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Balance Sheet, Continued September 30, 2018

	200525	200527	200528	300612							
	Transportation Services	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
<u>ASSETS</u>											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 846,038	\$ 471,257	\$ 1,547,347	\$ 241,642	\$ -	\$ -	\$ 3,106,284
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	-	-	158,250
General	-	-	-	176,793	-	-	-	1,805,811	-	-	1,982,604
Other	-	-	-	-	17,704	2,146	59,431	76,868	-	-	156,959
Due from other funds	32,524	391	139,167	97,635	-	-	-	1,913,480	-	-	4,106,294
Advances	-	-	10,824	-	-	-	54,634	350,000	-	-	427,765
Total assets	<u>\$ 32,524</u>	<u>\$ 391</u>	<u>\$ 149,991</u>	<u>\$ 274,428</u>	<u>\$ 863,742</u>	<u>\$ 473,403</u>	<u>\$ 1,661,412</u>	<u>\$ 4,387,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,938,156</u>
<u>LIABILITIES AND FUND BALANCES</u>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ 6,030	\$ -	\$ 1,216	\$ 925	\$ 267,006	\$ 122,319	\$ -	\$ -	\$ 1,124,166
Medical claims payable	-	-	-	-	-	-	-	2,101,855	-	-	2,101,855
Other liabilities and accruals	-	-	-	-	-	-	51,322	-	-	-	225,424
Total liabilities	<u>-</u>	<u>-</u>	<u>6,030</u>	<u>-</u>	<u>1,216</u>	<u>925</u>	<u>318,328</u>	<u>2,224,174</u>	<u>-</u>	<u>-</u>	<u>3,451,445</u>
Fund balances:											
Restricted	-	-	-	274,428	400,826	-	-	-	-	-	675,254
Committed	32,524	391	143,961	-	461,700	472,478	1,343,084	2,163,627	-	-	5,811,942
Unassigned	-	-	-	-	-	-	-	-	-	-	(485)
Total fund balances (deficits)	<u>32,524</u>	<u>391</u>	<u>143,961</u>	<u>274,428</u>	<u>862,526</u>	<u>472,478</u>	<u>1,343,084</u>	<u>2,163,627</u>	<u>-</u>	<u>-</u>	<u>6,486,711</u>
Total liabilities and fund balances	<u>\$ 32,524</u>	<u>\$ 391</u>	<u>\$ 149,991</u>	<u>\$ 274,428</u>	<u>\$ 863,742</u>	<u>\$ 473,403</u>	<u>\$ 1,661,412</u>	<u>\$ 4,387,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,938,156</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2018

	200105	200224	200318	200319	200332	200333	200334	200340	200520
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Recycling	Resident Workers Training Account	Sea Patrol
Revenues:									
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	61,645	-	102,645	-	1,114,419	-	127,196	583,500	-
Interest	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	35,985	-	-	-	-
Total revenues	61,645	-	102,645	-	1,150,404	-	127,196	583,500	-
Expenditures by Function:									
Current:									
Judiciary	-	-	-	-	-	-	-	-	-
Ministries:									
Education, Sports and Training	-	-	-	-	-	-	-	647,996	-
Health and Human Services	-	-	-	-	-	-	-	-	-
Culture and Internal Affairs	-	-	-	-	-	-	-	-	-
Justice, Immigration and Labor	-	-	-	-	351,343	-	-	-	-
Finance, Banking and Postal Services	-	-	-	-	-	-	91,227	-	-
Foreign Affairs and Trade	-	-	40,510	-	-	-	-	-	-
Works, Infrastructure and Utilities	10,203	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-
Total expenditures	10,203	-	40,510	-	351,343	-	91,227	647,996	-
Excess (deficiency) of revenues over (under) expenditures	51,442	-	62,135	-	799,061	-	35,969	(64,496)	-
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	100,000	-	-
Operating transfers out	-	-	-	-	(799,061)	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	(799,061)	-	100,000	-	-
Net change in fund balances (deficits)	51,442	-	62,135	-	-	-	135,969	(64,496)	-
Fund balances (deficits) at the beginning of the year	173,506	18,118	247,454	-	(485)	-	-	564,181	5,868
Fund balances (deficits) at the end of the year	\$ 224,948	\$ 18,118	\$ 309,589	\$ -	\$ (485)	\$ -	\$ 135,969	\$ 499,685	\$ 5,868

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficits), Continued Year Ended September 30, 2018

	200525	200527	200528	300612							
	Transportation Services	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 388,153	\$ -	\$ -	\$ -	\$ 388,153
Fees and charges	3,685	-	60,754	-	-	129,334	379,764	8,204,530	-	-	10,767,472
Interest	-	-	-	-	24,576	2,322	-	-	-	-	26,898
Sales	-	-	12,414	-	-	15,617	105,090	877	-	-	169,983
Total revenues	3,685	-	73,168	-	24,576	147,273	873,007	8,205,407	-	-	11,352,506
Expenditures by Function:											
Current:											
Judiciary	-	-	-	-	-	1,112,168	-	-	-	-	1,112,168
Ministries:											
Education, Sports and Training	-	-	-	-	1,691,859	-	-	-	-	-	2,339,855
Health and Human Services	-	-	-	-	-	-	3,922,648	8,000,618	-	-	11,923,266
Culture and Internal Affairs	-	-	21,397	-	-	-	-	-	-	-	21,397
Justice, Immigration and Labor	-	-	-	-	-	-	-	-	-	-	351,343
Finance, Banking and Postal Services	-	-	-	-	-	-	-	-	-	-	91,227
Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	-	40,510
Works, Infrastructure and Utilities	-	-	-	-	-	-	-	-	-	-	10,203
Nuclear claims related	-	-	-	1,333,608	-	-	-	-	53,925	-	1,387,533
Total expenditures	-	-	21,397	1,333,608	1,691,859	1,112,168	3,922,648	8,000,618	53,925	-	17,277,502
Excess (deficiency) of revenues over (under) expenditures	3,685	-	51,771	(1,333,608)	(1,667,283)	(964,895)	(3,049,641)	204,789	(53,925)	-	(5,924,996)
Other financing sources (uses):											
Operating transfers in	-	-	-	1,434,680	1,535,711	1,006,252	862,052	-	53,925	(862,052)	4,130,568
Operating transfers out	-	-	-	-	-	-	-	(862,052)	-	862,052	(799,061)
Total other financing sources (uses), net	-	-	-	1,434,680	1,535,711	1,006,252	862,052	(862,052)	53,925	-	3,331,507
Net change in fund balances (deficits)	3,685	-	51,771	101,072	(131,572)	41,357	(2,187,589)	(657,263)	-	-	(2,593,489)
Fund balances (deficits) at the beginning of the year	28,839	391	92,190	173,356	994,098	431,121	3,530,673	2,820,890	-	-	9,080,200
Fund balances (deficits) at the end of the year	\$ 32,524	\$ 391	\$ 143,961	\$ 274,428	\$ 862,526	\$ 472,478	\$ 1,343,084	\$ 2,163,627	\$ -	\$ -	\$ 6,486,711

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures By Account, and Changes in Fund Balances (Deficits) Year Ended September 30, 2018

	200105	200224	200318	200319	200332	200333	200334	200340	200520
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Recycling	Resident Workers Training Account	Sea Patrol
Revenues:									
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	61,645	-	102,645	-	1,114,419	-	127,196	583,500	-
Interest	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	35,985	-	-	-	-
Total revenues	61,645	-	102,645	-	1,150,404	-	127,196	583,500	-
Expenditures by Account:									
Grants and subsidies	-	-	-	-	-	-	-	365,212	-
Salaries and wages	-	-	-	-	-	-	-	96,274	-
Medical supplies	-	-	-	-	-	-	-	-	-
Contractual services	-	-	18,000	-	2,600	-	91,227	173,556	-
Capital outlay	-	-	12,714	-	67,172	-	-	1,312	-
Travel	700	-	-	-	57,298	-	-	-	-
Food stuffs	-	-	-	-	3,790	-	-	286	-
Supplies and materials	5,080	-	4,146	-	106,764	-	-	410	-
POL	-	-	-	-	53,719	-	-	80	-
Rentals	4,423	-	-	-	2,551	-	-	10,836	-
Communications	-	-	850	-	18,662	-	-	-	-
Insurance	-	-	-	-	3,812	-	-	-	-
Utilities	-	-	-	-	5,800	-	-	30	-
Leased housing	-	-	4,800	-	-	-	-	-	-
Freight	-	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-	-
Printing and reproduction	-	-	-	-	8,002	-	-	-	-
Other	-	-	-	-	21,173	-	-	-	-
Total expenditures	10,203	-	40,510	-	351,343	-	91,227	647,996	-
Excess (deficiency) of revenues over (under) expenditures	51,442	-	62,135	-	799,061	-	35,969	(64,496)	-
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	100,000	-	-
Operating transfers out	-	-	-	-	(799,061)	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	(799,061)	-	100,000	-	-
Net change in fund balances (deficits)	51,442	-	62,135	-	-	-	135,969	(64,496)	-
Fund balances (deficits) at the beginning of the year	173,506	18,118	247,454	-	(485)	-	-	564,181	5,868
Fund balances (deficits) at the end of the year	\$ 224,948	\$ 18,118	\$ 309,589	\$ -	\$ (485)	\$ -	\$ 135,969	\$ 499,685	\$ 5,868

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures By Account, and Changes in Fund Balances (Deficits), Continued Year Ended September 30, 2018

	200525	200527	200528	300612							
	Transportation Services	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 388,153	\$ -	\$ -	\$ -	\$ 388,153
Fees and charges	3,685	-	60,754	-	-	129,334	379,764	8,204,530	-	-	10,767,472
Interest	-	-	-	-	24,576	2,322	-	-	-	-	26,898
Sales	-	-	12,414	-	-	15,617	105,090	877	-	-	169,983
Total revenues	<u>3,685</u>	<u>-</u>	<u>73,168</u>	<u>-</u>	<u>24,576</u>	<u>147,273</u>	<u>873,007</u>	<u>8,205,407</u>	<u>-</u>	<u>-</u>	<u>11,352,506</u>
Expenditures by Account:											
Grants and subsidies	-	-	-	-	1,453,574	-	-	-	-	-	1,818,786
Salaries and wages	-	-	-	-	92,965	679,065	169,409	272,082	-	-	1,309,795
Medical supplies	-	-	-	-	-	-	3,445,396	330,930	-	-	3,776,326
Contractual services	-	-	-	1,333,608	-	-	-	6,154,732	-	-	7,773,723
Capital outlay	-	-	-	-	21,119	106,021	-	-	-	-	208,338
Travel	-	-	20,399	-	-	42,473	36,033	890,102	-	-	1,047,005
Food stuffs	-	-	-	-	-	-	24,663	-	-	-	28,739
Supplies and materials	-	-	998	-	2,546	48,167	9,868	17,116	-	-	195,095
POL	-	-	-	-	-	10,802	-	9,760	-	-	74,361
Rentals	-	-	-	-	15,840	-	-	-	-	-	33,650
Communications	-	-	-	-	29,638	45,244	9,437	9,634	-	-	113,465
Insurance	-	-	-	-	-	5,554	-	14,573	-	-	23,939
Utilities	-	-	-	-	-	37,239	-	51,047	-	-	94,116
Leased housing	-	-	-	-	-	72,000	-	-	-	-	76,800
Freight	-	-	-	-	-	-	21,009	-	-	-	21,009
Professional services	-	-	-	-	-	40,774	37,466	200,000	-	-	278,240
Printing and reproduction	-	-	-	-	-	-	17,679	-	-	-	25,681
Other	-	-	-	-	76,177	24,829	151,688	50,642	53,925	-	378,434
Total expenditures	<u>-</u>	<u>-</u>	<u>21,397</u>	<u>1,333,608</u>	<u>1,691,859</u>	<u>1,112,168</u>	<u>3,922,648</u>	<u>8,000,618</u>	<u>53,925</u>	<u>-</u>	<u>17,277,502</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,685</u>	<u>-</u>	<u>51,771</u>	<u>(1,333,608)</u>	<u>(1,667,283)</u>	<u>(964,895)</u>	<u>(3,049,641)</u>	<u>204,789</u>	<u>(53,925)</u>	<u>-</u>	<u>(5,924,996)</u>
Other financing sources (uses):											
Operating transfers in	-	-	-	1,434,680	1,535,711	1,006,252	862,052	-	53,925	(862,052)	4,130,568
Operating transfers out	-	-	-	-	-	-	-	(862,052)	-	862,052	(799,061)
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,434,680</u>	<u>1,535,711</u>	<u>1,006,252</u>	<u>862,052</u>	<u>(862,052)</u>	<u>53,925</u>	<u>-</u>	<u>3,331,507</u>
Net change in fund balances (deficits)	<u>3,685</u>	<u>-</u>	<u>51,771</u>	<u>101,072</u>	<u>(131,572)</u>	<u>41,357</u>	<u>(2,187,589)</u>	<u>(657,263)</u>	<u>-</u>	<u>-</u>	<u>(2,593,489)</u>
Fund balances (deficits) at the beginning of the year	<u>28,839</u>	<u>391</u>	<u>92,190</u>	<u>173,356</u>	<u>994,098</u>	<u>431,121</u>	<u>3,530,673</u>	<u>2,820,890</u>	<u>-</u>	<u>-</u>	<u>9,080,200</u>
Fund balances (deficits) at the end of the year	<u>\$ 32,524</u>	<u>\$ 391</u>	<u>\$ 143,961</u>	<u>\$ 274,428</u>	<u>\$ 862,526</u>	<u>\$ 472,478</u>	<u>\$ 1,343,084</u>	<u>\$ 2,163,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,486,711</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

FIDUCIARY FUNDS - PRIVATE PURPOSE TRUSTS

September 30, 2018

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, 2018, 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.

Nuclear Claims Trust Fund

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Fiduciary Net Position Fiduciary Funds - Private Purpose Trusts September 30, 2018

DILOG Fund Number		350610	510610	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,615,309	\$ -	\$ -	\$ 3,615,309
Receivables, net:				
Contributions	2,918,010	-	-	2,918,010
Other	935,697	-	-	935,697
Investments	73,798,112	-	-	73,798,112
Due from other funds	-	421,658	288,240	709,898
Capital assets, net of accumulated depreciation	120,059	-	-	120,059
Total assets	<u>81,387,187</u>	<u>421,658</u>	<u>288,240</u>	<u>82,097,085</u>
<u>LIABILITIES</u>				
Accounts payable	131,645	-	-	131,645
Other liabilities and accruals	76,618	-	-	76,618
Due to other funds	1,913,480	-	-	1,913,480
Total liabilities	<u>2,121,743</u>	<u>-</u>	<u>-</u>	<u>2,121,743</u>
<u>NET POSITION</u>				
Restricted for:				
Social security benefits	79,265,444	-	-	79,265,444
Land use distributions	-	421,658	288,240	709,898
Total net position	<u>\$ 79,265,444</u>	<u>\$ 421,658</u>	<u>\$ 288,240</u>	<u>\$ 79,975,342</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Changes in Fiduciary Net Position Fiduciary Funds - Private Purpose Trusts Year Ended September 30, 2018

DILOG Fund Number		350610	510610	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Additions:				
Contributions:				
Private employees	\$ 12,788,369	\$ -	\$ -	\$ 12,788,369
Government employees	6,542,417	-	-	6,542,417
Penalties and interest	<u>1,088,728</u>	<u>-</u>	<u>-</u>	<u>1,088,728</u>
Total contributions	<u>20,419,514</u>	<u>-</u>	<u>-</u>	<u>20,419,514</u>
Investment earnings:				
Net change in the fair value of investments	3,100,446	-	-	3,100,446
Interest and dividends	<u>1,766,062</u>	<u>-</u>	<u>-</u>	<u>1,766,062</u>
Total investment earnings	4,866,508	-	-	4,866,508
Less investment expense	<u>136,555</u>	<u>-</u>	<u>-</u>	<u>136,555</u>
Net investment earnings	<u>4,729,953</u>	<u>-</u>	<u>-</u>	<u>4,729,953</u>
Other:				
Compact funding	-	-	21,670,200	21,670,200
Transfer in	2,976,000	-	-	2,976,000
Other	<u>226,975</u>	<u>-</u>	<u>-</u>	<u>226,975</u>
	<u>3,202,975</u>	<u>-</u>	<u>21,670,200</u>	<u>24,873,175</u>
Total additions	<u>28,352,442</u>	<u>-</u>	<u>21,670,200</u>	<u>50,022,642</u>
Deductions:				
Land use distributions	-	-	21,791,868	21,791,868
Benefits	20,734,016	-	-	20,734,016
Administrative expenses	<u>1,067,563</u>	<u>-</u>	<u>-</u>	<u>1,067,563</u>
Total deductions	<u>21,801,579</u>	<u>-</u>	<u>21,791,868</u>	<u>43,593,447</u>
Change in net position held in trust for:				
Social security benefits	6,550,863	-	-	6,550,863
Land use distributions	-	-	(121,668)	(121,668)
Net position at the beginning of the year	<u>72,714,581</u>	<u>421,658</u>	<u>409,908</u>	<u>73,546,147</u>
Net position at the end of the year	<u>\$ 79,265,444</u>	<u>\$ 421,658</u>	<u>\$ 288,240</u>	<u>\$ 79,975,342</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

FIDUCIARY FUNDS - AGENCY

September 30, 2018

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds 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 Agency Funds as of September 30, 2018, follows:

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency
September 30, 2018

	Balance October 1, 2017	Additions	Deductions	Balance September 30, 2018
<u>ASSETS</u>				
Due from other funds	\$ 164,484	\$ -	\$ -	\$ 164,484
Total assets	<u>\$ 164,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,484</u>
<u>LIABILITIES</u>				
Other liabilities and accruals	\$ 164,484	\$ -	\$ -	\$ 164,484
Total liabilities	<u>\$ 164,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,484</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

September 30, 2018

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, 2018, follows:

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 the Board of Directors of the Marshalls Energy Company, Inc. RepMar provides financial support to KAJUR through legislative appropriations.

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.

Majuro Water and Sewer Company, Inc. (MWSC)

MWSC was granted a corporate charter by the Cabinet of RepMar on January 26, 1989 to engage in the business of collecting and distributing fresh water, waste water and maintaining the sewer system. MWSC is governed by a seven-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to MWSC through legislative appropriations.

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 of RepMar. The Board of Directors, in turn, is responsible for the appointment of the Postmaster General who oversees the day-to-day operations of the Authority. RepMar has the ability to impose its will on MIPSA.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

September 30, 2018

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.

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

Combining Schedule of Net Position September 30, 2018

	Kwajalein Atoll Joint Utilities Resources, Inc.	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	Marshall Islands Shipping Corporation	Marshall Islands Visitors Authority	National Environmental Protection Authority	Office of Commerce and Investment	Tobolar Copra Processing Authority	Total
ASSETS											
Cash and cash equivalents	\$ 299,210	\$ 442,740	\$ 239,852	\$ 590,017	\$ 734,892	\$ 493,028	\$ -	\$ 627,954	\$ 84,396	\$ 51,426	\$ 3,563,515
Time certificates of deposit	-	-	-	-	-	-	-	-	-	118,633	118,633
Receivables, net	477,814	57,395	538,431	83,088	16,083	217,068	-	75,871	36,624	130,730	1,633,104
Inventories	653,478	-	19,265	329,587	15,226	2,379	-	-	-	348,418	1,368,353
Other assets	61,531	4,790	30,692	5,286	5,426	354,533	-	-	-	696,194	1,158,452
Capital assets:											
Nondepreciable capital assets	2,852,110	911,613	98,752	-	-	1,900,500	-	-	-	-	5,762,975
Other capital assets, net of accumulated depreciation	4,868,650	529,392	1,013,969	1,532,746	87,122	6,699,545	-	126,619	62,900	958,090	15,879,033
Total assets	9,212,793	1,945,930	1,940,961	2,540,724	858,749	9,667,053	-	830,444	183,920	2,303,491	29,484,065
LIABILITIES											
Accounts payable	5,417,829	66,174	831,720	3,070,472	37,694	337,260	-	15,472	70,185	552,981	10,399,787
Contracts payable	-	-	-	-	-	664,000	-	-	-	-	664,000
Due to component units	-	-	-	-	-	-	-	-	-	700,000	700,000
Other liabilities and accruals	46,591	55,285	592,381	54,228	39,612	123,651	-	15,733	34,122	137,520	1,099,123
Unearned revenues	74,876	-	-	-	19,578	-	-	94,371	-	-	188,825
Noncurrent liabilities:											
Due within one year	-	-	-	-	-	-	-	-	-	236,538	236,538
Due in more than one year	-	-	-	-	-	-	-	-	-	692,426	692,426
Total liabilities	5,539,296	121,459	1,424,101	3,124,700	96,884	1,124,911	-	125,576	104,307	2,319,465	13,980,699
NET POSITION											
Net investment in capital assets	7,720,760	1,441,005	1,112,721	1,532,746	87,122	7,936,045	-	126,619	62,900	1,189,209	21,209,127
Restricted	22,478	399,626	45,649	604,242	-	300,552	-	184,671	-	25,169	1,582,387
Unrestricted	(4,069,741)	(16,160)	(641,510)	(2,720,964)	674,743	305,545	-	393,578	16,713	(1,230,352)	(7,288,148)
Total net position	\$ 3,673,497	\$ 1,824,471	\$ 516,860	\$ (583,976)	\$ 761,865	\$ 8,542,142	\$ -	\$ 704,868	\$ 79,613	\$ (15,974)	\$ 15,503,366

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

Combining Schedule of Revenues, Expenses, and Changes in Net Position Year Ended September 30, 2018

	Kwajalein Atoll Joint Utilities Resources, Inc.	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	Marshall Islands Shipping Corporation	Marshall Islands Visitors Authority	National Environmental Protection Authority	Office of Commerce and Investment	Tobolar Copra Processing Authority	Total
Expenses	\$ 7,849,791	\$ 1,062,273	\$ 3,984,283	\$ 1,942,550	\$ 680,530	\$ 3,238,145	\$ 3,083	\$ 781,988	\$ 880,846	\$ 8,648,381	\$ 29,071,870
Program revenues:											
Charges for services	4,146,468	265,964	4,031,012	1,025,115	598,694	1,129,202	-	174,536	14,189	3,163,390	14,548,570
Operating grants and contributions	-	-	-	30,000	-	-	-	67,482	-	-	97,482
Capital grants and contributions	2,792,744	456,995	74,400	627,003	-	7,307,061	-	-	-	-	11,258,203
Total program revenues	6,939,212	722,959	4,105,412	1,682,118	598,694	8,436,263	-	242,018	14,189	3,163,390	25,904,255
Net program revenues (expenses)	(910,579)	(339,314)	121,129	(260,432)	(81,836)	5,198,118	(3,083)	(539,970)	(866,657)	(5,484,991)	(3,167,615)
General revenues:											
Payments from RepMar	1,327,860	518,214	-	-	177,568	1,906,227	-	273,951	920,994	4,474,387	9,599,201
Other	-	-	3,000	-	-	-	-	-	3,083	-	6,083
Total general revenues	1,327,860	518,214	3,000	-	177,568	1,906,227	-	273,951	924,077	4,474,387	9,605,284
Change in net position	417,281	178,900	124,129	(260,432)	95,732	7,104,345	(3,083)	(266,019)	57,420	(1,010,604)	6,437,669
Net position at the beginning of the year	3,256,216	1,645,571	392,731	(323,544)	666,133	1,437,797	3,083	970,887	22,193	994,630	9,065,697
Net position at the end of the year	\$ 3,673,497	\$ 1,824,471	\$ 516,860	\$ (583,976)	\$ 761,865	\$ 8,542,142	\$ -	\$ 704,868	\$ 79,613	\$ (15,974)	\$ 15,503,366

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GRANTS ASSISTANCE FUND

September 30, 2018

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, 2018, 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.

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.

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GRANTS ASSISTANCE FUND

September 30, 2018

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

**GRANTS ASSISTANCE FUND
Combining Balance Sheet
September 30, 2018**

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700200	700360	700370		
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	World Bank	Other Direct Assistance	Republic of China Projects	Compact Sector	Total
<u>ASSETS</u>											
Receivables:											
Federal agencies	\$ -	\$ -	\$ -	\$ 926,694	\$ 3,050,366	\$ -	\$ -	\$ -	\$ -	\$ 8,187,105	\$ 12,164,165
General	-	-	-	-	-	-	-	(133,995)	1,850,000	-	1,716,005
Due from other funds	40,380	690	1,593	-	-	1,807,198	717,769	-	5,545,174	8,048,516	16,161,320
Advances	-	-	-	-	170,510	1,051	20,487	(4,169)	47,179	133,106	368,164
Total assets	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 926,694</u>	<u>\$ 3,220,876</u>	<u>\$ 1,808,249</u>	<u>\$ 738,256</u>	<u>\$ (138,164)</u>	<u>\$ 7,442,353</u>	<u>\$ 16,368,727</u>	<u>\$ 30,409,654</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ 103,644	\$ 173,729	\$ 1,062	\$ 96,689	\$ 9,634	\$ 371,342	\$ 1,261,355	\$ 2,017,455
Other liabilities and accruals	-	-	-	-	129,539	-	-	3,371	-	920,079	1,052,989
Payable to federal agencies	-	-	-	-	-	-	-	-	-	479,263	479,263
Retention payable	-	-	-	-	-	-	-	70,000	101,913	703,282	875,195
Due to other funds	-	-	-	823,050	2,954,886	-	-	47,290	-	5,368,331	9,193,557
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>926,694</u>	<u>3,258,154</u>	<u>1,062</u>	<u>96,689</u>	<u>130,295</u>	<u>473,255</u>	<u>8,732,310</u>	<u>13,618,459</u>
Fund balances:											
Restricted	40,380	690	1,593	-	-	1,807,187	641,157	-	-	7,640,994	10,132,001
Committed	-	-	-	-	-	-	-	-	6,969,098	-	6,969,098
Unassigned (deficits)	-	-	-	-	(37,278)	-	410	(268,459)	-	(4,577)	(309,904)
Total fund balances (deficits)	<u>40,380</u>	<u>690</u>	<u>1,593</u>	<u>-</u>	<u>(37,278)</u>	<u>1,807,187</u>	<u>641,567</u>	<u>(268,459)</u>	<u>6,969,098</u>	<u>7,636,417</u>	<u>16,791,195</u>
Total liabilities and fund balances	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 926,694</u>	<u>\$ 3,220,876</u>	<u>\$ 1,808,249</u>	<u>\$ 738,256</u>	<u>\$ (138,164)</u>	<u>\$ 7,442,353</u>	<u>\$ 16,368,727</u>	<u>\$ 30,409,654</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GRANTS ASSISTANCE FUND Combining Schedule of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2018

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700200	700360	700370			
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	World Bank	Other Direct Assistance	Republic of China Projects	Compact Sector	Elimination	Total
Revenues:												
Federal and other grants	\$ -	\$ -	\$ -	\$ 314,391	\$ 9,853,732	\$ 1,763,221	\$ 1,789,311	\$ 430,286	\$ 7,400,000	\$ 40,022,547	\$ -	\$ 61,573,488
Expenditures by Function:												
Current:												
President and Cabinet	-	-	-	-	-	-	-	-	87,920	-	-	87,920
Office of the Chief Secretary	-	-	-	-	49,402	-	-	245,643	-	-	-	295,045
Special appropriations	-	-	-	-	-	-	-	-	11,986	-	-	11,986
Office of the Auditor-General	-	-	-	314,391	31,876	-	-	-	-	-	-	346,267
Ministries:												
Education, Sports and Training	-	-	-	-	1,682,514	-	-	-	75	18,387,426	-	20,070,015
Health and Human Services	-	-	-	-	5,623,328	-	-	-	301,455	9,332,056	-	15,256,839
Natural Resources and Commerce	-	-	-	-	-	-	-	-	1,424,674	-	-	1,424,674
Culture and Internal Affairs	-	-	-	-	33,002	-	-	257,217	1,993,181	-	-	2,283,400
Justice, Immigration and Labor	-	-	-	-	-	-	-	-	66,507	-	-	66,507
Finance, Banking and Postal Services	-	-	-	-	990,240	72,070	1,365,025	889	893,372	2,039,687	-	5,361,283
Foreign Affairs and Trade	-	-	-	-	8,690	-	-	7,755	-	-	-	16,445
Environmental Protection Authority	-	-	-	-	-	-	-	-	-	370,653	-	370,653
Capital outlay	-	-	-	-	-	-	-	-	1,497,709	9,462,068	-	10,959,777
Total expenditures	-	-	-	314,391	8,419,052	72,070	1,365,025	511,504	6,276,879	39,591,890	-	56,550,811
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,434,680	1,691,151	424,286	(81,218)	1,123,121	430,657	-	5,022,677
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	1,524,197	(709,397)	814,800
Operating transfers out	-	-	-	-	(1,434,680)	-	-	-	(709,397)	(792,202)	709,397	(2,226,882)
Total other financing sources (uses)	-	-	-	-	(1,434,680)	-	-	-	(709,397)	731,995	-	(1,412,082)
Net change in fund balances (deficits)	-	-	-	-	-	1,691,151	424,286	(81,218)	413,724	1,162,652	-	3,610,595
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(37,278)	116,036	217,281	(187,241)	6,555,374	6,473,765	-	13,180,600
Fund balances (deficits) at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (37,278)	\$ 1,807,187	\$ 641,567	\$ (268,459)	\$ 6,969,098	\$ 7,636,417	\$ -	\$ 16,791,195

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GRANTS ASSISTANCE FUND
Combining Schedule of Revenues, Expenditures by Account,
and Changes in Fund Balances (Deficits)
Year Ended September 30, 2018

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700200	700360	700370			
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	World Bank	Other Direct Assistance	Republic of China Projects	Compact Sector	Elimination	Total
Revenues:												
Federal and other grants	\$ -	\$ -	\$ -	\$ 314,391	\$ 9,853,732	\$ 1,763,221	\$ 1,789,311	\$ 430,286	\$ 7,400,000	\$ 40,022,547	\$ -	\$ 61,573,488
Expenditures by Account:												
Salaries and wages	-	-	-	-	3,279,242	-	-	90,573	22,411	18,312,433	-	21,704,659
Capital outlay	-	-	-	-	367,332	57,732	18,052	39,104	313,915	6,242,082	-	7,038,217
Grants and subsidies	-	-	-	-	683,814	-	-	200,000	4,553,476	6,148,499	-	11,585,789
Utilities	-	-	-	-	40,000	-	-	1,272	398	1,541,937	-	1,583,607
Leased housing	-	-	-	-	-	-	-	1,050	-	49,759	-	50,809
Supplies and materials	-	-	-	-	288,174	-	3,105	1,711	11,725	1,479,324	-	1,784,039
Contractual services	-	-	-	-	2,136,202	-	605	10,035	556,753	2,313,785	-	5,017,380
Travel	-	-	-	-	644,811	13,148	18,082	46,754	103,983	531,930	-	1,358,708
Food stuffs	-	-	-	-	178,443	894	4,517	23,658	40,190	524,742	-	772,444
Professional services	-	-	-	314,391	-	-	1,291,239	26,000	-	-	-	1,631,630
Allowances	-	-	-	-	-	-	-	-	-	20,706	-	20,706
Medical supplies	-	-	-	-	51,968	-	-	-	-	21,471	-	73,439
Communications	-	-	-	-	238,255	-	9,247	1,755	-	159,497	-	408,754
POL	-	-	-	-	134,440	-	1,041	1,880	1,466	280,386	-	419,213
Rentals	-	-	-	-	139,075	-	7,525	16,008	13,942	420,649	-	597,199
Freight	-	-	-	-	7,805	-	-	65	-	39,300	-	47,170
Printing and reproduction	-	-	-	-	37,122	156	4,505	993	-	16,958	-	59,734
Insurance	-	-	-	-	3,333	-	-	1,167	-	44,350	-	48,850
Other	-	-	-	-	189,036	140	7,107	49,479	658,620	1,444,082	-	2,348,464
Total expenditures	-	-	-	314,391	8,419,052	72,070	1,365,025	511,504	6,276,879	39,591,890	-	56,550,811
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,434,680	1,691,151	424,286	(81,218)	1,123,121	430,657	-	5,022,677
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	1,524,197	(709,397)	814,800
Operating transfers out	-	-	-	-	(1,434,680)	-	-	-	(709,397)	(792,202)	709,397	(2,226,882)
Total other financing sources (u	-	-	-	-	(1,434,680)	-	-	-	(709,397)	731,995	-	(1,412,082)
Net change in fund balances (d	-	-	-	-	-	1,691,151	424,286	(81,218)	413,724	1,162,652	-	3,610,595
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(37,278)	116,036	217,281	(187,241)	6,555,374	6,473,765	-	13,180,600
Fund balances (deficits) at the end of	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (37,278)	\$ 1,807,187	\$ 641,567	\$ (268,459)	\$ 6,969,098	\$ 7,636,417	\$ -	\$ 16,791,195

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND

September 30, 2018

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

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

Supplemental Education Fund

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

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

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

Section 211(a)(4) Capacity Building Fund

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

Section 211(a)(5) Environment Sector Fund

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

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

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

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND

September 30, 2018

Section 211(b)(1) 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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

COMPACT OF FREE ASSOCIATION SECTOR GRANTS
Combining Balance Sheet
September 30, 2018

DILOG Fund Number	410100	410102	410110	410120	410140	410150	410160	410170	510100	510110	510120	
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Total
<u>ASSETS</u>												
Receivables:												
Federal agencies	\$ 324,799	\$ 665,570	\$ 744,129	\$ -	\$ -	\$ 221,527	\$ 270,031	\$ -	\$ 5,961,049	\$ -	\$ -	\$ 8,187,105
Due from other funds	344,201	-	137,272	163,374	-	476,797	358,051	159,373	-	1,859,760	4,549,688	8,048,516
Advances	(215)	31,841	5,368	-	-	69,580	11,078	8,490	9,935	(2,971)	-	133,106
Total assets	<u>\$ 668,785</u>	<u>\$ 697,411</u>	<u>\$ 886,769</u>	<u>\$ 163,374</u>	<u>\$ -</u>	<u>\$ 767,904</u>	<u>\$ 639,160</u>	<u>\$ 167,863</u>	<u>\$ 5,970,984</u>	<u>\$ 1,856,789</u>	<u>\$ 4,549,688</u>	<u>\$ 16,368,727</u>
<u>LIABILITIES AND FUND BALANCES</u>												
<u>(DEFICITS)</u>												
Liabilities:												
Accounts payable	\$ 138,731	\$ 84,034	\$ 131,363	\$ -	\$ -	\$ 332,475	\$ 121,666	\$ -	\$ 443,367	\$ 9,719	\$ -	\$ 1,261,355
Other liabilities and accruals	387,647	130,836	276,952	-	-	101,119	3,002	6,658	13,865	-	-	920,079
Payable to federal agencies	-	-	29,458	-	-	-	449,805	-	-	-	-	479,263
Retention payable	-	-	-	-	-	-	64,687	-	623,020	15,575	-	703,282
Due to other funds	-	482,541	-	-	4,577	-	-	-	4,881,213	-	-	5,368,331
Total liabilities	<u>526,378</u>	<u>697,411</u>	<u>437,773</u>	<u>-</u>	<u>4,577</u>	<u>433,594</u>	<u>639,160</u>	<u>6,658</u>	<u>5,961,465</u>	<u>25,294</u>	<u>-</u>	<u>8,732,310</u>
Fund balances:												
Restricted	142,407	-	448,996	163,374	-	334,310	-	161,205	9,519	1,831,495	4,549,688	7,640,994
Unassigned (deficits)	-	-	-	-	(4,577)	-	-	-	-	-	-	(4,577)
Total fund balances (deficits)	<u>142,407</u>	<u>-</u>	<u>448,996</u>	<u>163,374</u>	<u>(4,577)</u>	<u>334,310</u>	<u>-</u>	<u>161,205</u>	<u>9,519</u>	<u>1,831,495</u>	<u>4,549,688</u>	<u>7,636,417</u>
Total liabilities and fund balances	<u>\$ 668,785</u>	<u>\$ 697,411</u>	<u>\$ 886,769</u>	<u>\$ 163,374</u>	<u>\$ -</u>	<u>\$ 767,904</u>	<u>\$ 639,160</u>	<u>\$ 167,863</u>	<u>\$ 5,970,984</u>	<u>\$ 1,856,789</u>	<u>\$ 4,549,688</u>	<u>\$ 16,368,727</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

COMPACT OF FREE ASSOCIATION SECTOR GRANTS Combining Schedule of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2018

DILOG Fund Number	410100	410102	410110	410120	410140	410150	410160	410170	510100	510110	510120	
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Total
Revenues:												
Compact funding	\$ 11,334,659	\$ 4,815,100	\$ 7,613,229	\$ -	\$ 165,702	\$ 5,310,769	\$ 2,039,687	\$ 255,844	\$ 8,246,777	\$ -	\$ 240,780	\$ 40,022,547
Expenditures by Function:												
Current:												
Ministries:												
Education, Sports and Training	10,651,981	5,322,665	-	-	-	2,412,780	-	-	-	-	-	18,387,426
Health and Human Services	-	-	7,382,110	-	-	1,949,946	-	-	-	-	-	9,332,056
Finance, Banking and Postal Services	-	-	-	-	-	-	2,039,687	-	-	-	-	2,039,687
Environmental Protection Authority	-	-	-	-	180,766	-	-	189,887	-	-	-	370,653
Capital outlay	-	-	-	-	-	845,918	-	-	8,237,258	378,892	-	9,462,068
Total expenditures	10,651,981	5,322,665	7,382,110	-	180,766	5,208,644	2,039,687	189,887	8,237,258	378,892	-	39,591,890
Excess (deficiency) of revenues over (under) expenditures	682,678	(507,565)	231,119	-	(15,064)	102,125	-	65,957	9,519	(378,892)	240,780	430,657
Other financing sources (uses):												
Operating transfers in	-	814,800	-	-	-	-	-	-	-	468,617	240,780	1,524,197
Operating transfers out	(592,202)	-	-	-	-	(200,000)	-	-	-	-	-	(792,202)
Total other financing sources (uses), net	(592,202)	814,800	-	-	-	(200,000)	-	-	-	468,617	240,780	731,995
Net change in fund balances (deficits)	90,476	307,235	231,119	-	(15,064)	(97,875)	-	65,957	9,519	89,725	481,560	1,162,652
Fund balances (deficits) at the beginning of the year	51,931	(307,235)	217,877	163,374	10,487	432,185	-	95,248	-	1,741,770	4,068,128	6,473,765
Fund balances (deficits) at the end of the year	\$ 142,407	\$ -	\$ 448,996	\$ 163,374	\$ (4,577)	\$ 334,310	\$ -	\$ 161,205	\$ 9,519	\$ 1,831,495	\$ 4,549,688	\$ 7,636,417

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

COMPACT OF FREE ASSOCIATION SECTOR GRANTS Combining Schedule of Revenues, Expenditures by Account, and Changes in Fund Balances (Deficits) Year Ended September 30, 2018

DILOG Fund Number	410100	410102	410110	410120	410140	410150	410160	410170	510100	510110	510120	
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Total
Revenues:												
Compact funding	\$ 11,334,659	\$ 4,815,100	\$ 7,613,229	\$ -	\$ 165,702	\$ 5,310,769	\$ 2,039,687	\$ 255,844	\$ 8,246,777	\$ -	\$ 240,780	\$ 40,022,547
Expenditures by Account:												
Salaries and wages	7,712,783	2,382,192	5,873,217	-	-	1,711,603	77,000	180,907	369,696	5,035	-	18,312,433
Capital outlay	20,792	259,811	44,366	-	-	384,563	2,207	4,410	5,525,933	-	-	6,242,082
Grants and subsidies	1,282,003	144,162	107,500	-	180,766	604,071	1,921,217	-	1,908,780	-	-	6,148,499
Utilities	544,442	53,951	274,465	-	-	668,305	-	774	-	-	-	1,541,937
Leased housing	3,177	-	-	-	-	-	9,000	-	37,582	-	-	49,759
Supplies and materials	388,767	607,012	99,685	-	-	333,467	-	318	50,075	-	-	1,479,324
Contractual services	86,976	1,103,695	594,336	-	-	325,804	3,000	-	192,427	7,547	-	2,313,785
Travel	81,636	140,138	62,797	-	-	170,132	27,008	928	49,291	-	-	531,930
Food stuffs	213,729	18,225	130,277	-	-	161,693	-	-	818	-	-	524,742
Allowances	-	20,706	-	-	-	-	-	-	-	-	-	20,706
Medical supplies	-	-	-	-	-	21,471	-	-	-	-	-	21,471
Communications	33,566	25,129	10,740	-	-	89,807	255	-	-	-	-	159,497
POL	83,760	19,743	77,454	-	-	89,229	-	500	9,700	-	-	280,386
Rentals	19,470	13,430	20,525	-	-	365,174	-	2,050	-	-	-	420,649
Freight	12,745	20,610	65	-	-	5,880	-	-	-	-	-	39,300
Printing and reproduction	8,008	-	5,000	-	-	3,950	-	-	-	-	-	16,958
Insurance	40,269	-	3,172	-	-	909	-	-	-	-	-	44,350
Other	119,858	513,861	78,511	-	-	272,586	-	-	92,956	366,310	-	1,444,082
Total expenditures	10,651,981	5,322,665	7,382,110	-	180,766	5,208,644	2,039,687	189,887	8,237,258	378,892	-	39,591,890
Excess (deficiency) of revenues over (under) expenditures	682,678	(507,565)	231,119	-	(15,064)	102,125	-	65,957	9,519	(378,892)	240,780	430,657
Other financing sources (uses):												
Operating transfers in	-	814,800	-	-	-	-	-	-	-	468,617	240,780	1,524,197
Operating transfers out	(592,202)	-	-	-	-	(200,000)	-	-	-	-	-	(792,202)
Total other financing sources (uses), net	(592,202)	814,800	-	-	-	(200,000)	-	-	-	468,617	240,780	731,995
Net change in fund balances (deficits)	90,476	307,235	231,119	-	(15,064)	(97,875)	-	65,957	9,519	89,725	481,560	1,162,652
Fund balances (deficits) at the beginning of the year	51,931	(307,235)	217,877	163,374	10,487	432,185	-	95,248	-	1,741,770	4,068,128	6,473,765
Fund balances (deficits) at the end of the year	\$ 142,407	\$ -	\$ 448,996	\$ 163,374	\$ (4,577)	\$ 334,310	\$ -	\$ 161,205	\$ 9,519	\$ 1,831,495	\$ 4,549,688	\$ 7,636,417

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

September 30, 2018

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.

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

September 30, 2018

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)).

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

Combining Balance Sheet September 30, 2018

	100100		200090	200317	200330	200335	200337	200515	300400	300600	800405	950000	960000		
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Postal Service	MIDA	Local Government	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total
ASSETS															
Cash and cash equivalents	\$ -	\$ 541,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,268	\$ 10,466,596	\$ -	\$ -	\$ 11,030,779
Receivables, net:															
Taxes	2,865,041	-	-	-	-	-	-	-	-	-	-	-	-	-	2,865,041
Federal agencies	28,246	-	459,368	-	-	-	-	-	-	-	-	-	-	-	487,614
General	3,386,367	-	8,508	-	-	-	-	-	-	-	89,996	(1,566)	-	-	3,483,305
Due from other funds	11,314,059	-	-	54,458	372,145	444	-	-	-	14,251	-	10,078,701	24,300	(12,664,801)	9,193,557
Due from component units	6,650,417	-	-	-	-	-	-	-	-	-	-	-	-	-	6,650,417
Advances	473,083	-	17,222	-	-	-	-	-	-	-	664	(60,094)	-	-	430,875
Other assets	2,490,250	-	-	-	-	-	-	-	-	-	-	-	-	-	2,490,250
Restricted assets:															
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	11,413,485	-	-	11,413,485
Total assets	<u>\$ 27,207,463</u>	<u>\$ 541,915</u>	<u>\$ 485,098</u>	<u>\$ 54,458</u>	<u>\$ 372,145</u>	<u>\$ 444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,251</u>	<u>\$ 112,928</u>	<u>\$ 31,897,122</u>	<u>\$ 24,300</u>	<u>\$ (12,664,801)</u>	<u>\$ 48,045,323</u>
LIABILITIES AND FUND BALANCE (DEFICIT)															
Liabilities:															
Accounts payable	\$ 1,489,562	\$ 314,904	\$ 1,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,947	\$ 888,949	\$ -	\$ -	\$ 2,732,712
Other liabilities and accruals	1,585,754	-	21,388	-	-	28	377	-	-	-	2,959	-	24,300	-	1,634,806
Retention payable	203,340	-	-	-	-	-	-	-	-	-	-	-	-	-	203,340
Due to component units	551,741	-	-	-	-	-	-	-	-	-	-	-	-	-	551,741
Unearned revenue	99,102	-	-	-	-	-	-	-	-	-	-	-	-	-	99,102
Due to other funds	-	-	639,054	-	-	-	49,475	658	-	-	195,957	31,008,173	-	(12,664,801)	19,228,516
Total liabilities	<u>3,929,499</u>	<u>314,904</u>	<u>661,792</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>49,852</u>	<u>658</u>	<u>-</u>	<u>-</u>	<u>236,863</u>	<u>31,897,122</u>	<u>24,300</u>	<u>(12,664,801)</u>	<u>24,450,217</u>
Fund balance:															
Nonspendable	9,140,667	-	-	-	-	-	-	-	-	-	-	-	-	-	9,140,667
Restricted	-	-	-	-	-	-	-	-	-	-	3,393,248	-	-	-	3,393,248
Committed	-	-	-	-	-	-	-	-	-	14,251	-	-	-	-	14,251
Unassigned (deficits)	14,137,297	227,011	(176,694)	54,458	372,145	416	(49,852)	(658)	-	-	(3,517,183)	-	-	-	11,046,940
Total fund balance (deficits)	<u>23,277,964</u>	<u>227,011</u>	<u>(176,694)</u>	<u>54,458</u>	<u>372,145</u>	<u>416</u>	<u>(49,852)</u>	<u>(658)</u>	<u>-</u>	<u>14,251</u>	<u>(123,935)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,595,106</u>
Total liabilities and fund balance	<u>\$ 27,207,463</u>	<u>\$ 541,915</u>	<u>\$ 485,098</u>	<u>\$ 54,458</u>	<u>\$ 372,145</u>	<u>\$ 444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,251</u>	<u>\$ 112,928</u>	<u>\$ 31,897,122</u>	<u>\$ 24,300</u>	<u>\$ (12,664,801)</u>	<u>\$ 48,045,323</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

Combining Schedule of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2018

	100100		200090	200317	200330	200335	200337	200515	300400	300600	800405	950000	960000		
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Postal Service	MIDA	Local Government	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total
Revenues:															
Taxes	\$ 31,555,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,555,501
Federal and other grants	4,600,000	-	467,698	-	-	-	9,795	-	-	-	503,112	-	-	-	5,580,605
Ship registry	7,279,385	-	-	-	-	-	-	-	-	-	-	-	-	-	7,279,385
Interest and dividends	88,686	-	-	-	-	-	-	-	-	-	-	-	-	-	88,686
Fees and charges	101,531	-	180,564	-	4,475	-	-	-	-	-	-	-	-	-	286,570
Contributions from component units	29,596,869	-	-	-	-	-	-	-	-	-	-	-	-	-	29,596,869
Other	385,229	-	-	-	-	-	-	-	-	-	-	-	-	-	385,229
Total revenues	73,607,201	-	648,262	-	4,475	-	9,795	-	-	-	503,112	-	-	-	74,772,845
Expenditures by Function:															
Current:															
President and Cabinet	2,526,480	-	-	-	-	-	-	-	-	-	-	-	-	-	2,526,480
Office of the Chief Secretary	1,127,886	-	-	-	-	-	-	-	-	-	5,043	-	-	-	1,132,929
Special appropriations	15,112,075	-	-	-	-	-	-	-	-	-	-	-	-	(3,376,726)	11,735,349
Council of Iroij	522,481	-	-	-	-	-	-	-	-	-	-	-	-	-	522,481
Nitijela	2,394,720	-	-	-	-	-	-	-	-	-	-	-	-	-	2,394,720
Office of the Auditor-General	1,158,492	-	-	-	-	-	-	-	-	-	-	-	-	-	1,158,492
Public Service Commission	658,760	-	-	-	-	-	-	-	-	-	-	-	-	-	658,760
Judiciary	92,256	-	-	-	-	-	-	-	-	-	-	-	-	-	92,256
Office of the Attorney General	1,374,494	-	79,434	-	-	-	-	-	-	-	-	-	-	-	1,453,928
Ministries:															
Education, Sports and Training	6,457,446	3,117,985	-	-	-	-	-	-	-	-	-	-	-	-	9,575,431
Health and Human Services	5,187,902	-	-	-	-	-	-	-	-	-	-	-	-	-	5,187,902
Transportation, Communication and Information Technology	6,188,847	-	-	-	-	-	-	-	-	-	-	-	-	-	6,188,847
Natural Resources and Commerce	4,932,141	-	15,292	-	-	-	-	-	-	-	-	-	-	-	4,947,433
Culture and Internal Affairs	3,647,295	-	-	-	-	-	-	-	-	-	18,515	-	-	-	3,665,810
Justice, Immigration and Labor	3,319,832	-	-	-	-	-	-	-	-	-	-	-	-	-	3,319,832
Finance, Banking and Postal Services	4,271,290	-	567,096	-	-	-	-	-	-	-	501,591	-	-	-	5,339,977
Foreign Affairs and Trade	4,241,203	-	-	-	-	-	-	-	-	-	-	-	-	-	4,241,203
Works, Infrastructure and Utilities	6,147,834	-	-	-	-	-	-	-	-	-	9	-	-	-	6,147,843
Environmental Protection Authority	161,056	-	-	-	-	-	8,608	-	-	-	-	-	-	-	169,664
Debt service:															
Principal repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	2,618,261	2,618,261
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	758,465	758,465
Total expenditures	69,522,490	3,117,985	661,822	-	-	-	8,608	-	-	-	525,158	-	-	-	73,836,063
Excess (deficiency) of revenues over (under) expenditures	4,084,711	(3,117,985)	(13,560)	-	4,475	-	1,187	-	-	-	(22,046)	-	-	-	936,782
Other financing sources (uses):															
Operating transfers in	799,061	3,344,996	-	-	771,322	-	-	-	-	-	-	-	-	(4,116,318)	799,061
Operating transfers out	(5,963,482)	-	-	-	(871,322)	-	-	-	-	-	-	-	-	4,116,318	(2,718,486)
Total other financing sources (uses), net	(5,164,421)	3,344,996	-	-	(100,000)	-	-	-	-	-	-	-	-	-	(1,919,425)
Net change in fund balances (deficits)	(1,079,710)	227,011	(13,560)	-	(95,525)	-	1,187	-	-	-	(22,046)	-	-	-	(982,643)
Fund balances (deficits) at the beginning of the year	24,357,674	-	(163,134)	54,458	467,670	416	(51,039)	(658)	-	14,251	(101,889)	-	-	-	24,577,749
Fund balances (deficits) at the end of the year	\$ 23,277,964	\$ 227,011	\$ (176,694)	\$ 54,458	\$ 372,145	\$ 416	\$ (49,852)	\$ (658)	\$ -	\$ 14,251	\$ (123,935)	\$ -	\$ -	\$ -	\$ 23,595,106

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

Combining Schedule of Expenditures By Account Year Ended September 30, 2018

	100100		200090	200317	200330	200335	200337	200515	300400	300600	800405	
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Postal Service	MIDA	Local Government	ADB Development Projects	Total
Expenditures by Account:												
Salaries and wages	\$ 21,198,155	\$ -	\$ 574,596	\$ -	\$ -	\$ -	\$ 8,608	\$ -	\$ -	\$ -	\$ -	\$ 21,781,359
Capital outlay	2,553,299	267,106	4,076	-	-	-	-	-	-	-	4,255	2,828,736
Grants and subsidies	21,453,761	491,572	-	-	-	-	-	-	-	-	90,019	22,035,352
Medical supplies	53,383	-	-	-	-	-	-	-	-	-	-	53,383
Contractual services	1,241,820	56,635	-	-	-	-	-	-	-	-	400,426	1,698,881
Travel	2,064,483	292,952	17,457	-	-	-	-	-	-	-	6,191	2,381,083
Utilities	5,852,003	-	25,857	-	-	-	-	-	-	-	-	5,877,860
Supplies and materials	533,627	26,600	6,003	-	-	-	-	-	-	-	1,242	567,472
Leased housing	1,894,809	515,348	6,750	-	-	-	-	-	-	-	-	2,416,907
POL	487,877	7,135	3,483	-	-	-	-	-	-	-	-	498,495
Rentals	2,078,764	14,072	300	-	-	-	-	-	-	-	-	2,093,136
Food stuffs	630,872	1,015,777	-	-	-	-	-	-	-	-	-	1,646,649
Professional services	935,620	-	3,400	-	-	-	-	-	-	-	-	939,020
Principal repayment	2,736,959	-	-	-	-	-	-	-	-	-	-	2,736,959
Interest	639,767	-	-	-	-	-	-	-	-	-	-	639,767
Allowances	1,169,567	81,924	2,250	-	-	-	-	-	-	-	-	1,253,741
Communications	627,830	7,725	16,079	-	-	-	-	-	-	-	-	651,634
Freight	21,627	750	69	-	-	-	-	-	-	-	-	22,446
Printing and reproduction	51,721	312	-	-	-	-	-	-	-	-	2,310	54,343
Insurance	282,442	-	-	-	-	-	-	-	-	-	-	282,442
Other	3,014,104	340,077	1,502	-	-	-	-	-	-	-	20,715	3,376,398
Total expenditures	\$ 69,522,490	\$ 3,117,985	\$ 661,822	\$ -	\$ -	\$ -	\$ 8,608	\$ -	\$ -	\$ -	\$ 525,158	\$ 73,836,063

See Accompanying Independent Auditors' Report.