

REPUBLIC OF THE MARSHALL ISLANDS

BASIC FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2020

REPUBLIC OF THE MARSHALL ISLANDS

FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

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INDEPENDENT AUDITORS' REPORT

His Excellency David Kabua
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, 2020, 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, 2020, 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 13 to the financial statements, the Marshall Islands Social Security Administration may be unable to meet its future benefit obligations.

COVID-19

As discussed in Note 14 to the financial statements, RepMar determined that the COVID-19 pandemic may negatively impact its financial position.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information:

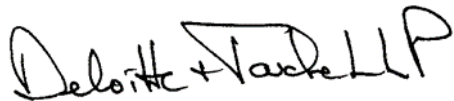
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as set forth in Section II of the foregoing table of contents, as well as the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, 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 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 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 13, 2022 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 + Tack LLP". The signature is stylized, with the "D" and "T" being particularly prominent.

May 13, 2022

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2020

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, 2020. We encourage readers to consider the information presented here in conjunction with RepMar's basic financial statements, which follow this section. Fiscal year 2019 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 \$168.2 million (net position), increasing by \$18.6 million (or 12%) from \$149.6 million in the prior year. Of this amount, \$69.7 million represents RepMar's investment in capital assets; \$103.3 million represents amounts restricted for various purposes, with the remaining deficiency of \$4.8 million to be funded from future governmental activities.
- During the current fiscal year, RepMar's expenses for governmental activities were \$169.3 million, including special appropriations made to State-Owned Enterprises, and were funded in part by \$89.3 million in program revenues and \$85.8 million in taxes and other general revenues. Program revenues increased by \$16.3 million (or 22%) from \$73 million in the prior year to \$89.3 million, which was attributable primarily to the increase in operating grants and contributions. Taxes and other general revenues increased by \$0.5 million (or 1%) from \$85.3 million in the prior year to \$85.8 million, which was attributable primarily to the increase in contributions from component units offset by the decrease in ship registry and tax receipts. Expenses increased by \$6.8 million (or 4%) from \$162.5 million in the prior year to \$169.3 million, which was attributable primarily to an increase in mitigation expenses associated with the COVID-19 pandemic.
- The Compact Trust Fund experienced an increase in fund balance of \$11.5 million in the current fiscal year ending with a trust fund balance of \$86.1 million, up from \$74.6 million in the prior year. This increase included a \$5 million deposit from the General Fund.
- For the current fiscal year, General Fund revenues (and other financing sources) of \$99.8 million exceeded General Fund expenditures (and other financing uses) of \$93.6 million by \$6.2 million. General fund revenues (and other financing sources) were up \$14.2 million (or 17%) from prior year primarily due to an increase in grant receipts of \$13.3 million (or 273%), which included grant receipts of \$6 million and \$1 million, respectively, from the World Bank and Republic of China to fund COVID-19 pandemic mitigation costs and \$5 million under the Compact of Free Association for deposit into the Compact Trust Fund. Concurrently, General Fund expenditures (and other financing uses) were up \$7.9 million (or 9%) from prior year primarily due to an increase in ministry expenditures of \$2 million (or 3%), debt service costs of \$3.5 million (or 91%), and other uses of \$2.4 million (or 49%).

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, 2020

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 69 of this report.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2020

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 70 through 72 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 73 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 \$168.2 million at the close of the most recent fiscal year; however, such is either restricted as to the purpose it can be used for or is invested in capital assets. RepMar uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although RepMar's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities. The majority of RepMar's net position is 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 \$63.6 million (up from \$51.8 million in the prior year) while current liabilities were \$28.4 million (up from \$25.8 million in the prior year). 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 2020	Governmental Activities 2019	Total \$ Change 2020-2019	Total % Change 2020-2019
Current and other assets	\$ 159,412,670	\$ 137,327,866	\$ 22,084,804	16%
Capital assets	86,341,081	86,788,350	(447,269)	(1)%
Total assets	245,753,751	224,116,216	21,637,535	10%
Long-term debt outstanding	50,141,875	49,204,411	937,464	2%
Current and other liabilities	27,437,691	25,340,553	2,097,138	8%
Total liabilities	77,579,566	74,544,964	3,034,602	4%
Net position:				
Net investment in capital assets	69,645,290	73,402,887	(3,757,597)	(5)%
Restricted	103,343,761	90,560,229	12,783,532	14%
Unrestricted	(4,814,866)	(14,391,864)	9,576,998	(67)%
Total net position	\$ 168,174,185	\$ 149,571,252	\$ 18,602,933	12%

At the end of the current fiscal year, RepMar's unrestricted net position deficiency was \$4.8 million, a decrease in the prior year amount by \$9.6 million (or 67%). 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 increased by \$3 million (or 4%) from the prior year amount of \$74.5 million to \$77.5 million, which was primarily attributable to an increase in current liabilities of \$2.6 million (or 49%) due primarily to an increase in accounts payable of \$2.5 million.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2020

Changes in Net Position

As discussed earlier, net position of the primary government increased by \$18.6 million, which represents an increase of 12% from the prior year's amount of \$149.6 million. This result indicates that RepMar's financial condition, as a whole, improved from the prior year. The table below summarizes RepMar's change in net position for the current fiscal year as compared with prior year.

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

	Governmental Activities 2020	Governmental Activities 2019	Total \$ Change 2020-2019	Total % Change 2020-2019
Revenues:				
Program revenues:				
Charges for services	\$ 12,973,991	\$ 13,359,165	\$ (385,174)	(3)%
Operating grants and contributions	69,719,490	52,661,103	17,058,387	32%
Capital grants and contributions	<u>6,712,433</u>	<u>7,046,145</u>	<u>(333,712)</u>	(5)%
	<u>89,405,914</u>	<u>73,066,413</u>	<u>16,339,501</u>	22%
General revenues:				
Taxes	33,537,102	34,188,126	(651,024)	(2)%
Grants and contributions	44,303,658	41,737,941	2,565,717	6%
Ship registry	7,386,364	8,426,462	(1,040,098)	(12)%
Other general revenues	<u>553,326</u>	<u>922,251</u>	<u>(368,925)</u>	(40)%
	<u>85,780,450</u>	<u>85,274,780</u>	<u>505,670</u>	1%
Total revenues	<u>175,186,364</u>	<u>158,341,193</u>	<u>16,845,171</u>	11%
Expenses:				
Education, sports and training	35,500,180	37,486,365	(1,986,185)	(5)%
Health and human services	31,825,346	33,164,824	(1,339,478)	(4)%
Finance, banking and postal services	17,129,431	13,659,273	3,470,158	25%
Special appropriations	11,434,928	14,024,652	(2,589,724)	(18)%
Foreign affairs and trade	4,939,332	4,984,833	(45,501)	(1)%
Works, infrastructure and utilities	7,404,422	10,071,915	(2,667,493)	(26)%
Justice, immigration and labor	4,640,671	4,536,466	104,205	2%
Culture and internal affairs	6,439,682	5,333,601	1,106,081	21%
Capital projects	7,461,664	5,883,065	1,578,599	27%
Natural resources and commerce	10,278,185	10,238,980	39,205	0%
Transportation, communication and information technology	6,280,728	5,796,938	483,790	8%
President and cabinet	2,229,914	2,565,944	(336,030)	(13)%
Nitijela	2,200,120	2,568,976	(368,856)	(14)%
Nuclear claims related	1,680,238	1,583,812	96,426	6%
Interest	715,604	613,574	102,030	17%
Other	<u>19,186,767</u>	<u>9,968,791</u>	<u>9,217,976</u>	92%
Total expenses	<u>169,347,212</u>	<u>162,482,009</u>	<u>6,865,203</u>	4%
	5,839,152	(4,140,816)	9,979,968	(241)%
Special item - loss on SDR revaluation	(1,227,718)	-	(1,227,718)	
Contributions to permanent funds	<u>13,991,499</u>	<u>389,147</u>	<u>13,602,352</u>	3495%
Change in net position	18,602,933	(3,751,669)	22,354,602	(596)%
Net position, beginning of year	<u>149,571,252</u>	<u>153,322,921</u>	<u>(3,751,669)</u>	(2)%
Net position, end of year	<u>\$ 168,174,185</u>	<u>\$ 149,571,252</u>	<u>\$ 18,602,933</u>	12%

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2020

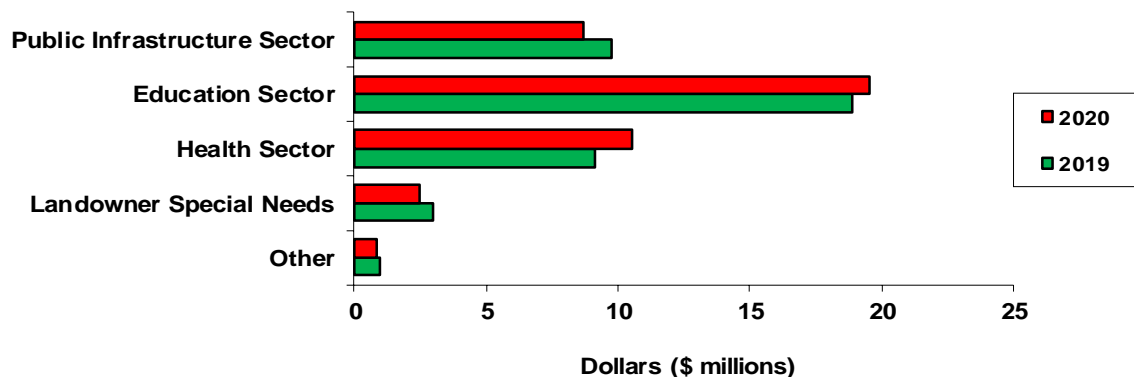
Key elements of the change in net position are as follows:

- Total revenues increased by \$16.8 million (or 11%) compared with prior year. Program revenues increased by \$16.3 million (or 22%) as compared with prior year while general revenues increased by \$0.5 million (or 1%) as compared with prior year. The increase in program revenues reflects a \$17 million (or 32%) increase in operating grants and contributions offset by a \$0.4 million (or 3%) decrease in charges for services and a \$0.3 million (or 5%) decrease in capital grants and contributions. The increase in operating grants and contributions reflects the receipt of donor grant funds from the World Bank (\$7.6 million), the U.S. Department of the Interior (\$3 million), and the Republic of China (\$1 million) to fund COVID-19 pandemic mitigation costs.
- At the same time, cost of governmental activities increased in the current year by \$6.8 million (or 4%) as compared with prior year, which was attributable primarily to an increase in mitigation expenses associated with the COVID-19 pandemic.
- The Compact Trust Fund experienced an increase in fund balance of \$11.5 million in the current fiscal year, increasing RepMar's trust fund balance to \$86.1 million from \$74.6 million in the prior year (up 15%). The increase was primarily the result of investment earnings of \$9 million, which substantially increased from the earnings experienced in prior year of \$0.4 million due to external global financial market forces, as well as a \$5 million deposit from the General Fund funded by a Section 216 Compact grant.

A significant portion of RepMar's program revenues involve contributions from the Government of the United States under the Compact of Free Association. Overall funding from Compact sector grant revenues increased by \$0.4 million (or 1%) from prior year primarily due to an increase in education and health sectors offset by a decrease in 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



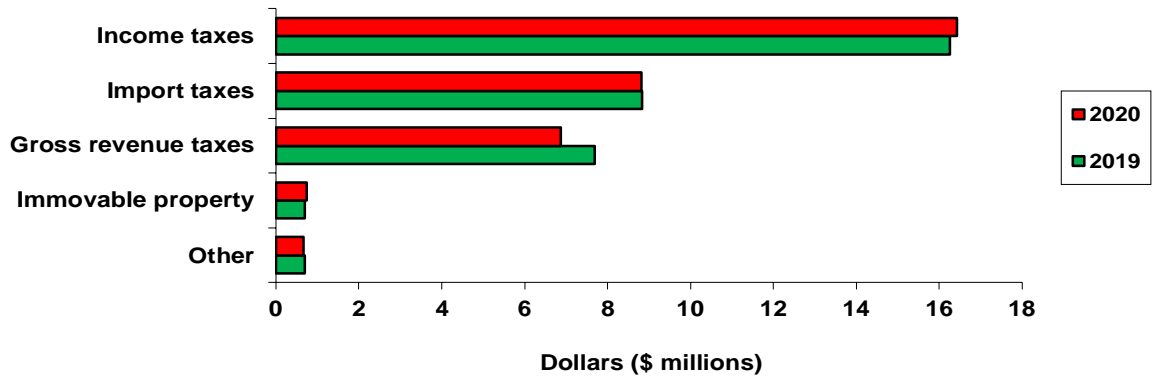
A significant portion of RepMar's general revenues involves tax revenue collections. At \$33.5 million in the current year, tax revenues decreased marginally by \$0.7 million (or 2%) compared with \$34.2 million collected in the prior year.

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Management's Discussion and Analysis Year Ended September 30, 2020

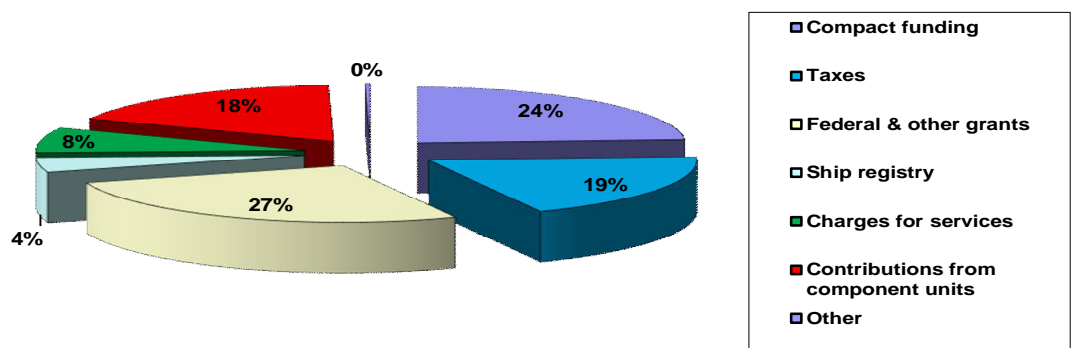
A graphic summary of RepMar's tax revenue collections for the current year compared with the prior year follows:

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, 2020

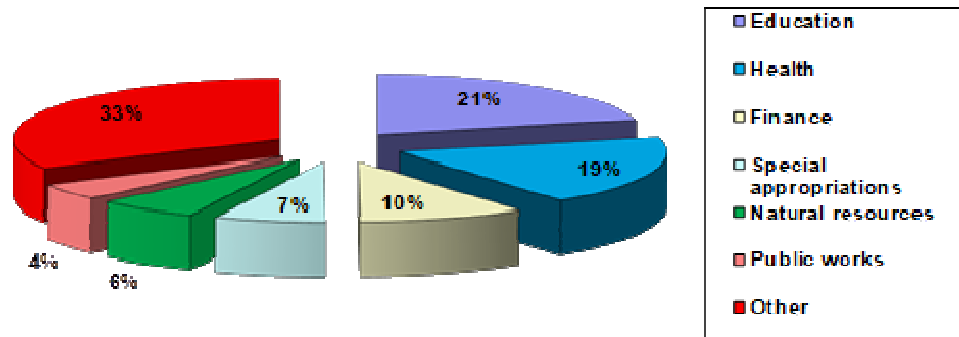


Compact funding, local taxes and federal and other grants are the major sources of revenue for RepMar, which comprise 70% of total revenues for the current year. The remaining 30% is primarily comprised of ship registry fees, fishing revenue contributions from MIMRA, and various fees and service charges.

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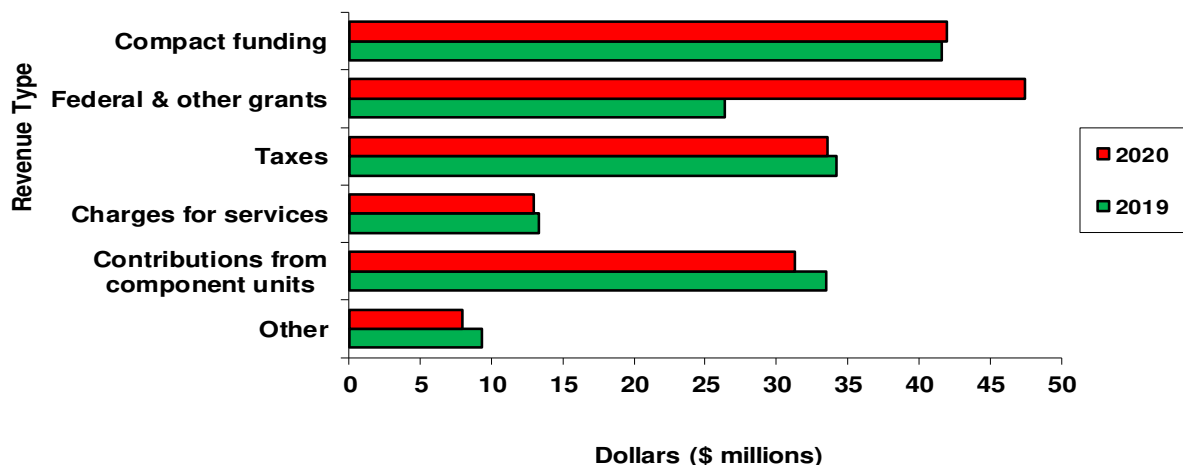
Graph 4
RepMar's Cost of Governmental Activities
For the Year Ended September 30, 2020



Other expenses that make up a portion of the costs of governmental activities include ministerial expenses within the Ministry of Transportation, Communication and Information Technology (\$6.3 million), the Ministry of Culture and Internal Affairs (\$6.4 million), the Ministry of Foreign Affairs and Trade (\$4.9 million), and the Ministry of Justice, Immigration and Labor (\$4.6 million); legislative expenses within the Nitijela (\$2.2 million); and executive expenses within the Office of Chief Secretary (\$11.6 million) and the President's Office and Cabinet (\$2.2 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:

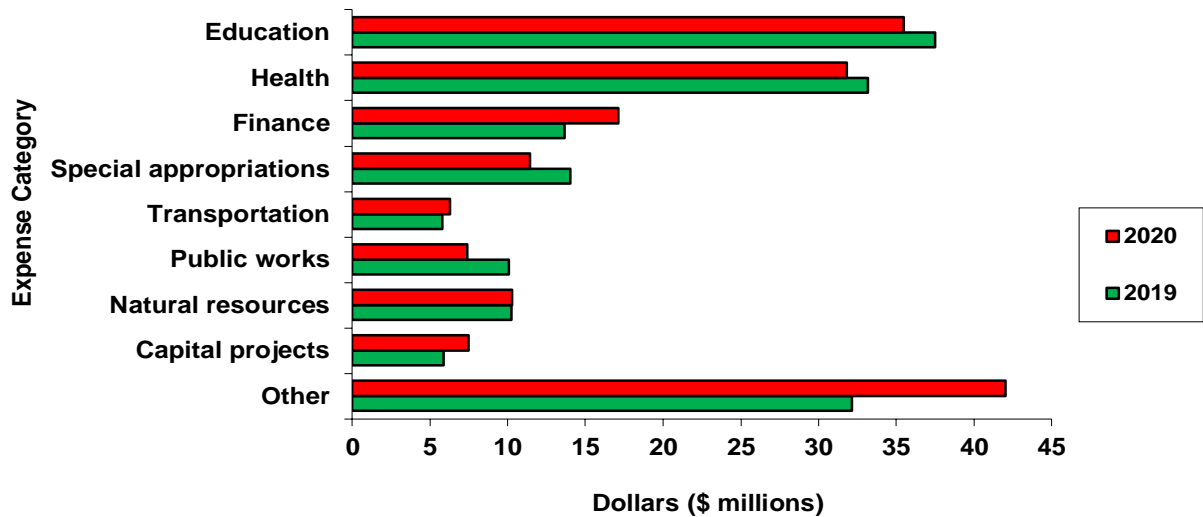
Graph 5
RepMar's Revenue Sources
For the Years Ended September 30



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Management's Discussion and Analysis Year Ended September 30, 2020

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



Other expenses in the current year includes ministerial expenses within the Ministry of Foreign Affairs and Trade of \$4.9 million, down from \$5 million in the prior year; the Ministry of Justice, Immigration and Labor of \$4.6 million, up from \$4.5 million in the prior year; the Ministry of Culture and Internal Affairs of \$6.4 million, up from \$5.3 million in the prior year; legislative expenses within the Nitijela of \$2.2 million, down from \$2.6 million in the prior year; and executive expenses within the Office of the Chief Secretary of \$11.6 million, up from \$2.4 million in the prior year, and the President's Office and Cabinet of \$2.2 million, down 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 \$18.6 million compared with a decrease in the prior fiscal year of \$3.7 million. This represents an increase year-on-year in the change in net position of \$22.3 million (or 596%). The key elements of this year-on-year increase are: (1) an increase in Compact Trust contributions and earnings of \$13.6 million; (2) and a decrease in expenses, net of program revenues, of \$9.5 million.

Compact Trust contributions and earnings increased by \$10.8 million (or 1,698%) from the previous year. The increase was primarily due to an increase in investment earnings of \$8.6 million (or 2,211%) and a net increase in contributions of \$2.2 million (or 900%).

Expenses, net of program revenues, decreased by \$9.5 million (or 11%) from the previous fiscal year. The decrease was primarily attributable to a decrease in the office of chief secretary of \$3.7 million, environmental protection authority of \$3.4 million, education, sport and training of \$2.8 million, works, infrastructure and utilities of \$2.1 million, and health and human services of \$2 million offset by an increase in finance, banking and postal services of \$3.7 million, and culture and internal affairs of \$1 million compared with prior year.

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The elements of these changes are reflected below:

RepMar's Changes in Net Position For the Years Ended September 30				
	Governmental Activities 2020	Governmental Activities 2019	Total \$ Change 2020-2019	Total % Change 2020-2019
General revenues:				
Taxes	\$ 33,537,102	\$ 34,188,126	\$ (651,024)	(2)%
Grants and contributions	12,975,705	12,485,000	490,705	4%
Contributions from component units	31,327,953	29,252,941	2,075,012	7%
Ship registry	7,386,364	8,426,462	(1,040,098)	(12)%
Other general revenues	<u>553,326</u>	<u>922,251</u>	<u>(368,925)</u>	(40)%
Total general revenues	<u>85,780,450</u>	<u>85,274,780</u>	<u>505,670</u>	1%
Expenses, net of program revenues:				
Education, sports and training	13,506,333	16,301,403	(2,795,070)	(17)%
Health and human services	6,013,868	7,987,487	(1,973,619)	(25)%
Special appropriations	11,434,928	11,953,845	(518,917)	(4)%
Finance, banking and postal services	6,795,558	3,062,873	3,732,685	122%
Works, infrastructure and utilities	7,235,321	9,286,400	(2,051,079)	(22)%
Natural resources and commerce	10,235,942	10,203,170	32,772	0%
Justice, immigration and labor	3,547,424	3,165,379	382,045	12%
Culture and internal affairs	6,118,828	5,121,661	997,167	19%
Foreign affairs and trade	4,846,972	4,884,768	(37,796)	(1)%
President and cabinet	2,229,914	2,565,944	(336,030)	(13)%
Capital projects	(927,968)	(778,024)	(149,944)	19%
Nitijela	2,200,120	2,568,976	(368,856)	(14)%
Transportation, communication and information technology	6,278,103	5,790,583	487,520	8%
Nuclear claims related	24,233	(307,052)	331,285	(108)%
Interest	715,604	613,574	102,030	17%
Other	<u>(313,882)</u>	<u>6,994,609</u>	<u>(7,308,491)</u>	(104)%
Total expenses	<u>79,941,298</u>	<u>89,415,596</u>	<u>(9,474,298)</u>	(11)%
	5,839,152	(4,140,816)	9,979,968	(241)%
Special item - loss on SDR revaluation	(1,227,718)	-	(1,227,718)	
Contributions to permanent fund	<u>13,991,499</u>	<u>389,147</u>	<u>13,602,352</u>	3495%
Change in net position	<u>\$ 18,602,933</u>	<u>\$ (3,751,669)</u>	<u>\$ 22,354,602</u>	(596)%

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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 \$138.8 million, which represents a net increase of \$19.1 million (or 16%) in comparison with the prior year. This net increase is primarily attributable to an increase in the fair value of RepMar's investments in the Compact Trust Fund of \$9 million, loan proceeds of \$3 million and \$2 million, respectively, to fund the track and field Micronesian Games project and outer island copra price subsidy, a \$5 million grant under the Compact of Free Association for deposit into the Compact Trust Fund, and Compact revenues in excess of grant expenditures of \$1.5 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 \$10.3 million, an increase of \$1 million from the prior year \$9.3 million. Total fund balance was \$29.7 million compared with a total fund balance of \$23.5 million at the end of the prior fiscal year, an increase of \$6.2 million.

The Grants Assistance Fund has a total fund balance of \$14.5 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 \$1.1 million (or 8%).

The Compact Trust Fund has a total fund balance of \$86.1 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 \$11.5 million (or 15%), which reflects a net increase in the value of trust fund investments of \$9 million and a net transfer in of \$2.5 million from the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the fiscal year, budget revisions of \$18.8 million were made by management and elected officials of RepMar to the General Fund budget. Revenues collected (including other financing sources) of \$92.8 million were lower than budgeted amounts of \$98.1 million (or \$5.3 million) due primarily to lower than anticipated tax receipts, and interest and investment earnings, which fell short of budgeted amounts by \$2.7 million and \$2.4 million, respectively. In addition, charges to appropriations (including other financing uses) of \$97.2 million were lower than budgeted amounts of \$105.4 million due primarily to lower actual ministerial expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

RepMar's investment in capital assets for its governmental activities as of September 30, 2020 amounted to \$180.6 million, net of accumulated depreciation of \$94.3 million, leaving a net book value of \$86.3 million. This represents a decrease of \$.5 million (or .6%) from the \$86.8 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.

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

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

	Governmental Activities 2020	Governmental Activities 2019	Total \$ Change 2020-2019	Total % Change 2020-2019
Electrical distribution	\$ -	\$ 884,600	\$ (884,600)	(100)%
Buildings	60,615,146	59,193,023	1,422,123	2%
Water infrastructure system	364,420	728,839	(364,419)	(50)%
Docks, roads and bridges	5,281,936	6,030,878	(748,942)	(12)%
Ships	2,957,120	3,909,680	(952,560)	(24)%
Software	1,624,842	1,520,033	104,809	7%
Heavy equipment	3,954,541	4,689,150	(734,609)	(16)%
Construction in progress	11,543,076	9,832,147	1,710,929	17%
Total	<u>\$ 86,341,081</u>	<u>\$ 86,788,350</u>	<u>\$ (447,269)</u>	(1)%

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>
KAJUR Gensets & Diesel Engines	\$ 2.34	\$ 2.60
Track and Field 2022 Micronesian Games	\$ 2.51	\$ 5.95
Ebeye Public School Classrooms (P1 & P2)	\$ 1.05	\$ 6.59
Ebeye Hospital Isolation Ward	\$ 0.69	\$ 0.75
Mid-Corridor Housing State	\$ 0.64	\$ 1.92
Ebeye Beach Park	\$ 0.44	\$ 0.75
Majuro Hospital Isolation Ward	\$ 0.67	\$ 0.67
Border Management System	\$ 0.33	\$ 0.77

- Acquisition of a new 100T air-cooled chiller in the amount of \$0.3 million for the Ebeye Hospital.

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 increased by \$1.7 million (or 3%) in the current fiscal year.

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The table below summarizes RepMar's long-term debt at the close of the current year compared with prior year.

RepMar's Outstanding Debt Asian Development Bank September 30,				
	Governmental Activities 2020	Governmental Activities 2019	Total \$ Change 2020-2019	Total % Change 2020-2019
Asian Development Bank:				
Fisheries Development Project	\$ 1,420,721	\$ 1,692,380	\$ (271,659)	(16)%
Typhoon Rehabilitation	256,555	274,992	(18,437)	(7)%
Basic Education Project	4,365,508	4,524,863	(159,355)	(4)%
Majuro Water Supply Project No. 1	329,321	403,408	(74,087)	(18)%
Health and Population Project	3,342,466	3,133,039	209,427	7%
Majuro Water Supply Project No. 2	5,620,910	5,312,860	308,050	6%
Public Sector Reform Program	8,083,290	7,903,538	179,752	2%
Ebeye Health and Infrastructure Project	4,667,854	4,476,827	191,027	4%
Skills Training and Vocational Education Project	2,702,058	2,769,385	(67,327)	(2)%
Fiscal and Financial Management Program No. 2	2,621,552	3,145,862	(524,310)	(17)%
Outer Island Transport Infrastructure Project	272,461	317,189	(44,728)	(14)%
Public Sector Program Loan	7,896,777	9,356,107	(1,459,330)	(16)%
Fiscal Reform and Debt Management Project	4,562,402	4,893,961	(331,559)	(7)%
International Cooperation Development Fund	4,000,000	1,000,000	3,000,000	300%
Total	\$ 50,141,875	\$ 49,204,411	\$ 937,464	2%

As mentioned above, total long-term debt increased by \$0.9 million (or 2%) during the current year, which represent long-term debt additions of \$4.2 million offset by declining principal balances associated with ADB debt service payments of \$3.3 million. The long-term debt additions entered into during the current year were associated with: 1) the International Cooperation Development Fund in the original amount of \$6 million, of which \$3 million has been drawn down for the Track and Field 2022 Micronesian Games Project; and 2) the foreign currency loss of \$1.2 million associated with the SDR revaluation of the ADB loan portfolio.

Additional information on RepMar's long-term debt can be found in notes 7 and 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Overview

The economy was performing well prior to the COVID-19 outbreak, but the pandemic and containment measures have strained the economy. Real GDP is estimated to have increased by around 6.5 percent in FY2019 (October 1-September 30), driven by strong fishery and construction activities. The COVID-19 travel restrictions have significantly impacted fisheries, construction, transportation, and tourism related activities. As a result, GDP is expected to have contracted by 3.3 percent in FY2020¹.

Economic activity is expected to continue declining in FY2021 and rebound only in FY2022. RMI is leading in the vaccine roll-out in the Pacific Island region but faces challenges in inoculating the outer island population. As a result, containment measures are expected to be in place through end-FY2021 (and now into 2022), weighing on economic activity.

¹ IMF Staff Report for the 2021 Article IV Consultation May 2021

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COVID-19

RMI has taken comprehensive fiscal measures to mitigate the economic impact of the COVID-19 pandemic². The size of the COVID-19 Response Plan for FY2020-21 has been increased several times, from USD 42.3 million (18 percent of GDP) in June 2020 to about USD 63 million (27 percent of GDP) in early 2021. The response plan aimed to strengthen health preparedness and support vulnerable groups. Development partners have so far provided grant financing of USD 50 million (21 percent of GDP). Total implementation of the package reached USD 21 million (9 percent of GDP) as of March 2021³.

The COVID-19 containment measures impacted economic activity through disruptions to transshipment, restaurant, and hotel services, transportation, and other business activities. Planned large investment projects continue to be delayed because of restrictions on the movement of personnel and materials.

Real GDP is expected to have contracted by 3.3 percent in FY2020, and by another 1.5 percent in FY2021, as the continued border closure is expected through at least the end of 2021 (and into 2022⁴).

Inflation is estimated to have remained under control in FY2020 and is projected to rise slightly in FY2021, with higher fuel prices leading this increase. In the medium term, economic growth is projected to moderate to around 1.6 percent, given low labor force growth with continued emigration, while inflation is estimated to converge to U.S. levels around 2 percent.

Budget and Debt

Unaudited estimates indicate a balanced budget in FY2020 despite the weaker economy, reflecting higher grants, stable fishing license fees, and improved revenue collection from better compliance and enforcement. A small surplus of 0.6 percent of GDP is projected for FY2021, as an increase in the copra subsidies will be offset by a small surplus from pandemic-related programs.

The current account (CA) is projected to reach a surplus of 2.2 percent of GDP in FY2020 and 2.6 percent of GDP in FY2021. The surplus was due to increased budget support from development partners and declining imports due to the domestic demand contraction.

The fiscal position is projected to deteriorate sharply from FY2024 without adjustment measures. Recurrent spending is mainly financed by unpredictable fishing revenues and budget grants, with project grants used for development financing and no access to capital market. If the Compact Grants set to expire in FY2023 (about 13.4 percent of GDP) are not renewed⁵, disbursements from the CTF (about 10 percent of GDP in FY2024) are not expected to fully compensate for these revenue losses.

As per the recently approved Fiscal Responsibility and Debt Management Act, the key assumptions regarding debt levels, ratio of operating expenses and revenues, net worth, risk management and compliance will be considered when preparing the annual budget and medium-term budget and investment framework moving forward.

It will be prudent to undertake a gradual fiscal consolidation to reduce the fiscal risk. Given the ongoing negotiation on the Compact financial assistance, there is uncertainty about the magnitude of the needed adjustment. Even if the expiring Compact grants are renewed, some adjustment will likely still be needed to preserve the real value of the CTF for future generations and to build buffers for rising financing needs and reduce the dependency on external grants.

² IMF Article IV Mission Findings March 2021

³ Nitijela approved in March a supplementary budget that added about 7 percent of GDP to the initial budget, including further support to relevant line ministries to cope with the COVID-19 pandemic, financed by additional donor grants.

⁴ IMF Staff Report for the 2021 Article IV Consultation May 2021

⁵ Grants that are expected to expire include: the supplementary education grants, the sectoral grants, and the contribution to the CTF (managed by the Trust Fund of RMI).

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Public Financial Management Reform

Implementation of reforms continued in FY2020. In addition to revising and adopting the updated Fiscal Responsibility and Debt Management Act, there was continued implementation of the Public Financial Management (PFM) reforms including:

- Continued implementation of the PFM Roadmap and PFM reforms in priority areas;
- Improved accounting for fiscal risks;
- Continued strengthening of fiscal projections and budget presentation and transparency to help guide policy goals;
- Initial steps to roll out the new Financial Management Information System (FMIS) to improve accountability, management and reporting.

Economic Policy Statement

The Economic Policy Statement (EPS) sets out the framework for Government, development partners and Marshallese stakeholders to support growth and development of the economy. The EPS complements the National Strategic Plan and the annual budget while defining the strategic direction of fiscal and reform strategy.

The RMI Economic Policy Statement, approved by Cabinet in November 2021, includes a table of selected economic indicators, prepared by IMF using data from RMI government sources. The focus on these indicators moving forward with the development of macroeconomic targets provides a foundation for addressing fiscal and other budgetary issues. Some of the most critical indicators include:

- Debt ratio (as a percentage of GDP)
- Amount of domestic revenues including fishing and other non-tax revenues,
- Balance of payments

Government will review these indicators and projections so that realistic targets are agreed to as a guide to implementing the medium-term fiscal strategy.

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, 2020

	Primary Government	Component Units
<u>ASSETS</u>		
Cash and cash equivalents	\$ 24,692,189	\$ 28,943,047
Time certificates of deposit	-	24,692,496
Receivables, net	26,269,129	43,579,569
Inventories	-	10,929,882
Advances and other assets	4,354,204	2,893,839
Due from external parties	1,375,881	-
Due from component units	6,850,336	-
Due from primary government	-	2,536,019
Investments	-	15,898,641
Restricted assets:		
Cash and cash equivalents	9,739,057	858,465
Investments	86,131,874	-
Capital assets:		
Nondepreciable capital assets	11,543,076	5,714,025
Capital assets, net of accumulated depreciation	74,798,005	130,004,165
Indefeasible right of use, net	-	3,813,387
Total assets	<u>245,753,751</u>	<u>269,863,535</u>
<u>LIABILITIES</u>		
Accounts payable	11,405,791	18,502,219
Medical claims payable	457,929	-
Other liabilities and accruals	4,076,440	7,411,713
Contracts payable	-	459,137
Retention payable	2,312,633	-
Payable to federal agencies	1,479,942	848,413
Unearned revenues	335,320	7,122,400
Customer deposits	-	2,205,982
Accrued interest payable	213,631	-
Noncurrent liabilities:		
Due within one year	8,136,705	3,825,260
Due in more than one year	49,161,175	24,280,642
Total liabilities	<u>77,579,566</u>	<u>64,655,766</u>
Commitments and contingencies		
<u>NET POSITION</u>		
Net investment in capital assets	69,645,290	122,906,811
Restricted for:		
Future operations - nonexpendable	86,131,874	-
Debt service	3,254,682	-
Compact related	5,113,416	-
Other purposes	8,843,789	4,322,623
Unrestricted (deficits)	(4,814,866)	77,978,335
Total net position	<u>\$ 168,174,185</u>	<u>\$ 205,207,769</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Activities
Year Ended September 30, 2020

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	\$ 2,229,914	\$ -	\$ -	\$ -	\$ (2,229,914)	\$ -
Office of the Chief Secretary	11,606,485	-	13,831,896	-	2,225,411	-
Special appropriations	11,434,928	-	-	-	(11,434,928)	-
Council of Iroij	593,106	-	-	-	(593,106)	-
Nitijela	2,200,120	-	-	-	(2,200,120)	-
Office of the Auditor-General	1,577,548	-	487,741	-	(1,089,807)	-
Public Service Commission	634,201	4,000	-	-	(630,201)	-
Judiciary	1,121,137	213,792	-	-	(907,345)	-
Office of the Attorney General	2,748,531	63,598	1,590,754	-	(1,094,179)	-
Education, Sports and Training	35,500,180	-	21,266,323	727,524	(13,506,333)	-
Health and Human Services	31,825,346	9,507,199	16,304,279	-	(6,013,868)	-
Transportation, Communication and Information Technology	6,280,728	2,625	-	-	(6,278,103)	-
Natural Resources and Commerce	10,278,185	17,304	24,939	-	(10,235,942)	-
Culture and Internal Affairs	6,439,682	65,147	255,707	-	(6,118,828)	-
Justice, Immigration and Labor	4,640,671	1,093,247	-	-	(3,547,424)	-
Finance, Banking and Postal Services	17,129,431	815,756	9,518,117	-	(6,795,558)	-
Foreign Affairs and Trade	4,939,332	92,360	-	-	(4,846,972)	-
Works, Infrastructure and Utilities	7,404,422	169,101	-	-	(7,235,321)	-
Environmental Protection Authority	905,759	929,862	2,379,006	-	2,403,109	-
Nuclear claims related	1,680,238	-	1,656,005	-	(24,233)	-
Capital projects	7,461,664	-	2,404,723	5,984,909	927,968	-
Unallocated interest - long-term debt	715,604	-	-	-	(715,604)	-
Total primary government	\$ 169,347,212	\$ 12,973,991	\$ 69,719,490	\$ 6,712,433	(79,941,298)	-
Component units:						
Air Marshall Islands, Inc.	5,703,908	5,010,519	-	-	-	(693,389)
College of the Marshall Islands	14,609,613	630,003	7,668,638	-	-	(6,310,972)
Kwajalein Atoll Joint Utilities Resources, Inc.	7,565,322	4,313,542	66,980	1,759,808	-	(1,424,992)
Marshalls Energy Company, Inc.	29,807,536	31,759,519	2,100,611	5,512,725	-	9,565,319
MI Development Bank	2,650,287	6,647,098	181,668	-	-	4,178,479
MI Marine Resources Authority	37,027,666	35,199,282	3,200,759	-	-	1,372,375
MI National Telecom. Authority	9,128,539	8,660,196	-	147,824	-	(320,519)
MI Shipping Corporation	4,496,771	1,059,105	-	-	-	(3,437,666)
RMI Ports Authority	7,277,551	3,422,924	50,165	96,955	-	(3,707,507)
Tobolar Copra Processing Authority	9,658,133	2,108,097	-	-	-	(7,550,036)
Other nonmajor component units	9,470,814	6,567,092	211,760	373,792	-	(2,318,170)
Total component units	\$ 137,396,140	\$ 105,377,377	\$ 13,480,581	\$ 7,891,104	-	(10,647,078)
General revenues:						
Taxes:						
Income taxes					16,428,709	-
Import taxes					8,819,400	-
Gross revenue taxes					6,863,681	-
Immovable property					752,390	-
Fuel taxes					446,554	-
Penalties and interest					117,395	-
Other					108,973	-
Unrestricted grants and contributions					12,975,705	-
Contributions from component units					31,327,953	-
Ship registry					7,386,364	-
Unrestricted investment earnings					211,015	415,928
Contributions from primary government					-	25,465,852
Other					342,311	306,751
Total general revenues					85,780,450	26,188,531
Special item - loss on SDR revaluation					(1,227,718)	-
Contributions to permanent funds					13,991,499	-
Total general revenues, special items and contributions					98,544,231	26,188,531
Change in net position					18,602,933	15,541,453
Net position at the beginning of the year					149,571,252	189,666,316
Net position at the end of the year					\$ 168,174,185	\$ 205,207,769

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Balance Sheet Governmental Funds September 30, 2020

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 22,569,943	\$ -	\$ -	\$ 2,122,246	\$ 24,692,189
Receivables, net:					
Taxes	2,716,244	-	-	155,161	2,871,405
Federal agencies	-	17,317,111	-	-	17,317,111
General	872,810	2,594,448	-	2,417,253	5,884,511
Other	-	-	-	196,102	196,102
Due from other funds	11,951,965	14,714,148	-	5,719,304	32,385,417
Due from component units	6,850,336	-	-	-	6,850,336
Advances	354,664	360,333	-	648,957	1,363,954
Other assets	2,990,250	-	-	-	2,990,250
Restricted assets:					
Cash and cash equivalents	9,739,057	-	-	-	9,739,057
Investments	-	-	86,131,874	-	86,131,874
Total assets	\$ 58,045,269	\$ 34,986,040	\$ 86,131,874	\$ 11,259,023	\$ 190,422,206
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,174,436	\$ 4,250,769	\$ -	\$ 1,980,586	\$ 11,405,791
Medical claims payable	-	-	-	457,929	457,929
Other liabilities and accruals	2,625,225	1,153,422	-	297,793	4,076,440
Payable to federal agencies	-	1,479,942	-	-	1,479,942
Retention payable	634,836	1,677,797	-	-	2,312,633
Due to component units	551,741	-	-	-	551,741
Unearned revenue	335,320	-	-	-	335,320
Due to other funds	19,057,571	11,951,965	-	-	31,009,536
Total liabilities	28,379,129	20,513,895	-	2,736,308	51,629,332
Fund balances:					
Nonspendable	9,840,586	-	86,131,874	-	95,972,460
Restricted	9,553,602	7,835,124	-	1,034,332	18,423,058
Committed	14,251	6,740,405	-	7,488,383	14,243,039
Unassigned (deficits)	10,257,701	(103,384)	-	-	10,154,317
Total fund balances	29,666,140	14,472,145	86,131,874	8,522,715	138,792,874
Total liabilities and fund balances	\$ 58,045,269	\$ 34,986,040	\$ 86,131,874	\$ 11,259,023	
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					86,341,081
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				(213,631)	
Loans payable				(50,141,875)	
Due to component units				(2,536,019)	
Compensated absences payable				(4,068,245)	
					<u>(56,959,770)</u>
Net position of governmental activities					<u>\$ 168,174,185</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, 2020**

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
Revenues:					
Taxes	\$ 33,537,102	\$ -	\$ -	\$ -	\$ 33,537,102
Federal and other grants	18,188,316	75,689,385	-	529,927	94,407,628
Sales	-	-	-	475,506	475,506
Ship registry	7,386,364	-	-	-	7,386,364
Net change in the fair value of investments	-	-	8,991,499	-	8,991,499
Interest and dividends	113,087	-	-	97,928	211,015
Fees and charges	220,947	-	-	12,277,538	12,498,485
Contributions from component units	31,327,953	-	-	-	31,327,953
Other	342,311	-	-	-	342,311
Total revenues	91,116,080	75,689,385	8,991,499	13,380,899	189,177,863
Expenditures:					
Current:					
President and Cabinet	2,247,110	17,557	-	-	2,264,667
Office of the Chief Secretary	6,657,141	5,622,250	-	-	12,279,391
Special appropriations	9,851,926	1,530,399	-	-	11,382,325
Council of Iroij	596,714	-	-	-	596,714
Nitijela	2,152,471	-	-	-	2,152,471
Office of the Auditor-General	1,078,178	487,741	-	-	1,565,919
Public Service Commission	615,045	-	-	-	615,045
Judiciary	36,000	-	-	1,085,776	1,121,776
Office of the Attorney General	1,147,949	1,590,754	-	-	2,738,703
Ministries:					
Education, Sports and Training	11,130,423	20,247,008	-	2,512,631	33,890,062
Health and Human Services	4,826,912	16,602,427	-	10,014,412	31,443,751
Transportation, Communication and Information Technology	4,466,278	154,800	-	-	4,621,078
Natural Resources and Commerce	9,942,899	413,918	-	-	10,356,817
Culture and Internal Affairs	3,576,652	1,056,507	-	18,188	4,651,347
Justice, Immigration and Labor	3,792,067	360,000	-	303,777	4,455,844
Finance, Banking and Postal Services	8,475,663	11,435,671	-	786,334	20,697,668
Foreign Affairs and Trade	4,495,084	161,348	-	24,250	4,680,682
Works, Infrastructure and Utilities	3,486,548	-	-	186,929	3,673,477
Environmental Protection Authority	439,604	461,525	-	-	901,129
Nuclear claims related	-	-	-	1,680,238	1,680,238
Debt service:					
Principal repayment	6,694,235	-	-	-	6,694,235
Interest	664,066	-	-	-	664,066
Capital outlay	-	12,031,426	-	-	12,031,426
Total expenditures	86,372,965	72,173,331	-	16,612,535	175,158,831
Excess (deficiency) of revenues over (under) expenditures	4,743,115	3,516,054	8,991,499	(3,231,636)	14,019,032
Other financing sources (uses):					
Loan proceeds	5,035,670	-	-	-	5,035,670
Operating transfers in	3,683,006	-	5,500,000	4,234,565	13,417,571
Operating transfers out	(7,286,358)	(2,448,207)	(3,000,000)	(683,006)	(13,417,571)
Total other financing sources (uses), net	1,432,318	(2,448,207)	2,500,000	3,551,559	5,035,670
Net change in fund balances	6,175,433	1,067,847	11,491,499	319,923	19,054,702
Fund balances at the beginning of the year	23,490,707	13,404,298	74,640,375	8,202,792	119,738,172
Fund balances at the end of the year	\$ 29,666,140	\$ 14,472,145	\$ 86,131,874	\$ 8,522,715	\$ 138,792,874

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, 2020

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

Net change in fund balances - total governmental funds	\$ 19,054,702
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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	\$ 7,568,038	
Depreciation expense	<u>(7,288,167)</u>	
		279,871

Capital assets transferred to Marshalls Energy Company, Inc. (see Note 5)	(727,140)
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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:

ICDF loan proceeds	\$ (3,000,000)	
MIDB loan proceeds	(2,035,670)	
Repayment of MIDB loan	3,403,981	
Repayment of ADB loans	<u>3,290,254</u>	
		1,658,565

Special item - loss on SDR re-evaluation (see Note 7)	(1,227,718)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. For the current year, these activities consist of:

Change in compensated absences payable	(383,809)	
Change in accrued interest payable	<u>(51,538)</u>	
		<u>(435,347)</u>

Change in net position of governmental activities	\$ <u>18,602,933</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, 2020

	Private Purpose Trust	Agency
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,772,892	\$ -
Time certificate of deposit	2,000,000	-
Receivables, net:		
Contributions	4,487,653	-
Other	125,836	-
Investments	79,249,751	-
Due from other funds	810,490	164,484
Capital assets, net of accumulated depreciation	477,210	-
Total assets	<u>91,923,832</u>	<u>\$ 164,484</u>
<u>LIABILITIES</u>		
Accounts payable	231,250	\$ -
Other liabilities and accruals	99,741	164,484
Due to other funds	2,350,855	-
Total liabilities	<u>2,681,846</u>	<u>\$ 164,484</u>
<u>NET POSITION</u>		
Held in trust for:		
Social security benefits	88,466,762	
Land use distributions	775,224	
Total net position	<u>\$ 89,241,986</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, 2020

	Private Purpose Trust
Additions:	
Contributions:	
Private employees	\$ 15,434,429
Government employees	6,837,692
Penalties and interest	672,115
Total contributions	<u>22,944,236</u>
Investment income:	
Net change in the fair value of investments	885,458
Interest and dividends	1,660,257
Total investment income	2,545,715
Less investment expense	140,543
Net investment income	<u>2,405,172</u>
Other:	
Compact funding	22,374,000
Transfers in from the General Fund	1,686,400
Other	456,283
	<u>24,516,683</u>
Total additions	<u>49,866,091</u>
Deductions:	
Land use distributions	22,338,247
Benefits	20,932,495
Administrative expenses	1,246,808
Total deductions	<u>44,517,550</u>
Change in net position held in trust for:	
Social security benefits	5,312,788
Land use distributions	35,753
Net position at the beginning of the year	<u>83,893,445</u>
Net position at the end of the year	<u><u>\$ 89,241,986</u></u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Statement of Net Position Component Units September 30, 2020

	Air Marshall Islands, Inc.	College of the Marshall Islands	Kwajalein Atoll Joint Utilities Resources, Inc.	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	RMI Ports Authority	Tobolar Copra Processing Authority	Nonmajor Component Units	Total
ASSETS												
Cash and cash equivalents	\$ 1,044,923	\$ 270,832	\$ 107,979	\$ 7,697,189	\$ 8,878,874	\$ 4,972,933	\$ 884,380	\$ 132,716	\$ 2,197,190	\$ 269,158	\$ 2,486,873	\$ 28,943,047
Time certificates of deposit	-	2,592,989	-	2,998,764	1,537,128	14,018,484	829,567	-	2,589,697	125,867	-	24,692,496
Receivables, net	279,888	2,740,825	358,417	4,142,757	23,115,886	8,663,928	1,812,507	255,521	575,850	850,309	783,681	43,579,569
Inventories	866,625	417,153	527,108	6,802,960	-	-	303,796	15,767	-	1,188,464	808,009	10,929,882
Other assets	260,381	222,863	1,750	1,531,669	26,787	121,314	20,594	198,833	22,373	277,492	209,783	2,893,839
Investments	-	1,750,457	-	-	9,452,095	4,696,089	-	-	-	-	-	15,898,641
Due from primary government	-	-	-	-	2,536,019	-	-	-	-	-	-	2,536,019
Restricted assets:												
Cash and cash equivalents	-	-	-	358,453	500,012	-	-	-	-	-	-	858,465
Capital assets:												
Nondepreciable capital assets	-	420,706	714,022	586,952	94,744	-	1,504,200	970,000	1,342,570	9,074	71,757	5,714,025
Capital assets, net of accumulated depreciation	9,796,264	10,199,168	10,998,339	10,713,953	320,770	5,413,423	17,382,361	7,682,543	53,634,202	714,583	3,148,559	130,004,165
Indefeasible right of use, net	-	-	-	-	-	-	3,813,387	-	-	-	-	3,813,387
Total assets	<u>12,248,081</u>	<u>18,614,993</u>	<u>12,707,615</u>	<u>34,832,697</u>	<u>46,462,315</u>	<u>37,886,171</u>	<u>26,550,792</u>	<u>9,255,380</u>	<u>60,361,882</u>	<u>3,434,947</u>	<u>7,508,662</u>	<u>269,863,535</u>
LIABILITIES												
Accounts payable	1,019,717	692,551	6,647,545	1,726,905	271,086	650,248	773,943	849,702	744,779	792,075	4,333,668	18,502,219
Other liabilities and accruals	764,501	1,166,477	75,516	3,621,295	-	399,732	230,189	136,483	141,538	49,501	826,481	7,411,713
Contracts payable	-	-	-	-	-	157,633	51,571	-	249,933	-	-	459,137
Payable to federal agencies	-	848,413	-	-	-	-	-	-	-	-	-	848,413
Unearned revenue	101,452	1,553,267	325,234	4,514,889	449,875	-	18,248	17,031	-	-	142,404	7,122,400
Customer deposits	-	-	-	-	1,763,910	-	442,072	-	-	-	-	2,205,982
Noncurrent liabilities:												
Due within one year	-	-	-	342,064	-	-	2,910,633	-	285,714	286,849	-	3,825,260
Due in more than one year	3,116,890	-	-	5,508,272	1,000,000	-	14,455,464	-	-	200,016	-	24,280,642
Total liabilities	<u>5,002,560</u>	<u>4,260,708</u>	<u>7,048,295</u>	<u>15,713,425</u>	<u>3,484,871</u>	<u>1,207,613</u>	<u>18,882,120</u>	<u>1,003,216</u>	<u>1,421,964</u>	<u>1,328,441</u>	<u>5,302,553</u>	<u>64,655,766</u>
NET POSITION												
Net investment in capital assets	9,972,192	10,619,874	11,712,361	11,300,905	415,514	5,413,423	5,633,851	8,652,543	54,976,772	989,060	3,220,316	122,906,811
Restricted	-	1,750,457	22,478	358,453	500,012	991,623	76,614	195,388	-	-	427,598	4,322,623
Unrestricted	(2,726,671)	1,983,954	(6,075,519)	7,459,914	42,061,918	30,273,512	1,958,207	(595,767)	3,963,146	1,117,446	(1,441,805)	77,978,335
Total net position	<u>\$ 7,245,521</u>	<u>\$ 14,354,285</u>	<u>\$ 5,659,320</u>	<u>\$ 19,119,272</u>	<u>\$ 42,977,444</u>	<u>\$ 36,678,558</u>	<u>\$ 7,668,672</u>	<u>\$ 8,252,164</u>	<u>\$ 58,939,918</u>	<u>\$ 2,106,506</u>	<u>\$ 2,206,109</u>	<u>\$ 205,207,769</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, 2020

	Air Marshall Islands, Inc.	College of the Marshall Islands	Kwajalein Atoll Joint Utilities Resources, Inc.	Marshall's Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	RMI Ports Authority	Tobolar Copra Processing Authority	Nonmajor Component Units	Total
Expenses	\$ 5,703,908	\$ 14,609,613	\$ 7,565,322	\$ 29,807,536	\$ 2,650,287	\$ 37,027,666	\$ 9,128,539	\$ 4,496,771	\$ 7,277,551	\$ 9,658,133	\$ 9,470,814	\$ 137,396,140
Program revenues:												
Charges for services	5,010,519	630,003	4,313,542	31,759,519	6,647,098	35,199,282	8,660,196	1,059,105	3,422,924	2,108,097	6,567,092	105,377,377
Operating grants and contributions	-	7,668,638	66,980	2,100,611	181,668	3,200,759	-	-	50,165	-	211,760	13,480,581
Capital grants and contributions	-	-	1,759,808	5,512,725	-	-	147,824	-	96,955	-	373,792	7,891,104
Total program revenues	5,010,519	8,298,641	6,140,330	39,372,855	6,828,766	38,400,041	8,808,020	1,059,105	3,570,044	2,108,097	7,152,644	126,749,062
Net program revenues (expenses)	(693,389)	(6,310,972)	(1,424,992)	9,565,319	4,178,479	1,372,375	(320,519)	(3,437,666)	(3,707,507)	(7,550,036)	(2,318,170)	(10,647,078)
General revenues:												
Payments from RepMar	843,200	4,969,285	1,481,720	1,932,372	-	-	1,590,000	3,341,920	-	8,326,938	2,980,417	25,465,852
Investment earnings	-	99,014	-	-	596,314	(374,308)	18,352	-	76,556	-	-	415,928
Other	273,515	-	13,012	-	-	-	-	-	-	-	20,224	306,751
Total general revenues	1,116,715	5,068,299	1,494,732	1,932,372	596,314	(374,308)	1,608,352	3,341,920	76,556	8,326,938	3,000,641	26,188,531
Change in net position	423,326	(1,242,673)	69,740	11,497,691	4,774,793	998,067	1,287,833	(95,746)	(3,630,951)	776,902	682,471	15,541,453
Net position at the beginning of the year	6,822,195	15,596,958	5,589,580	7,621,581	38,202,651	35,680,491	6,380,839	8,347,910	62,570,869	1,329,604	1,523,638	189,666,316
Net position at the end of the year	\$ 7,245,521	\$ 14,354,285	\$ 5,659,320	\$ 19,119,272	\$ 42,977,444	\$ 36,678,558	\$ 7,668,672	\$ 8,252,164	\$ 58,939,918	\$ 2,106,506	\$ 2,206,109	\$ 205,207,769

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

For financial reporting purposes, RepMar has included all funds, organizations, agencies, boards, commissions and institutions. RepMar has also considered all potential component units for which it is financially accountable as well as other entities for which the nature and significance of their relationship with RepMar are such that exclusion would cause RepMar's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether RepMar, as the primary government, has appointed a voting majority of an organization's governing body and either 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, GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and 34, and GASB Statement No. 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14. Component units are entities that are legally separate organizations for which RepMar's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with RepMar are such that exclusion would cause RepMar's basic financial statements to be misleading or incomplete. RepMar is financially accountable because it appoints the members of the governing authorities of each of the component units and because it 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, 2020

(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.
- Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR): KAJUR was incorporated under the laws of the Republic of the Marshall Islands on September 1, 1990, to generate and distribute utilities on the island of Ebeye. KAJUR is governed by a seven-member RMI Combined Utilities Board of Directors appointed by the Cabinet of RepMar. The RMI Combined Utilities Board of Directors also have governance over Marshalls Energy Company, Inc. and Majuro Water and Sewer Company, Inc. (MWSC). RepMar provides financial support to KAJUR through legislative appropriations.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

- Marshalls Energy Company, Inc. (MEC): MEC was granted a corporate charter by the Cabinet of RepMar on February 2, 1984 to engage in the business of generating and transmitting electricity, and the import and marketing of petroleum products. MEC is governed by a seven-member RMI Combined Utilities Board of Directors appointed by the Cabinet of RepMar. The RMI Combined Utilities Board of Directors also have governance over KAJUR and MWSC. RepMar guarantees principal and interest payments to the Rural Utilities Service in the event of default by MEC on a Federal Financing Bank loan. RepMar provides financial support to MEC through legislative appropriations.
- Marshall Islands Development Bank (MIDB): MIDB was established under Public Law No. 1988-1 to promote development and expansion of the Marshall Islands economy and is governed by a seven-member Board of Directors appointed by the Cabinet. MIDB has received funds under Sections 111 and 211 of the Compact of Free Association and funds from the U.S. Department of Agriculture under the Rural Housing and Community Development Service Housing Preservation Grant. RepMar 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.
- Marshall Islands Shipping Corporation (MISC): MISC was established as a body corporate pursuant to the Marshall Islands Shipping Corporation Act of 2004 (Public Law No. 2005-41) to operate services for the transportation of goods, mails and passengers by sea and to carry on business as ship owners, charterers of ships and vessels, ship brokers, and shipping agents, and to make provision for purposes connected with the aforesaid matters. MISC is governed by a five-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to MISC through legislative appropriations.
- RMI Ports Authority (RMIPA): RMIPA was incorporated under Public Law No. 2003-81 to engage in the operation and maintenance of commercial port facilities in the Marshall Islands. RMIPA is governed by a seven-member Board of Directors appointed by the President upon the approval of the Cabinet of RepMar. RepMar has the ability to impose its will on RMIPA.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

- Tobolar Copra Processing Authority (TCPA): TCPA was granted a corporate charter by the Cabinet of RepMar on August 13, 1977 for the primary purpose of engaging in the production, processing, and marketing of copra products. TCPA is governed by a six-member Board of Directors (with the President serving ex officio and without vote) appointed by the President upon approval by the Cabinet of RepMar. RepMar provides financial support to TCPA through legislative appropriations.

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

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

The fiduciary component unit is as follows:

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

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

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

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements, Continued

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 \$103,343,761 of restricted net position, of which \$8,843,789 is restricted by enabling legislation.

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

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

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.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

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.
- 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

E. Cash and Cash Equivalents and Time Certificates of Deposit

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

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

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

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

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.

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. During the year ended September 30, 2020, management changed the estimated useful life of a building from 40 years to 20 years that resulted in additional depreciation expense of \$1,548,183 being recognized prospectively.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

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.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

R. Fund Balances, Continued

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

A formal minimum fund balance policy has not been adopted.

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.

T. New Accounting Standards

During the year ended September 30, 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postpones the effective dates of GASB Statements No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, Leases, which better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

T. New Accounting Standards, Continued

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In August 2018, GASB issued Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and 61, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

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

In January 2020, GASB issued Statement No. 92, Omnibus 2020, which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

T. New Accounting Standards, Continued

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates, which addresses those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. Except for paragraphs 11b, 13, and 14, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021. The requirement in paragraphs 11b, 13, and 14 are effective for fiscal year ending September 30, 2022.

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

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

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, which increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

U. Encumbrances

RepMar utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. As of September 30, 2020, 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>\$ 10,327,431</u>	<u>\$ 30,697,575</u>	<u>\$ -</u>	<u>\$ 82,502</u>	<u>\$ 41,107,508</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies, Continued

V. Estimates

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

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, 2019 from which summarized information was derived.

(2) Deposits and Investments

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

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

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

- (a) Are funds that have not been appropriated by an Act;
- (b) In his judgment are 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(2) Deposits and Investments, Continued

Any of such investments shall be due to mature no later than one (1) year from the date of investment, unless otherwise directed and authorized by the Cabinet for a longer period. Income derived from investments may be reinvested, unless the Cabinet decides otherwise, at the discretion of the Secretary of Finance, Banking and Postal Services and shall be recognized as revenue in accordance with generally accepted accounting principles. Long-term investments shall be in time certificates of 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 2020 per resolution RMI 2020-03, Adoption of Investment Policy Statement With Revised Capital Market Assumptions, and requires the Trust Fund to allocate its managed investment portfolios among domestic and foreign equity and fixed income securities. All or a portion of the Trust Fund may be invested in exchange traded funds ("ETFs"), mutual funds, real estate investment trusts ("REITs"), common trust funds ("commingled vehicles"), private equity funds, and other pooled investment vehicles ("pooled vehicles").

Equity securities issued by ETFs, mutual funds, REITs, commingled and pooled vehicles which invest exclusively in fixed income securities are 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, respectively. The fair value of REITs is generally based upon the quoted market value of underlying REIT units owned. Publicly traded ETFs, mutual funds, REITs and similar vehicles may trade at prices above or below the fair values of the underlying investments owned; therefore the fair value of such investments may differ from the sum of the fair values of the underlying investments owned.

The Trust Fund's equity investment objective is for its various portfolios to achieve total returns 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(2) Deposits and Investments, Continued

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.

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, 2020, the carrying amount of the primary government's total cash and cash equivalents was \$34,431,246 and the corresponding bank balances were \$36,219,665. Of the bank balances, \$32,107,087 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2020, bank deposits in the amount of \$1,564,808 were FDIC insured. Bank deposits of \$4,112,578 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, 2020, the carrying amount of the fiduciary fund's total cash and cash equivalents and time certificate of deposit was \$6,772,892 and the corresponding bank balances were \$6,526,820. Of the bank balances, \$2,026,365 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2020, bank deposits in the amount of \$250,000 were FDIC insured. Bank deposits of \$4,500,455 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, 2020, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$54,494,008 and the corresponding bank balances were \$55,749,817. Of the bank balances, \$16,377,316 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2020, bank deposits in the amount of \$3,314,335 were FDIC insured. Bank deposits of \$39,372,501 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(2) Deposits and Investments, Continued

B. Investments

Primary Government

Investments of the primary government as of September 30, 2020, are as follows:

Compact Trust Fund:	
Common Trust Funds:	
Domestic Equity	\$ 30,531,301
International Equity	29,331,509
Fixed Income	17,498,810
Real Estate Investment Trust	501,411
Private Markets	6,051,619
Money Market Funds	<u>2,217,224</u>
	<u>\$ 86,131,874</u>

As of September 30, 2020, all fixed income investments were held in ETFs.

The Trust Fund's fixed income allocation consists of a Vanguard Total Bond Market Index ("VTBMI"), a Vanguard Intermediate-Term Investment Grade Fund ("VIT IGF"), a Vanguard Short-Term Investment-Grade Fund ("VST IGF"), and a Vanguard High-Yield Corporate Fund ("VHY CF"); the performance of the fixed income funds is expected to closely replicate the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. The bonds held by VTBMI vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2020. High yield debt receiving a credit rating below "A" comprises approximately 20.2% of the VTBMI fixed income portfolio as rated by Moody's as of September 30, 2020. As of September 30, 2020, the weighted average maturity of the bonds comprising VTBMI is 8.49 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, 2020. High yield debt receiving a credit rating below "A" comprises approximately 33.2% of the VIT IGF fixed income portfolio as rated by Moody's as of September 30, 2020. As of September 30, 2020, the weighted average maturity of the bonds comprising VIT IGF is 6.67 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, 2020. High yield debt receiving a credit rating below "A" comprises approximately 2.6% of the VST IGF fixed income portfolio as rated by Moody's as of September 30, 2020. As of September 30, 2020, the weighted average maturity of the bonds comprising VST IGF is 2.57 years. The bonds held by VHY CF vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2020. High yield debt receiving a credit rating below "A" comprises approximately 93.2% of the VHY CF fixed income portfolio as rated by Moody's as of September 30, 2020. As of September 30, 2020, the weighted average maturity of the bonds comprising VHY CF is 4.68 years.

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(2) Deposits and Investments, Continued

B. Investments, Continued

Primary Government, Continued

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. As of September 30, 2020, the Trust Fund held approximately \$24,319,000 in securities of foreign issuers held in common trust funds. Of this amount, approximately 25% was held in securities whose functional currency is the Euro, 16% was held in securities whose functional currency is the Japanese Yen, 14% was held in securities whose functional currency is the Chinese Yuan, 9% whose functional currency is the British pound, and 36% in functional currencies of 31 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, 2020, there were no investments in any one issuer that exceeded 5% of total investments.

The Trust Fund has the following recurring fair value measurements as of September 30, 2020:

		<u>Fair Value Measurements Using</u>		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Total</u>			
Investments by fair value level:				
Common trust funds:				
Domestic Equity	\$ 30,531,301	\$ 30,531,301	\$ -	\$ -
International Equity	29,331,509	29,331,509	-	-
Fixed Income	17,498,810	17,498,810	-	-
Real Estate Investment Trust	<u>501,411</u>	<u>501,411</u>	-	-
	77,863,031	<u>\$ 77,863,031</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
Private Markets	6,051,619			
Investments measured at amortized cost:				
Money market funds	<u>2,217,224</u>			
	<u>\$ 86,131,874</u>			

Fiduciary Funds

Investments in marketable securities of the Marshall Islands Social Security Administration (MISSA) as of September 30, 2020, are as follows:

Money market funds	\$ 143,764
Exchange Traded Funds	19,280,662
Mutual funds	<u>38,938,905</u>
	<u>\$ 58,363,331</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(2) Deposits and Investments, Continued

B. Investments, Continued

Fiduciary Funds, Continued

Fiduciary funds have the following recurring fair value measurements as of September 30, 2020:

		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	\$ 19,280,662	\$ 19,280,662	\$ -	\$ -
Mutual funds	<u>38,938,905</u>	<u>38,938,905</u>	-	-
	58,219,567	<u>\$ 58,219,567</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	<u>143,764</u>			
	<u>\$ 58,363,331</u>			

Additionally, MISSA owns 60,200 shares of common stock of Marshall Islands Holdings, Inc. (MIHI), which represents approximately 36% of the outstanding shares of MIHI as of September 30, 2020. MIHI engages in all aspects of holding company activities in the Marshall Islands and which is the sole shareholder of Bank of Marshall Islands (BOMI). MISSA also owns 80,080 shares of common stock of Marshall Islands Service Corporation (MISC), which represents approximately 5% of the outstanding shares of MISC as of September 30, 2020. MISC is majority-owned by MIHI. The investment in MIHI is accounted for on the equity method since the investment constitutes 20% or more of the voting stock of MIHI. As of September 30, 2020, MISSA's investment in MIHI amounted to \$19,856,323. The investment in MISC is accounted for at the Net Asset Value. As of September 30, 2020, MISSA's investment in MISC amounted to \$1,030,097. During the year ended September 30, 2020, MISSA received dividend payments from MIHI of \$480,830. For the year ended September 30, 2020, MISSA recognized \$1,597,119 of equity in net earnings of MIHI.

A summarized financial information of MIHI as of and for the year ended December 31, 2020 is presented on the table below:

Total assets	\$ <u>167,798,436</u>
Total liabilities	\$ <u>108,925,045</u>
Equity:	
Attributable to stockholders of MIHI	\$ <u>53,201,698</u>
Noncontrolling interest	\$ <u>5,671,693</u>
Net income attributed to:	
Stockholder of MIHI	\$ <u>3,351,527</u>
Noncontrolling interests	\$ <u>342,170</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(2) Deposits and Investments, Continued

B. Investments, Continued

Fiduciary Funds, Continued

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

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

MISSA investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all of these investments were held in the name of MISSA by their custodial financial institutions as of September 30, 2020.

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, 2020, 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, 2020

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units

Investments of the discretely presented component units as of September 30, 2020, are as follows:

College of the Marshall Islands (CMI):	
Money Market Funds	\$ 85,495
Exchange Traded Funds	940,286
Mutual Funds	<u>724,676</u>
	<u>\$ 1,750,457</u>

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, 2020:

		<u>Fair Value Measurements Using</u>		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Total</u>			
Investments by fair value level:				
Exchange traded funds	\$ 940,286	\$ 940,286	\$ -	\$ -
Mutual funds	<u>724,676</u>	<u>724,676</u>	-	-
	1,664,962	<u>\$ 1,664,962</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	<u>85,495</u>			
	<u>\$ 1,750,457</u>			

Marshall Islands Development Bank:

 Common equity securities \$ 9,452,095

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, 2020. 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, 2020. MISC is majority-owned by MIHI. The investments in MIHI and MISC are accounted for at the Net Asset Value.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units, Continued

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

\$ 4,696,089

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

A summary of audited financial information as of and for the year ended December 31, 2020, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>24,624,467</u>
Liabilities	\$ <u>15,474,189</u>
Net loss	\$ <u>(1,729,893)</u>

During the year ended September 30, 2020, MIMRA received no dividend payments from MIFCO. For the year ended September 30, 2020, MIMRA recognized equity in net loss of MIFCO of \$526,267.

(3) Receivables

Primary Government

Receivables as of September 30, 2020, 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	\$ 2,716,244	\$ -	\$ -	\$ 155,161	\$ -	\$ 2,871,405
Federal agencies	-	17,317,111	-	-	-	17,317,111
General	1,430,611	2,786,384	-	8,832,577	-	13,049,572
Contributions	-	-	-	-	10,181,507	10,181,507
Loans	4,368,787	-	-	13,271,968	-	17,640,755
Other	-	-	-	403,642	969,036	1,372,678
	<u>8,515,642</u>	<u>20,103,495</u>	<u>-</u>	<u>22,663,348</u>	<u>11,150,543</u>	<u>62,433,028</u>
Less: allowance for uncollectible Accounts	<u>(4,926,588)</u>	<u>(191,936)</u>	<u>-</u>	<u>(19,894,832)</u>	<u>(6,537,054)</u>	<u>(31,550,410)</u>
Net receivables	<u>\$ 3,589,054</u>	<u>\$ 19,911,559</u>	<u>\$ -</u>	<u>\$ 2,768,516</u>	<u>\$ 4,613,489</u>	<u>\$ 30,882,618</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, 2020

(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, 2020, loans in the amount of \$964,538 were converted to grants as the recipients met the criteria for conversion. \$ 13,271,968

Discretely Presented Component Units

Receivables as of September 30, 2020, for the discretely presented component units, including applicable allowance for uncollectible accounts, are as follows:

	Air Marshall Islands, Inc.	College of the Marshall Islands	Kwajalein Atoll Joint Utilities Resources, Inc.	Marshall Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	Marshall Islands Shipping Corporation	RMI Ports Authority	Tobolar Copra Processing Authority	Non-major Component Units	Totals
Receivables:												
Federal agencies	\$ -	\$ 428,849	\$ 47,679	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,756	\$ -	\$ 7,329	\$ 662,613
General	477,561	4,953,144	3,607,430	17,733,225	-	2,202,045	2,162,074	837,761	1,763,181	1,258,125	3,590,971	38,585,517
Loans	-	-	-	-	27,399,968	-	-	-	-	-	-	27,399,968
Due from PNA Office	-	-	-	-	-	7,048,506	-	-	-	-	-	7,048,506
Due from World Bank	-	-	-	-	-	322,573	-	-	-	-	-	322,573
Interest	-	-	-	-	173,000	64,628	-	-	57,480	-	-	322,573
Other	118,461	310,776	326,823	235,030	589,527	93,567	154,245	224,728	16,292	595,236	294,790	2,959,482
	596,022	5,692,769	3,981,932	17,968,255	28,162,495	9,731,319	2,316,319	1,062,489	2,015,716	1,853,361	3,992,152	77,273,767
Less: allowance for uncollectible accounts	(316,134)	(2,951,944)	(3,623,515)	(13,825,498)	(5,046,609)	(1,067,391)	(503,812)	(806,968)	(1,439,866)	(1,003,052)	(3,109,409)	(33,694,198)
Net receivables	\$ 279,888	\$ 2,740,825	\$ 358,417	\$ 4,142,757	\$ 23,115,886	\$ 8,663,928	\$ 1,812,507	\$ 255,521	\$ 575,850	\$ 850,309	\$ 783,681	\$ 43,579,569

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(4) Interfund Receivables and Payables

Primary Government

Receivables and payables between funds reflected as due to/from other funds in the governmental funds balance sheet as of September 30, 2020, 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	\$ 11,951,965	\$ 11,951,965
Grants Assistance	General	14,714,148	14,714,148
Nonmajor governmental funds	General	3,368,449	3,368,449
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	2,350,855	-
Fiduciary Funds - Private Purpose Trust	General	-	810,490
Fiduciary Funds - Agency	General	-	164,484
		32,385,417	31,009,536
Fiduciary Funds - Private Purpose Trust	General	810,490	-
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	-	2,350,855
Fiduciary Funds - Agency	General	164,484	-
		<u>\$ 33,360,391</u>	<u>\$ 33,360,391</u>

Receivables and payables reflected as due to/from component units as of September 30, 2020, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental activities:		
Marshall Islands Development Bank	\$ -	\$ 2,536,019
General Fund:		
Marshall's Energy Company, Inc.	5,850,336	-
Marshall Islands Development Bank	1,000,000	-
Marshall Islands Marine Resources Authority	-	330,000
RMI Ports Authority	-	152,678
Nonmajor component units	-	69,063
	<u>6,850,336</u>	<u>551,741</u>
	<u>\$ 6,850,336</u>	<u>\$ 3,087,760</u>

The amount recorded by the General Fund due from Marshall's Energy Company, Inc. of \$5,850,336 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, 2020 and at 1.5% per annum thereafter with monthly 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, 2020

(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>
2021	\$ 342,064	\$ 85,636	\$ 427,700
2022	375,470	80,050	455,520
2023	381,141	74,379	455,520
2024	386,898	68,622	455,520
2025	392,741	62,779	455,520
2026-2030	2,054,496	223,104	2,277,600
2031-2034	<u>1,917,526</u>	<u>62,958</u>	<u>1,980,484</u>
	<u>\$ 5,850,336</u>	<u>\$ 657,528</u>	<u>\$ 6,507,864</u>

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

The amount recorded as due from component units of the primary government of \$6,850,336 does not equal the corresponding due to primary government of the discretely presented component units of \$11,252,940 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 \$3,087,760 does not equal the corresponding due from primary government of the discretely presented component units of \$2,536,019 due to a \$551,741 allowance for doubtful accounts recorded by the respective component units.

Due to component units includes \$2,536,019 due to the Marshall Islands Development Bank (MIDB), which represents amounts drawn down on a \$6,000,000 loan facility to provide additional funds to supplement the General Fund's subsidy to Tobolar Copra Processing Authority as a result of the increase in the price of copra.

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

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(4) Interfund Receivables and Payables, Continued

Discretely Presented Component Units

Receivables and payables reflected as due to/from primary government as of September 30, 2020, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Air Marshall Islands, Inc.:		
General Fund	\$ -	\$ 1,516,890
Grants Assistance Fund	-	1,600,000
Marshall's Energy Company, Inc.:		
General Fund	-	5,850,336
Marshall Islands Development Bank:		
Governmental activities	2,536,019	-
General Fund	-	1,000,000
Marshall Islands National Telecommunications Authority:		
General Fund	-	1,000,000
RMI Ports Authority:		
General Fund	-	285,714
	<u>\$ 2,536,019</u>	<u>\$ 11,252,940</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.

(5) Capital Assets

Capital asset activities for the year ended September 30, 2020, are as follows:

Primary Government

	Estimated Useful Lives	Balance October 1, 2019	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Balance September 30, 2020
Depreciable capital assets:						
Electrical distribution	30 yrs	\$ 30,540,465	\$ -	\$ (30,440,465)	\$ (100,000)	\$ -
Buildings	20 - 40 yrs	109,672,456	1,052,204	4,394,825	-	115,119,485
Water infrastructure system	25 yrs	9,261,029	-	-	-	9,261,029
Docks, roads and bridges	25 - 30 yrs	20,710,923	-	-	-	20,710,923
Ships	25 yrs	11,123,000	-	-	-	11,123,000
Software	10 yrs	3,413,327	330,000	-	-	3,743,327
Heavy equipment	3 - 10 yrs	9,740,335	158,792	332,300	(1,080,772)	9,150,655
		<u>194,461,535</u>	<u>1,540,996</u>	<u>(25,713,340)</u>	<u>(1,180,772)</u>	<u>169,108,419</u>
Less accumulated depreciation:						
Electrical distribution		(29,655,865)	(110,793)	29,713,325	53,333	-
Buildings		(50,479,433)	(4,024,906)	-	-	(54,504,339)
Water infrastructure system		(8,532,190)	(364,419)	-	-	(8,896,609)
Docks, roads and bridges		(14,680,045)	(748,942)	-	-	(15,428,987)
Ships		(7,213,320)	(952,560)	-	-	(8,165,880)
Software		(1,893,294)	(225,191)	-	-	(2,118,485)
Heavy equipment		(5,051,185)	(861,356)	-	716,427	(5,196,114)
		<u>(117,505,332)</u>	<u>(7,288,167)</u>	<u>29,713,325</u>	<u>769,760</u>	<u>(94,310,414)</u>
Total depreciable capital assets, net		76,956,203	(5,747,171)	3,999,985	(411,012)	74,798,005
Nondepreciable capital assets:						
Construction in progress		9,832,147	8,355,812	(4,727,125)	(1,917,758)	11,543,076
		<u>\$ 86,788,350</u>	<u>\$ 2,608,641</u>	<u>\$ (727,140)</u>	<u>\$ (2,328,770)</u>	<u>\$ 86,341,081</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(5) Capital Assets, Continued

Primary Government, Continued

On January 3, 2020, the RepMar Cabinet authorized and approved the transfer from RepMar to the Marshalls Energy Company, Inc. of all assets associated with Majuro public power distribution services. Capital assets of \$30,440,465, net of accumulated depreciation of \$29,713,325, were transferred representing capital contributions of \$727,140.

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	1,626,179
Health and Human Services	646,317
Transportation, Communication and Information Technology	1,658,328
Natural Resources and Commerce	22,600
Culture and Internal Affairs	54,536
Justice, Immigration and Labor	147,417
Finance, Banking and Postal Services	40,547
Foreign Affairs and Trade	226,437
Works, Infrastructure and Utilities	2,791,682
President and Cabinet	10,958
Chief Secretary	9,775
Nitijela	<u>38,391</u>
	<u>\$ 7,288,167</u>

Discretely Presented Component Units

	Estimated Useful Lives	Balance October 1, 2019	Additions	Retirements	Balance September 30, 2020
Depreciable capital assets:					
Buildings	3 - 34 yrs	\$ 50,100,422	\$ 733,524	\$ (219,906)	\$ 50,614,040
Utility plant	3 - 40 yrs	88,881,033	43,352,407	(71,132)	132,162,308
Vessels	25 yrs	6,792,253	2,162,712	(715,891)	8,239,074
Machinery and equipment	2 - 25 yrs	55,584,043	4,647,875	(1,232,688)	58,999,230
Infrastructure	5 - 50 yrs	<u>86,376,401</u>	<u>2,699,756</u>	<u>(31,636)</u>	<u>89,044,521</u>
		287,734,152	53,596,274	(2,271,253)	339,059,173
Less accumulated depreciation		<u>(165,843,178)</u>	<u>(46,191,096)</u>	<u>2,979,266</u>	<u>(209,055,008)</u>
Total depreciable capital assets, net		<u>121,890,974</u>	<u>7,405,178</u>	<u>708,013</u>	<u>130,004,165</u>
Nondepreciable capital assets:					
Land		372,306	-	-	372,306
Construction in progress		<u>10,690,821</u>	<u>5,494,141</u>	<u>(10,843,243)</u>	<u>5,341,719</u>
		<u>11,063,127</u>	<u>5,494,141</u>	<u>(10,843,243)</u>	<u>5,714,025</u>
		<u>\$ 132,954,101</u>	<u>\$ 12,899,319</u>	<u>\$ (10,135,230)</u>	<u>\$ 135,718,190</u>

(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, 2020, accumulated amortization expense of \$2,686,704 has been recorded.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(7) Long-term Debt

Primary Government

Under the Government Borrowing Act of 1985, RepMar may borrow money for such purposes as approved by the Nitijela of RepMar. As of September 30, 2020, the primary government had the following long-term debt outstanding and payable:

	Dated Date	Interest Rate	Final Maturity	Outstanding Amount
Asian Development Bank (ADB):				
Loan No. 1102 MAR (SF) Fisheries Development Project	November 28, 1991	1%	July 1, 2031	\$ 1,420,721
Loan No. 1218 MAR (SF) Typhoon Rehabilitation	January 29, 1993	1%	November 15, 2032	256,555
Loan No. 1249 MAR (SF) Basic Education Project	November 17, 1993	1%	October 15, 2033	4,365,508
Loan No. 1250 MAR (SF) Majuro Water Supply Project #1	November 17, 1993	1%	May 15, 2033	329,321
Loan No. 1316 RMI (SF) Health and Population Project	February 24, 1995	1%	July 1, 2034	3,342,466
Loan No. 1389 RMI (SF) Majuro Water Supply Project #2	February 1, 1996	1%	September 1, 2035	5,620,910
Loan No. 1513 RMI (SF) Public Sector Reform Program	January 30, 1997	1%	December 1, 2036	8,083,290
Loan No. 1694 RMI (SF) Ebeye Health and Infrastructure Project	October 8, 1999	1%	August 1, 2031	4,667,854
Loan No. 1791 RMI (SF) Skills Training and Vocational Education Project	January 11, 2001	1.5%	November 15, 2032	2,702,058
Loan No. 1829 RMI (SF) Fiscal and Financial Management Program #2	June 22, 2001	1% - 1.5%	May 15, 2025	2,621,552
Loan No. 1948 RMI (SF) Outer Island Transport Infrastructure Project	February 14, 2003	1% - 1.5%	August 1, 2034	272,461
Loan No. 2659 RMI (SF) Public Sector Reform Sub Program #1	September 8, 2010	1% - 1.5%	August 15, 2034	7,896,777
Loan No. 2950 RMI (SF) Public Sector Reform Sub Program #2	December 13, 2012	1% - 1.5%	November 15, 2036	4,562,402
				<u>46,141,875</u>
International Cooperation and Development Fund (ICDF):				
Home Energy Efficiency and Renewable Energy Project	November 8, 2016	2%	May 8, 2032	1,000,000
Track and Field 2022 Micronesian Games Project	August 16, 2019	2%	March 15, 2052	3,000,000
				<u>4,000,000</u>
				<u>\$ 50,141,875</u>

Asian Development Bank Loans:

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

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

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

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

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

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

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(7) Long-term Debt, Continued

Primary Government, Continued

Asian Development Bank Loans, Continued:

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

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

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

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

The abovementioned ADB loans payable are uncollateralized and are backed by the full faith and credit of RepMar. The abovementioned loans are designated and measured by the ADB using Special Drawing Rights (SDRs). The value of a SDR is defined by a weighted currency basket of five major currencies: the U.S. Dollar, the Chinese Yuan, the Euro, the British Pound, and the Japanese Yen. 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. During the year ended September 30, 2020, RepMar recognized a foreign exchange loss of \$1,227,718 associated with re-valuation of the SDR, which is presented as a special item in the accompanying financial statements, and which results in an increase in ADB loans payable.

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,492,434	\$ 541,665	\$ 4,034,099
2022	3,635,009	498,339	4,133,348
2023	3,635,009	453,943	4,088,952
2024	3,635,009	409,547	4,044,556
2025	3,635,009	365,151	4,000,160
2026 - 2030	15,553,495	1,248,297	16,801,792
2031 - 2035	11,392,008	387,846	11,779,854
2036 - 2037	<u>1,163,902</u>	<u>13,783</u>	<u>1,177,685</u>
	<u>\$ 46,141,875</u>	<u>\$ 3,918,571</u>	<u>\$ 50,060,446</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(7) Long-term Debt, Continued

Primary Government, Continued

Asian Development Bank Loans, Continued:

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

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

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

International Cooperation and Development Fund (ICDF) Loans:

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

The RMI Track and Field Project loan in the amount of \$6,158,000 is to provide funding for the construction of a track and field for the purpose of hosting the 2022 Micronesian Games.

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>
2021	\$ -	\$ 80,000	\$ 80,000
2022	50,000	80,000	130,000
2023	100,000	78,500	178,500
2024	100,000	76,500	176,500
2025	100,000	74,500	174,500
2026 - 2030	1,019,231	321,731	1,340,962
2031 - 2035	726,923	225,115	952,038
2036 - 2040	576,923	164,423	741,346
2041 - 2045	576,923	106,731	683,654
2046 - 2050	576,923	49,038	625,961
2051 - 2052	173,077	3,462	176,539
	<u>\$ 4,000,000</u>	<u>\$ 1,260,000</u>	<u>\$ 5,260,000</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(7) Long-term Debt, Continued

Primary Government, Continued

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

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

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

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

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

Changes in long-term debt of the primary government for the year ended September 30, 2020 was as follows:

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Due Within One Year
Loans payable:					
ADB loans	\$ 48,204,411	\$ 1,227,718	\$ (3,290,254)	\$ 46,141,875	\$ 3,492,434
ICDF loans	<u>1,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>4,000,000</u>	<u>-</u>
	\$ 49,204,411	\$ 4,227,718	\$ (3,290,254)	\$ 50,141,875	\$ 3,492,434

Discretely Presented Component Units

As of September 30, 2020, the discretely presented component units had the following long-term debt outstanding and payable:

	Dated Date	Interest Rate	Final Maturity	Outstanding Amount
Marshall Islands National Telecommunications Authority:				
Rural Utilities Service (RUS) mortgage note	April 17, 1990	5.00%	April 17, 2025	\$ 4,123,512
Rural Utilities Service (RUS) mortgage note	June 4, 1992	5.00%	June 4, 2027	515,662
Rural Utilities Service (RUS) mortgage note	March 12, 2009	5.00%	March 12, 2030	9,208,155
Rural Utilities Service (RUS) mortgage note	March 12, 2009	3.64% - 3.84%	March 12, 2030	<u>2,518,788</u>
				16,366,097
Tobolar Copra Processing Authority:				
Bank loan	June 23, 2016	8.5%	June 30, 2022	<u>486,685</u>
				\$ <u>16,852,782</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(7) Long-term Debt, Continued

Discretely Presented Component Units, Continued

Marshall Islands National Telecommunications Authority (MINTA):

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

The respective RUS Loan Agreements set forth covenants to ensure proper operation and maintenance of the telecommunications system and payment of debt service. In 2020, MINTA did not meet the required times interest earned ratio (TIER). MINTA management is of the opinion that RUS is aware of this matter.

The primary requirements of the loan agreements are summarized below:

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

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

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

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,910,633	\$ 743,107	\$ 2,653,740
2022	2,005,217	648,523	2,653,740
2023	2,104,523	549,217	2,653,740
2024	2,208,786	444,954	2,653,740
2025	1,608,664	345,928	1,954,592
2026 - 2030	<u>6,528,274</u>	<u>782,574</u>	<u>7,310,848</u>
	\$ <u>16,366,097</u>	\$ <u>3,514,303</u>	\$ <u>19,880,400</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(7) Long-term Debt, Continued

Discretely Presented Component Units, Continued

Tobolar Copra Processing Authority (TCPA):

Loan repayments to the bank are guaranteed by Marshall Islands Development Bank (MIDB) under which MIDB will make debt service payments in the event of default by TCPA and have been collateralized by a general security agreement over the assets of TCPA. The Loan Agreement sets forth covenants to ensure payment of debt service. The primary requirements of the loan agreement are summarized below:

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

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

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 286,849	\$ 33,157	\$ 320,006
2022	<u>200,016</u>	<u>5,750</u>	<u>205,766</u>
	<u>\$ 486,865</u>	<u>\$ 38,907</u>	<u>\$ 525,772</u>

Changes in long-term debt of the discretely presented component units for the year ended September 30, 2020 was as follows:

	<u>Balance October 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2020</u>	<u>Due Within One Year</u>
Loans payable:					
MEC	\$ 213,612	\$ -	\$ (213,612)	\$ -	\$ -
MINTA	18,086,873	-	(1,720,776)	16,366,097	1,910,633
TCPA	<u>768,366</u>	<u>-</u>	<u>(281,501)</u>	<u>486,865</u>	<u>286,849</u>
	<u>\$ 19,068,851</u>	<u>\$ -</u>	<u>\$ (2,215,889)</u>	<u>\$ 16,852,962</u>	<u>\$ 2,197,482</u>

(8) Change in Other 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, 2020, 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, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2020</u>	<u>Due Within One Year</u>
Due to component units	\$ 4,456,071	\$ 2,035,670	\$ (3,403,981)	\$ 3,087,760	\$ 3,087,760
Other:					
Compensated absences	<u>3,684,436</u>	<u>1,793,474</u>	<u>(1,409,665)</u>	<u>4,068,245</u>	<u>1,556,511</u>
	<u>\$ 8,140,507</u>	<u>\$ 3,829,144</u>	<u>\$ (4,813,646)</u>	<u>\$ 7,156,005</u>	<u>\$ 4,644,271</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(8) Change in Other Long-term Obligations, Continued

Discretely Presented Component Units

Changes in other long-term liabilities of discretely presented component units for the year ended September 30, 2020, are as follows:

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Due Within One Year
Due to component unit:					
AMI	\$ 300,792	\$ -	\$ (300,792)	\$ -	\$ -
Due to primary government:					
AMI	3,116,890	-	-	3,116,890	-
MEC	6,215,130	-	(364,794)	5,850,336	342,064
MIDB	1,000,000	-	-	1,000,000	-
MINTA	1,000,000	-	-	1,000,000	1,000,000
RMIPA	285,714	-	-	285,714	285,714
	<u>11,617,734</u>	<u>-</u>	<u>(364,794)</u>	<u>11,252,940</u>	<u>1,627,778</u>
	<u>\$ 11,918,526</u>	<u>\$ -</u>	<u>\$ (665,586)</u>	<u>\$ 11,252,940</u>	<u>\$ 1,627,778</u>

(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	\$ 2,990,250	\$ -	\$ -	\$ -	\$ 2,990,250
Loan receivable – MEC	5,850,336	-	-	-	5,850,336
Loan receivable – MIDB	1,000,000	-	-	-	1,000,000
Permanent fund principal	-	-	86,131,874	-	86,131,874
Restricted:					
Education and health	-	1,356,093	-	477,085	1,833,178
Capacity building	-	163,374	-	-	163,374
Environmental	-	107,956	-	-	107,956
Infrastructure	-	3,075	-	-	3,075
Infrastructure maintenance	-	1,066,513	-	-	1,066,513
Disaster assistance	-	3,941,239	-	-	3,941,239
Compact - other	-	42,663	-	-	42,663
ADB loan # 2659 sinking fund	3,254,682	-	-	-	3,254,682
ADB COVID-19 emergency response	627,495	-	-	-	627,495
ROC COVID-19 emergency response	673,246	-	-	-	673,246
ADB Pacific Disaster Resilience Program	4,103,803	-	-	-	4,103,803
ICDF loan - Track and Field	314,599	-	-	-	314,599
MIDB loan - Tobolar subsidy	517,068	-	-	-	517,068
European Development Fund	-	678,234	-	-	678,234
World Bank	-	475,977	-	-	475,977
Credit card collateralization	62,709	-	-	-	62,709
Nuclear claims related	-	-	-	557,247	557,247
Committed:					
Judiciary	-	-	-	593,744	593,744
Education and health	-	-	-	5,457,438	5,457,438
Capital projects	-	6,740,405	-	-	6,740,405
Other	14,251	-	-	1,437,201	1,451,452
Unassigned	<u>10,257,701</u>	<u>(103,384)</u>	<u>-</u>	<u>-</u>	<u>10,154,317</u>
	<u>\$ 29,666,140</u>	<u>\$ 14,472,145</u>	<u>\$ 86,131,874</u>	<u>\$ 8,522,715</u>	<u>\$ 138,792,874</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(9) Fund Balances, Continued

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

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Pacific Resilience Project II	\$ (119,671)	\$ 1,245,143	\$ 1,038,114	\$ 87,358
Sustainable Energy Development Project	563,621	1,619,146	2,182,767	-
RMI Maritime Investment Project	314,850	591,422	868,532	37,740
Strengthen Budget Execution and Financial Reporting	(1,528)	1,002,081	1,000,553	-
Multisectoral Early Childhood Development Project	822,724	(94,215)	475,752	252,757
Digital RMI Project	-	338,498	335,498	3,000
Education and Skills Strengthening Project	-	5,778	5,778	-
COVID-19 Emergency Response	-	1,600,000	1,504,878	95,122
	<u>\$ 1,579,996</u>	<u>\$ 6,307,853</u>	<u>\$ 7,411,872</u>	<u>\$ 475,977</u>

(10) 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.	\$ 294,151
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.	1,767,866
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.	4,054,673
Savings accounts collateralizing a credit card facility.	62,709
Deposit account established in accordance with ADB Loan 2659-RMI (SF) for the purpose of funding loan debt service payments.	3,254,682
Deposit account established to satisfy a court judgment pertaining to Civil Action 2014-133.	200,929
Savings account established for the purpose of accounting for funds held by RepMar in a custodial capacity relating to unclaimed property.	<u>104,047</u>
	<u>\$ 9,739,057</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(10) Restricted Assets, Continued

Primary Government, Continued

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. \$ 86,131,874

Discretely Presented Component Units

Restricted cash and cash equivalents of the discretely presented component units are as follows:

Deposit account established by Marshalls Energy Company, Inc. in accordance with ADB Loan 2659-RMI (\$F) for the purpose of funding repairs and maintenance. \$ 358,453

Savings account established by the Marshall Islands Development Bank collateralizing loans funded by Rural Housing Service. 500,012

\$ 858,465

(11) 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, 2020, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Compact Trust Fund	\$ 5,500,000	\$ 3,000,000
Nonmajor governmental funds	<u>1,786,358</u>	<u>683,006</u>
	<u>7,286,358</u>	<u>3,683,006</u>
Grants Assistance Fund:		
Nonmajor governmental funds	<u>2,448,207</u>	<u>-</u>
Compact Trust Fund:		
General Fund	<u>3,000,000</u>	<u>5,500,000</u>
Nonmajor governmental funds:		
General Fund	683,006	1,786,358
Grants Assistance Fund	<u>-</u>	<u>2,448,207</u>
	<u>683,006</u>	<u>4,234,565</u>
	<u>\$ 13,417,571</u>	<u>\$ 13,417,571</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 \$2,500,000 from the General Fund to the Compact Trust Fund as a net trust fund contribution; \$1,786,358 from the General Fund to the Nonmajor Governmental Funds to finance Judicial branch operations and scholarships; \$2,448,207 from the Grants Assistance Fund to the Nonmajor Governmental Funds to finance scholarships and Four-atoll medical costs; and \$683,006 from the Nonmajor Governmental Funds to the General Fund to fund general operations.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(12) 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, 2020, RepMar has contributed the required amounts to the "A Account" as required under Article 16 of the Trust Fund Agreement; however, Article 21 of the Trust Fund Agreement states that the United States may withdraw the Present Market Value of its contributions to the "A Account" if certain events occur.

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

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

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

RepMar - "A Account" and "C Account"	\$ 73,257,307
RepMar - "D Account"	<u>12,874,567</u>
	\$ <u>86,131,874</u>

As of September 30, 2020, 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"	\$ 384,773,054
Republic of China - "A Account" and "C Account"	<u>56,398,917</u>
	\$ <u>441,171,971</u>

(13) Contingencies and Commitments

Economic Dependency

During the year ended September 30, 2020, RepMar's General Fund recorded contributions from component units of \$31,327,953, which represents 34% of total General Fund revenues. These contributions include fisheries revenues of \$31,300,000 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(13) Contingencies and Commitments, Continued

Nuclear Claims Trust Fund (NCTF)

Section 177(c) of the Compact of Free Association (the Compact) provides, on a one-time grant basis, the amount of \$150,000,000 to RepMar to be used to establish a trust fund from which annual distributions are to be made in accordance with Article II of the Agreement between the Government of the United States and RepMar for Implementation of Section 177 of the Compact (the Agreement). Pursuant to the Agreement, RepMar established the NCTF from which these distributions are made. Over a period of fifteen years, the Nuclear Claims Tribunal (NCT) received \$45,750,000 from the NCTF that was made available for whole or partial payment of monetary awards. As of September 30, 2020, 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 2019 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2020. 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.

Litigation

RepMar is party to various legal proceedings, many of which are normal recurrences in governmental operations. The Attorney General of RepMar is of the opinion that the probable outcome of suits existing as of September 30, 2020 is not predictable. No provision for any liability has been made in the accompanying financial statements because management believes that no unfavorable outcome is likely to occur.

Marshall Islands Social Security Administration (MISSA)

In 2019, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2018. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of \$428,740,000 and \$79,270,000, respectively, as of October 1, 2018. The funded ratio of the Retirement Fund as of October 1, 2017 is 18%. As of September 30, 2020, MISSA recorded total fund equity of \$88,122,276 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.

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, 2020

(13) Contingencies and Commitments, Continued

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, 2020 is \$12,897,461.

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, 2020, RepMar appropriated \$1,405,835 to fund such leases.

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

<u>Year ending September 30,</u>	<u>Total</u>
2021	\$ 97,684
2022	97,684
2023	97,684
2024	97,684
2025	97,684
2026 - 2030	504,418
2031 - 2035	104,418
2036 - 2040	89,418
2041 - 2044	<u>63,534</u>
	<u>\$ 1,250,208</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>
2021	\$ 1,580,689
2022	1,695,733
2023	1,652,533
2024	1,630,933
2025	943,832
2026 - 2030	469,571
2031 - 2035	139,623
2036 - 2040	96,353
2041	<u>1,037</u>
	<u>\$ 8,210,304</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(13) Contingencies and Commitments, Continued

Operation, Management and Repair (OM&R) Agreement

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

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

<u>Year ending September 30,</u>	<u>Total</u>
2021	\$ 104,761
2022	107,904
2023	111,141
2024	114,475
2025	117,909
2026 - 2030	644,777
2031 - 2034	<u>589,013</u>
	<u>\$ 1,789,980</u>

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. On March 25, 2020, MINTA entered into an amendment to this agreement whereby the vendor and MINTA agreed to equally share all revenues from the 4G LTE services for a period of six months, commencing March 1, 2020, which may be extended by mutual consent. During the year ended September 30, 2020, MINTA recognized 4G LTE service revenues of \$518,621 associated with this arrangement.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(13) Contingencies and Commitments, Continued

Trust Company of the Marshall Islands, Continued

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

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

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

The abovementioned annual payments are contingent upon continued net earnings being generated by TCMI. In the event that net earnings of TCMI fall below 2007 levels, the annual payments are to be adjusted accordingly on a prorated basis. During the year ended September 30, 2020, TCMI made payments of \$7,386,364 to RepMar.

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, 2020, \$2,796,285 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 \$11,570,121 as of September 30, 2020. 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2020

(13) Contingencies and Commitments, Continued

Budgetary Compliance

For the year ended September 30, 2020, over-expenditures exceeding appropriations within the General Fund were as follows:

Outer Islands Local Government MISSA Payments	\$ 671,220
MIDB Loan Repayment	\$ 11,450
ICDF Commitment Fee	\$ 10,667
Majuro Landowners Electricity Bills	\$ 466,081
International Subscriptions	\$ 20,773
Prior Year Liabilities	\$ 66,383
ADB Loan Repayment	\$ 75,401
Council of Iroij	\$ 1,221

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

Other Commitments

Significant commitments of the primary government as of September 30, 2020, are as follows:

- a) Guaranteed debt of Marshall Islands National Telecommunications Authority (MINTA) in respect of a loan from RUS with a letter of guarantee. As of September 30, 2020, MINTA had guaranteed RUS debt totaling \$16,366,097.
- b) 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.
- c) 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.
- d) On October 27, 2016, the Cabinet of RepMar authorized and approved a loan from the International Cooperation and Development Fund (ICDF) for the Home Energy Efficiency and Renewable Energy Projects. On November 8, 2016, RepMar entered into a \$4,000,000 loan with ICDF. As of September 30, 2020, \$1,000,000 has been drawn against this loan commitment.
- e) On August 9, 2019, the Cabinet of RepMar authorized and approved a loan from the International Cooperation and Development Fund (ICDF) for the 2020 Micronesian Games Track and Field Project. On August 16, 2019, RepMar entered into a \$6,158,000 loan with ICDF. As of September 30, 2020, \$3,000,000 has been drawn against this loan commitment.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2020

(14) COVID-19 Pandemic

On January 30, 2020, the World Health Organization (WHO) declared the novel strain of coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. On February 7, 2020, RepMar's Office of the President issued a State of Emergency declaration due to COVID-19. RepMar's Ministry of Health and Human Services in conjunction with the National Disaster Committee and the Cabinet subsequently issued Health Travel Advisory and Restrictions Issuance No. 9 suspending passenger air travel into the Marshall Islands effective March 8, 2020. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended the containment and mitigation measures worldwide. On October 28, 2020, one confirmed case was identified in the Marshall Islands that was subsequently isolated and contained. On November 17, 2020, an additional three cases were identified, which were subsequently isolated and contained. On January 4, 2022, an additional three cases were identified, which were isolated and contained. As of May 13, 2022, no community transmission has been identified and air passenger travel into the Marshall Islands remains suspended with the exception of repatriation flights for stranded residents that require stringent quarantine measures prior to re-entry into the Marshall Islands.

Major donor organizations have committed resources to assist RepMar in responding to the threat posed by the pandemic, including the Asian Development Bank (ADB) and the World Bank (WB). The ADB has committed \$24,500,000 for COVID-19 response in the Marshall Islands, comprising \$16,000,000 from the Health Expenditure and Livelihoods Support Program, \$6,000,000 from Phase 3 of the Pacific Disaster Resilience Program, and \$1,000,000 from COVID-19 Emergency Response. In addition, the WB has committed \$2,500,000 to assist RepMar with prevention and detection of COVID-19 and to strengthening the local health system. Finally, RepMar is also able to avail of certain funding under the provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by the U.S. Congress and signed into law by President Donald Trump on March 27, 2020.

RepMar has determined that should community transmission occur within the Marshall Islands, it may negatively impact RepMar's financial position. However, the effect of the pandemic on RepMar is uncertain. Therefore, while RepMar expects this matter to potentially have a negative impact on its financial position, the related financial impact cannot be reasonably estimated at this time.

REPUBLIC OF THE MARSHALL ISLANDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2020

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, 2020

	Budgeted Amounts		Actual - Budgetary Basis (see Note 1)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 36,205,684	\$ 36,205,684	\$ 33,537,102	\$ (2,668,582)
MI Marine Resources Authority	30,000,000	31,300,000	31,300,000	-
Ship registry	7,250,000	7,390,513	7,386,364	(4,149)
Taiwan grant	4,000,000	5,250,000	5,282,388	32,388
World Bank grants	-	6,000,000	6,000,000	-
Other grants	-	-	53,317	53,317
Fees and charges	218,043	218,043	40,583	(177,460)
Interest and dividends	-	-	113,087	113,087
Other	1,566,210	2,690,683	326,716	(2,363,967)
Total revenues	79,239,937	89,054,923	84,039,557	(5,015,366)
Expenditures:				
President and Cabinet	3,015,105	3,041,417	2,844,890	196,527
Office of the Chief Secretary	1,280,463	11,803,421	7,061,648	4,741,773
Special appropriations	16,419,923	17,951,253	17,641,766	309,487
Council of Iroij	623,641	607,511	608,732	(1,221)
Nitijela	2,544,679	2,340,084	2,296,733	43,351
Office of the Auditor-General	1,937,765	2,083,406	1,874,741	208,665
Foreign Affairs and Trade	5,143,334	4,956,347	4,609,526	346,821
Public Service Commission	667,350	660,213	652,719	7,494
Judiciary	1,491,625	294,600	294,600	-
Office of the Attorney General	1,489,946	1,354,435	1,146,858	207,577
Education, Sports and Training	12,288,624	8,454,163	8,135,491	318,672
Health and Human Services	5,821,060	5,393,330	5,144,631	248,699
Transportation, Communication and Information Technology	4,628,160	4,580,269	4,493,524	86,745
Natural Resources and Commerce	11,139,530	10,879,720	10,273,947	605,773
Culture and Internal Affairs	3,623,326	4,029,791	3,969,293	60,498
Justice, Immigration and Labor	4,082,627	4,071,735	3,870,727	201,008
Finance, Banking and Postal Services	4,223,658	11,421,973	11,144,089	277,884
Work, Infrastructure and Utilities	5,106,362	5,483,523	5,287,139	196,384
Environmental Protection Authority	514,831	499,028	477,913	21,115
Total expenditures	86,042,009	99,906,219	91,828,967	8,077,252
Deficiency of revenues under expenditures	(6,802,072)	(10,851,296)	(7,789,410)	3,061,886
Other financing sources(uses):				
Loan proceeds	-	6,000,000	5,035,670	(964,330)
Operating transfers in	-	3,000,000	3,683,006	683,006
Operating transfers out	(500,000)	(5,450,776)	(5,356,649)	94,127
Total other financing sources(uses), net	(500,000)	3,549,224	3,362,027	(187,197)
	(7,302,072)	(7,302,072)	(4,427,383)	2,874,689
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	7,302,072	7,302,072	9,933,830	2,631,758
Net change in fund balance	\$ -	\$ -	\$ 5,506,447	\$ 5,506,447

See accompanying notes to required supplementary information - budgetary reporting.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Required Supplementary Information - Budgetary Reporting
September 30, 2020

(1) Budgetary Information

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

The Budget Act for fiscal year 2020, Public Law No. 2019-111, was passed by the Nitijela on September 20, 2019. 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>5,506,447</u>	\$ <u>9,933,830</u>
GASB 54 Funds included within the General Fund:		
PSS Education Fund	(58,930)	-
Reimbursable Fund	(4,716)	6,324
Judiciary Fund	29,850	-
EPA Fund	11,584	-
Agricultural Supplies Fund	29,037	-
ADB Development Fund	<u>662,161</u>	<u>387,277</u>
	<u>668,986</u>	<u>393,601</u>
General Fund	\$ <u>6,175,433</u>	\$ <u>10,327,431</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2020

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Expenditures by Account Governmental Funds Year Ended September 30, 2020

		Special Revenue	Permanent		
	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
Expenditures:					
Salaries and wages	\$ 24,390,098	\$ 23,234,723	\$ -	\$ 1,490,446	\$ 49,115,267
Unemployment benefits	-	1,550,709	-	-	1,550,709
Grants and subsidies	23,654,917	15,951,982	-	2,139,251	41,746,150
Financial assistance	1,716,623	-	-	-	1,716,623
Utilities	5,293,174	2,175,082	-	92,787	7,561,043
Contractual services	2,684,334	7,222,687	-	5,491,771	15,398,792
Capital outlay	6,068,999	8,053,521	-	219,235	14,341,755
Travel	1,018,608	834,916	-	742,581	2,596,105
Medical supplies	16,160	164,707	-	4,988,478	5,169,345
Principal repayment	6,694,235	-	-	-	6,694,235
Supplies and materials	706,167	1,588,001	-	235,117	2,529,285
Leased housing	2,277,352	357,353	-	72,000	2,706,705
Rentals	2,560,006	864,695	-	50,312	3,475,013
Food stuffs	2,197,208	746,593	-	63,867	3,007,668
Interest	664,066	-	-	-	664,066
Communications	609,532	447,008	-	131,887	1,188,427
POL	592,951	486,689	-	162,488	1,242,128
Allowances	1,346,821	9,460	-	-	1,356,281
Professional services	863,206	5,884,702	-	249,401	6,997,309
Printing and reproduction	77,124	174,936	-	36,077	288,137
Insurance	179,791	48,711	-	26,095	254,597
Freight	65,400	35,244	-	130,541	231,185
Other	2,696,193	2,341,612	-	290,201	5,328,006
	<u>\$ 86,372,965</u>	<u>\$ 72,173,331</u>	<u>\$ -</u>	<u>\$ 16,612,535</u>	<u>\$ 175,158,831</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

September 30, 2020

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

Statement of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund (Fund 100100) Year Ended September 30, 2020 (with comparative totals for the year ended September 30, 2019)

	2020	2019
Revenues:		
Taxes:		
Income	\$ 16,428,709	\$ 16,257,737
Import	7,199,898	7,311,957
Import - CMI	1,619,502	1,525,138
Gross revenue	6,863,681	7,696,026
Immovable property	752,390	702,622
Fuel	446,554	523,561
Penalties and interest	117,395	73,963
Other	108,973	97,122
	<u>33,537,102</u>	<u>34,188,126</u>
Fees and charges	40,583	53,573
Interest and dividends	113,087	130,300
Other:		
Taiwan grant	5,282,388	4,225,000
World Bank grants	6,000,000	-
Other grants	53,317	-
Ship registry	7,386,364	8,426,462
Contribution from MI Marine Resources Authority	31,300,000	29,141,128
Contribution from RMI Ports Authority	27,953	111,813
Other	298,763	724,283
	<u>50,348,785</u>	<u>42,628,686</u>
Total revenues	<u>84,039,557</u>	<u>77,000,685</u>
Expenditures:		
President and Cabinet:		
Office of the President	1,174,216	1,098,044
President and Ministers	6,632	667,086
Building Renovation	6,146	-
Cabinet Operations	1,060,116	616,263
Red Cross	-	-
	<u>2,247,110</u>	<u>2,381,393</u>
Office of the Chief Secretary:		
Administration	5,847,157	625,480
Deputy Chief Secretary - Ebeye	108,329	91,025
Economic Policy, Planning and Statistics Office	331,847	389,310
Office of Environmental Planning and Policy Coordination	-	8,671
	<u>6,287,333</u>	<u>1,114,486</u>
Special appropriations:		
Marshall Islands Social Security Administration (MISSA) subsidy	1,686,400	2,314,747
Kwajalein Atoll Local Government (Solid Waste matching)	135,000	307,981
Capitol Building	-	(1,483)
National Election	611,303	161,195
Centralized Utility Billings - Majuro	794,776	906,443
Nuclear Victim's Day	11,000	-
Employee Pension Fund	10,294	112,943
General Fund Reserve	-	155,000
Centralized Utility Billings - Ebeye	39,830	33,131
Land leases	1,244,134	1,292,124
Majuro Landowners Electricity	3,821,071	3,800,200
Leased housing	118,725	116,834
Contingency Fund	59,008	288,111
International Subscriptions/Membership Fees	485,029	476,888
Prior Year Liabilities	152,390	1,731,818
ADB loan repayment	3,875,401	3,844,485
Majuro Resort, Inc. (Ebeye Wellness)	(178,560)	198,400
COMI Endowment Fund	99,200	99,200
MIDB Loan Repayment	3,482,900	-
KADA Operations	29,847	28,565
OIHD Solar System	50,592	-
ICDF Commitment Fee	10,667	-
Kwajalein Atoll Local Government (MISSA payments)	671,220	594,702
	<u>17,210,227</u>	<u>16,461,284</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund (Fund 100100), Continued Year Ended September 30, 2020 (with comparative totals for the year ended September 30, 2019)

	2020	2019
Expenditures, continued:		
Council of Iroij:		
Administration	180,856	159,220
Members	415,858	402,777
	<u>596,714</u>	<u>561,997</u>
Nitijela:		
Operations	880,919	785,200
General membership	1,084,107	1,420,859
Speaker's contingency	83,434	115,497
Committee	9,531	97,709
Legislative counsel	94,480	111,321
	<u>2,152,471</u>	<u>2,530,586</u>
Office of the Auditor-General:		
Operations	672,931	684,120
Single audit - local match	405,247	421,761
	<u>1,078,178</u>	<u>1,105,881</u>
Public Service Commission:		
Members	134,149	140,491
Administration	480,896	511,420
	<u>615,045</u>	<u>651,911</u>
Office of the Attorney General	<u>1,072,978</u>	<u>1,623,284</u>
Ministries:		
Education, Sports and Training	7,986,691	7,958,291
Health and Human Services	4,826,912	5,659,512
Transportation, Communication and Information Technology	4,466,278	5,705,868
Natural Resources and Commerce	9,928,802	8,036,816
Culture and Internal Affairs	3,559,122	3,401,920
Justice, Immigration and Labor	3,792,067	3,520,739
Finance, Banking and Postal Services	7,642,389	3,936,918
Foreign Affairs and Trade	4,495,084	4,681,048
Works, Infrastructure and Utilities	3,486,548	6,767,072
	<u>50,183,893</u>	<u>49,668,184</u>
Environmental Protection Authority	451,188	407,299
Total expenditures	<u>81,895,137</u>	<u>76,506,305</u>
Excess of revenues over expenditures	<u>2,144,420</u>	<u>494,380</u>
Other financing sources:		
Loan proceeds:		
International Cooperation and Development Fund	3,000,000	1,000,000
Marshall Islands Development Bank	2,035,670	3,904,330
Operating transfers in:		
Section 211 (b)(1) Ebeye Special Needs Fund	-	500,000
Section 211 (e)(1) Disaster Assistance Fund	-	1,394,169
Compact Trust Fund	3,000,000	-
Ministry of Justice Fund	683,006	971,088
Total other financing sources	<u>8,718,676</u>	<u>7,769,587</u>
Other financing uses:		
Operating transfers out:		
Judiciary Fund	698,421	694,451
Marshall Islands Scholarship, Grant and Loan Board Fund	758,692	1,496,785
Marshall Islands Judiciary Fund	329,245	324,012
Marshall Islands Health Fund	-	1,400,000
Marshall Islands Public School System Fund	3,070,291	3,305,583
Section 211 (a)(5) Environment Fund	-	4,577
Compact Trust Fund	500,000	250,000
Section 211 (d)(2) Infrastructure Maintenance Fund	-	468,617
Section 211 (e)(1) Disaster Assistance Fund	-	244,260
Total other financing uses	<u>5,356,649</u>	<u>8,188,285</u>
Net change in fund balance	<u>5,506,447</u>	<u>75,682</u>
Fund balance at the beginning of the year	23,353,646	23,277,964
Fund balance at the end of the year	<u>\$ 28,860,093</u>	<u>\$ 23,353,646</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, 2020

	Budgeted Amounts		Actual -	
	Original	Final	Budgetary Basis	Variance
Revenues:				
Taxes:				
Income	\$ 17,899,230	\$ 17,899,230	\$ 16,428,709	\$ (1,470,521)
Import	7,744,128	7,744,128	7,199,898	(544,230)
Import - CMI	1,333,000	1,333,000	1,619,502	286,502
Gross revenue	7,500,000	7,500,000	6,863,681	(636,319)
Immovable property	700,000	700,000	752,390	52,390
Fuel	872,872	872,872	446,554	(426,318)
Penalties and interest	70,000	70,000	117,395	47,395
Other	86,454	86,454	108,973	22,519
	<u>36,205,684</u>	<u>36,205,684</u>	<u>33,537,102</u>	<u>(2,668,582)</u>
Fees and charges	218,043	218,043	40,583	(177,460)
Interest and dividends	-	-	113,087	113,087
Other:				
Taiwan grant	4,000,000	5,250,000	5,282,388	32,388
World Bank grants	-	6,000,000	6,000,000	-
Other grants	-	-	53,317	53,317
Ship registry	7,250,000	7,390,513	7,386,364	(4,149)
MI Marine Resources Authority	30,000,000	31,300,000	31,300,000	-
RMI Ports Authority	791,000	791,000	27,953	(763,047)
Other	775,210	1,899,683	298,763	(1,600,920)
	<u>42,816,210</u>	<u>52,631,196</u>	<u>50,348,785</u>	<u>(2,282,411)</u>
Total revenues	<u>79,239,937</u>	<u>89,054,923</u>	<u>84,039,557</u>	<u>(5,015,366)</u>
Expenditures:				
President and Cabinet:				
Office of the President	1,976,656	1,911,677	1,732,373	179,304
President and Ministers	-	-	6,632	(6,632)
Building Renovation	-	-	6,146	(6,146)
Cabinet Operations	1,038,449	1,129,740	1,099,739	30,001
	<u>3,015,105</u>	<u>3,041,417</u>	<u>2,844,890</u>	<u>196,527</u>
Office of the Chief Secretary:				
Administration	671,503	11,234,582	6,601,092	4,633,490
Deputy Chief Secretary - Ebeye	120,334	105,340	114,765	(9,425)
EPPSO	488,626	463,499	345,791	117,708
	<u>1,280,463</u>	<u>11,803,421</u>	<u>7,061,648</u>	<u>4,741,773</u>
Special appropriations:				
MISSA subsidy	1,686,400	1,686,400	1,686,400	-
Solid Waste Matching	-	135,000	135,000	-
Capital Building	40,625	40,625	40,625	-
Employee Pension Fund	424,760	424,760	29,802	394,958
Outer Islands Local Government MISSA payments	-	-	671,220	(671,220)
National Election	448,250	678,086	660,949	17,137
General Fund reserve	30,000	30,000	30,000	-
Ebeye Wellness	198,400	198,400	19,840	178,560
KADA operations	39,680	39,680	33,399	6,281
Centralized Utility Billings - Majuro	823,360	823,360	794,776	28,584
Nuclear Victim's Day	-	11,000	11,000	-
Outer Islands Projects	260	260	260	-
Water Project	53,694	53,694	53,694	-
CMI Endowment Fund	99,200	99,200	99,200	-
MIDB Loan Repayment	2,480,000	3,471,450	3,482,900	(11,450)
Constitutional Convention	446,400	446,400	-	446,400
Pacific Festival of Arts	74,400	74,400	-	74,400
OIHD Solar System	50,592	50,592	50,592	-
ICDF Commitment Fee	-	-	10,667	(10,667)
Centralized Utility Billings - Ebeye	49,600	49,600	39,830	9,770
Land leases	1,405,835	1,405,835	1,244,134	161,701
Majuro Landowners Electricity	3,354,990	3,354,990	3,821,071	(466,081)
Leased housing	158,723	153,885	130,018	23,867
Contingency Fund	210,547	357,634	68,297	289,337
International Subscriptions/Membership Fees	464,256	464,256	485,029	(20,773)
Prior Year Liabilities	86,007	86,007	152,390	(66,383)
ADB loan repayment	3,769,600	3,800,000	3,875,401	(75,401)
Constitutional Convention	24,344	15,739	15,272	467
	<u>16,419,923</u>	<u>17,951,253</u>	<u>17,641,766</u>	<u>309,487</u>
Council of Iroij:				
Administration	184,264	184,444	187,458	(3,014)
Members	439,377	423,067	421,274	1,793
	<u>623,641</u>	<u>607,511</u>	<u>608,732</u>	<u>(1,221)</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, 2020

	Budgeted Amounts		Actual -	Variance
	Original	Final	Budgetary Basis	
Expenditures, Continued:				
Nitijela:				
Operations	738,906	972,172	952,214	19,958
General Membership	1,383,501	1,092,842	1,111,981	(19,139)
Speaker's Contingency	130,585	110,987	102,488	8,499
Committee	154,281	47,751	35,570	12,181
Legislative Counsel	137,406	116,332	94,480	21,852
	<u>2,544,679</u>	<u>2,340,084</u>	<u>2,296,733</u>	<u>43,351</u>
Office of the Auditor-General:				
Operations	766,899	847,040	694,375	152,665
Single audit	1,170,866	1,236,366	1,180,366	56,000
	<u>1,937,765</u>	<u>2,083,406</u>	<u>1,874,741</u>	<u>208,665</u>
Foreign Affairs and Trade:				
Administration	2,179,069	1,950,585	1,911,409	39,176
Washington D.C. Embassy	668,386	620,074	517,340	102,734
RMI-USaka Office	114,467	93,384	83,160	10,224
Honolulu Consulate	272,427	271,177	234,310	36,867
United Nations Mission - New York	487,951	567,887	522,584	45,303
Japan Embassy - Tokyo	523,373	552,885	536,690	16,195
ROC Embassy - Taipei	396,263	380,567	349,867	30,700
Fiji Embassy - Suva	428,899	441,395	397,846	43,549
Korea Embassy	72,499	78,393	56,320	22,073
	<u>5,143,334</u>	<u>4,956,347</u>	<u>4,609,526</u>	<u>346,821</u>
Public Service Commission:				
Members	158,569	150,433	134,649	15,784
Administration	508,781	509,780	518,070	(8,290)
	<u>667,350</u>	<u>660,213</u>	<u>652,719</u>	<u>7,494</u>
Judiciary:				
General Courts	1,229,368	294,600	294,600	-
Traditional Rights Court	142,712	-	-	-
Community Court	104,096	-	-	-
Judicial Service Commission	15,449	-	-	-
	<u>1,491,625</u>	<u>294,600</u>	<u>294,600</u>	<u>-</u>
Office of the Attorney General:				
Attorney General Office	1,134,115	1,029,520	888,699	140,821
Immigration - Majuro	264,153	243,937	206,019	37,918
Immigration - Ebeye	91,678	80,978	52,140	28,838
	<u>1,489,946</u>	<u>1,354,435</u>	<u>1,146,858</u>	<u>207,577</u>
Education, Sports and Training:				
College of the Marshall Islands	2,565,203	2,813,203	2,813,203	-
National Training Council	92,846	86,205	84,482	1,723
RMI/USP Joint Project	595,200	595,200	595,200	-
Scholarship Board	764,678	-	-	-
Administration	3,371,944	1,069,049	1,066,184	2,865
Policy and Planning	248,808	244,408	214,924	29,484
Elementary Support Services	655,735	515,338	412,125	103,213
Contracted Teachers	3,073,304	2,685,499	2,525,669	159,830
Secondary Education and Support Services	95,140	64,475	46,856	17,619
Aid to Private Schools	496,000	-	-	-
Property and Maintenance	329,766	325,580	321,642	3,938
PSS Teachers Certification Program	-	55,206	55,206	-
	<u>12,288,624</u>	<u>8,454,163</u>	<u>8,135,491</u>	<u>318,672</u>
Health and Human Services:				
Office of the Secretary	2,319,230	2,262,591	1,973,102	289,489
Health Planning and Statistics	189,879	173,460	153,363	20,097
Majuro Hospital Medical Services	2,399,201	2,303,472	2,283,600	19,872
Hospital Capital Account	197,658	197,658	197,658	-
Primary Health Care	171,621	106,815	121,150	(14,335)
Outer Island Dispensaries	14,545	82,361	80,075	2,286
Kwajalein Atoll Public Health	-	-	6,720	(6,720)
Kwajalein Atoll Health Services	528,926	266,973	328,963	(61,990)
	<u>5,821,060</u>	<u>5,393,330</u>	<u>5,144,631</u>	<u>248,699</u>
Transportation, Communication and Information Technology:				
Office of the Secretary	4,270,910	4,259,365	4,204,697	54,668
Director of Civil Aviation	357,250	320,904	288,827	32,077
	<u>4,628,160</u>	<u>4,580,269</u>	<u>4,493,524</u>	<u>86,745</u>
Natural Resources and Commerce:				
Administration	9,354,809	9,241,179	8,767,624	473,555
Agro-Forestry	704,519	630,235	522,175	108,060
Trade and Investment	286,602	214,706	190,548	24,158
Office of Commerce and Investment	793,600	793,600	793,600	-
	<u>11,139,530</u>	<u>10,879,720</u>	<u>10,273,947</u>	<u>605,773</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, 2020

	Budgeted Amounts		Actual -	
	Original	Final	Budgetary Basis	Variance
Expenditures, Continued:				
Culture and Internal Affairs:				
Administration	1,519,175	1,716,821	1,715,433	1,388
Alele Corporation	221,628	238,699	238,874	(175)
Local Government Affairs	1,050,024	1,266,461	1,214,808	51,653
Community Development	50,828	35,741	38,226	(2,485)
Youth Services Bureau	44,618	40,109	37,757	2,352
Gender and Development	47,594	38,617	27,641	10,976
Electoral Administration	167,135	185,425	190,131	(4,706)
Elections	352	352	352	-
V7AB Radio Division	322,764	326,543	315,424	11,119
Registrar Office	156,992	140,838	151,801	(10,963)
Central Adoption Administration	42,216	40,185	38,846	1,339
	<u>3,623,326</u>	<u>4,029,791</u>	<u>3,969,293</u>	<u>60,498</u>
Justice, Immigration and Labor:				
Public Defender	240,557	224,227	193,544	30,683
Public Safety - Majuro	2,364,982	2,346,340	2,179,254	167,086
Public Safety - Ebeye	560,124	560,124	558,012	2,112
Sea Patrol	802,557	826,637	825,510	1,127
Land Registry Authority	114,407	114,407	114,407	-
	<u>4,082,627</u>	<u>4,071,735</u>	<u>3,870,727</u>	<u>201,008</u>
Finance, Banking and Postal Services:				
Office of the Secretary	893,075	8,212,079	8,161,744	50,335
Accounting and Administration	731,933	802,695	777,144	25,551
Revenue Division - Majuro	387,170	360,903	395,271	(34,368)
Customs Division	319,733	294,869	239,637	55,232
Treasury Division	83,390	81,562	72,833	8,729
Budget and Procurement	573,814	496,774	415,932	80,842
Procurement and Supply Division	307,733	288,206	257,137	31,069
Ebeye - Finance	220,984	252,175	250,814	1,361
Ebeye - Revenue Collections	-	-	340	(340)
Ebeye Revenue/Custom Office	185,537	154,307	140,394	13,913
Banking Commission	520,289	478,403	432,843	45,560
	<u>4,223,658</u>	<u>11,421,973</u>	<u>11,144,089</u>	<u>277,884</u>
Work, Infrastructure and Utilities:				
Administration	3,524,772	3,855,283	3,654,287	200,996
CGMA	1,478,743	1,405,393	1,440,938	(35,545)
OI Projects	1,402	1,402	1,402	-
Pass (Lib and Jabot)	-	120,000	120,000	-
Project Management Unit	101,445	101,445	70,512	30,933
	<u>5,106,362</u>	<u>5,483,523</u>	<u>5,287,139</u>	<u>196,384</u>
Environment:				
Ministry Office	514,831	499,028	473,505	25,523
Environmental Protection Authority	-	-	4,408	(4,408)
	<u>514,831</u>	<u>499,028</u>	<u>477,913</u>	<u>21,115</u>
Total expenditures	<u>86,042,009</u>	<u>99,906,219</u>	<u>91,828,967</u>	<u>8,077,252</u>
	<u>(6,802,072)</u>	<u>(10,851,296)</u>	<u>(7,789,410)</u>	<u>3,061,886</u>
Other financing sources (uses):				
Loan proceeds:				
International Cooperation and Development Fund	-	6,000,000	3,000,000	(3,000,000)
Marshall Islands Development Bank	-	-	2,035,670	2,035,670
	<u>-</u>	<u>6,000,000</u>	<u>5,035,670</u>	<u>(964,330)</u>
Operating transfers in:				
Compact Trust Fund	-	3,000,000	3,000,000	-
Ministry of Justice Fund	-	-	683,006	683,006
	<u>-</u>	<u>3,000,000</u>	<u>3,683,006</u>	<u>683,006</u>
Operating transfers out:				
Judiciary Fund	-	791,319	698,421	92,898
MI Scholarship Fund	-	759,921	758,692	1,229
MI Judiciary Fund	-	329,245	329,245	-
MI Public School System Fund	-	3,070,291	3,070,291	-
Compact Trust Fund	500,000	500,000	500,000	-
	<u>500,000</u>	<u>5,450,776</u>	<u>5,356,649</u>	<u>94,127</u>
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes	<u>7,302,072</u>	<u>7,302,072</u>	<u>9,933,830</u>	<u>2,631,758</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,506,447</u>	<u>\$ 5,506,447</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2020

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, 2020, 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.

Recycling Fund

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

Resident Workers Training Account Fund

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2020

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, 2020

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Balance Sheet September 30, 2020

	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	-	-	-	-	-	-	-	155,161	-
General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	810	-
Due from other funds	365,964	18,118	476,560	181,845	515,392	-	173,515	1,259,636	12,829
Advances	100	-	1,204	-	16,529	-	-	(1,804)	-
Total assets	<u>\$ 366,064</u>	<u>\$ 18,118</u>	<u>\$ 477,764</u>	<u>\$ 181,845</u>	<u>\$ 531,921</u>	<u>\$ -</u>	<u>\$ 173,515</u>	<u>\$ 1,413,803</u>	<u>\$ 12,829</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 17,748	\$ -	\$ -	\$ -	\$ 379,829	\$ -	\$ 13,258	\$ 519,800	\$ 440
Medical claims payable	-	-	-	-	-	-	-	-	-
Other liabilities and accruals	-	-	-	181,845	-	-	-	8,819	-
Total liabilities	<u>17,748</u>	<u>-</u>	<u>-</u>	<u>181,845</u>	<u>379,829</u>	<u>-</u>	<u>13,258</u>	<u>528,619</u>	<u>440</u>
Fund balances:									
Restricted	-	-	-	-	-	-	-	-	-
Committed	348,316	18,118	477,764	-	152,092	-	160,257	885,184	12,389
Total fund balances	<u>348,316</u>	<u>18,118</u>	<u>477,764</u>	<u>-</u>	<u>152,092</u>	<u>-</u>	<u>160,257</u>	<u>885,184</u>	<u>12,389</u>
Total liabilities and fund balances	<u>\$ 366,064</u>	<u>\$ 18,118</u>	<u>\$ 477,764</u>	<u>\$ 181,845</u>	<u>\$ 531,921</u>	<u>\$ -</u>	<u>\$ 173,515</u>	<u>\$ 1,413,803</u>	<u>\$ 12,829</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Balance Sheet, Continued September 30, 2020

	200525	200527	200528	200540	300612						
	Transportation Services	Registrar General	Ministry of Internal Affairs	Banking Commissioner	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Elimination	Total
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 683,450	\$ 601,801	\$ 651,540	\$ 185,455	\$ -	\$ 2,122,246
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	-	-	155,161
General	-	-	-	-	459,612	-	-	-	1,957,641	-	2,417,253
Other	-	-	-	-	-	15,569	3,689	176,034	-	-	196,102
Due from other funds	37,019	391	222,045	7,500	97,635	-	-	-	2,350,855	-	5,719,304
Advances	-	-	6,242	-	-	21,115	-	230,571	375,000	-	648,957
Total assets	<u>\$ 37,019</u>	<u>\$ 391</u>	<u>\$ 228,287</u>	<u>\$ 7,500</u>	<u>\$ 557,247</u>	<u>\$ 720,134</u>	<u>\$ 605,490</u>	<u>\$ 1,058,145</u>	<u>\$ 4,868,951</u>	<u>\$ -</u>	<u>\$ 11,259,023</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ 4,932	\$ -	\$ -	\$ 35,470	\$ 7,511	\$ 485,412	\$ 516,186	\$ -	\$ 1,980,586
Medical claims payable	-	-	-	-	-	-	-	-	457,929	-	457,929
Other liabilities and accruals	-	-	-	-	-	-	4,235	102,894	-	-	297,793
Total liabilities	<u>-</u>	<u>-</u>	<u>4,932</u>	<u>-</u>	<u>-</u>	<u>35,470</u>	<u>11,746</u>	<u>588,306</u>	<u>974,115</u>	<u>-</u>	<u>2,736,308</u>
Fund balances:											
Restricted	-	-	-	-	557,247	477,085	-	-	-	-	1,034,332
Committed	37,019	391	223,355	7,500	-	207,579	593,744	469,839	3,894,836	-	7,488,383
Total fund balances	<u>37,019</u>	<u>391</u>	<u>223,355</u>	<u>7,500</u>	<u>557,247</u>	<u>684,664</u>	<u>593,744</u>	<u>469,839</u>	<u>3,894,836</u>	<u>-</u>	<u>8,522,715</u>
Total liabilities and fund balances	<u>\$ 37,019</u>	<u>\$ 391</u>	<u>\$ 228,287</u>	<u>\$ 7,500</u>	<u>\$ 557,247</u>	<u>\$ 720,134</u>	<u>\$ 605,490</u>	<u>\$ 1,058,145</u>	<u>\$ 4,868,951</u>	<u>\$ -</u>	<u>\$ 11,259,023</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

**Combining Statement of Revenues, Expenditures By Function,
and Changes in Fund Balances (Deficits)
Year Ended September 30, 2020**

	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	169,101	-	92,360	-	1,043,128	-	929,862	738,061	10,240
Interest	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	39,879	-	-	-	-
Total revenues	169,101	-	92,360	-	1,083,007	-	929,862	738,061	10,240
Expenditures by Function:									
Current:									
Judiciary	-	-	-	-	-	-	-	-	-
Ministries:									
Education, Sports and Training	-	-	-	-	-	-	-	535,310	-
Health and Human Services	-	-	-	-	-	-	-	-	-
Culture and Internal Affairs	-	-	-	-	-	-	-	-	-
Justice, Immigration and Labor	-	-	-	-	300,058	-	-	-	3,719
Finance, Banking and Postal Services	-	-	-	-	-	-	786,334	-	-
Foreign Affairs and Trade	-	-	24,250	-	-	-	-	-	-
Works, Infrastructure and Utilities	186,929	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-
Total expenditures	186,929	-	24,250	-	300,058	-	786,334	535,310	3,719
Excess (deficiency) of revenues over (under) expenditures	(17,828)	-	68,110	-	782,949	-	143,528	202,751	6,521
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(683,006)	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	(683,006)	-	-	-	-
Net change in fund balances (deficits)	(17,828)	-	68,110	-	99,943	-	143,528	202,751	6,521
Fund balances (deficits) at the beginning of the year	366,144	18,118	409,654	-	52,149	-	16,729	682,433	5,868
Fund balances at the end of the year	\$ 348,316	\$ 18,118	\$ 477,764	\$ -	\$ 152,092	\$ -	\$ 160,257	\$ 885,184	\$ 12,389

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

**Combining Statement of Revenues, Expenditures By Function,
and Changes in Fund Balances (Deficits), Continued
Year Ended September 30, 2020**

	200525	200527	200528	200540	300612						
	Transportation Services	Registrar General	Ministry of Internal Affairs	Banking Commissioner	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Elimination	Total
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 529,927	\$ -	\$ -	\$ 529,927
Fees and charges	-	-	65,147	7,500	-	-	99,329	418,627	8,704,183	-	12,277,538
Interest	-	-	-	-	-	21,271	5,622	-	71,035	-	97,928
Sales	2,625	-	-	-	-	-	48,613	40,980	343,409	-	475,506
Total revenues	2,625	-	65,147	7,500	-	21,271	153,564	989,534	9,118,627	-	13,380,899
Expenditures by Function:											
Current:											
Judiciary	-	-	-	-	-	-	1,085,776	-	-	-	1,085,776
Ministries:											
Education, Sports and Training	-	-	-	-	-	1,977,321	-	-	-	-	2,512,631
Health and Human Services	-	-	-	-	-	-	-	5,011,144	5,003,268	-	10,014,412
Culture and Internal Affairs	-	-	18,188	-	-	-	-	-	-	-	18,188
Justice, Immigration and Labor	-	-	-	-	-	-	-	-	-	-	303,777
Finance, Banking and Postal Services	-	-	-	-	-	-	-	-	-	-	786,334
Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	-	24,250
Works, Infrastructure and Utilities	-	-	-	-	-	-	-	-	-	-	186,929
Nuclear claims related	-	-	-	-	1,680,238	-	-	-	-	-	1,680,238
Total expenditures	-	-	18,188	-	1,680,238	1,977,321	1,085,776	5,011,144	5,003,268	-	16,612,535
Excess (deficiency) of revenues over (under) expenditures	2,625	-	46,959	7,500	(1,680,238)	(1,956,050)	(932,212)	(4,021,610)	4,115,359	-	(3,231,636)
Other financing sources (uses):											
Operating transfers in	-	-	-	-	1,656,005	1,550,894	1,027,666	3,073,017	-	(3,073,017)	4,234,565
Operating transfers out	-	-	-	-	-	-	-	-	(3,073,017)	3,073,017	(683,006)
Total other financing sources (uses), net	-	-	-	-	1,656,005	1,550,894	1,027,666	3,073,017	(3,073,017)	-	3,551,559
Net change in fund balances (deficits)	2,625	-	46,959	7,500	(24,233)	(405,156)	95,454	(948,593)	1,042,342	-	319,923
Fund balances (deficits) at the beginning of the year	34,394	391	176,396	-	581,480	1,089,820	498,290	1,418,432	2,852,494	-	8,202,792
Fund balances at the end of the year	\$ 37,019	\$ 391	\$ 223,355	\$ 7,500	\$ 557,247	\$ 684,664	\$ 593,744	\$ 469,839	\$ 3,894,836	\$ -	\$ 8,522,715

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures By Account, and Changes in Fund Balances (Deficits) Year Ended September 30, 2020

	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	169,101	-	92,360	-	1,043,128	-	929,862	738,061	10,240
Interest	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	39,879	-	-	-	-
Total revenues	169,101	-	92,360	-	1,083,007	-	929,862	738,061	10,240
Expenditures by Account:									
Grants and subsidies	-	-	-	-	-	-	-	385,522	-
Salaries and wages	-	-	-	-	258	-	-	138,952	-
Medical supplies	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	786,334	-	-
Capital outlay	42,587	-	24,250	-	19,264	-	-	-	-
Travel	-	-	-	-	36,047	-	-	-	-
Food stuffs	23,494	-	-	-	6,024	-	-	-	-
Supplies and materials	19,922	-	-	-	91,041	-	-	-	3,719
POL	61,066	-	-	-	72,011	-	-	-	-
Rentals	5,867	-	-	-	-	-	-	10,836	-
Communications	-	-	-	-	300	-	-	-	-
Insurance	-	-	-	-	5,018	-	-	-	-
Utilities	835	-	-	-	988	-	-	-	-
Leased housing	-	-	-	-	-	-	-	-	-
Freight	-	-	-	-	40,399	-	-	-	-
Professional services	-	-	-	-	-	-	-	-	-
Printing and reproduction	-	-	-	-	352	-	-	-	-
Other	33,158	-	-	-	28,356	-	-	-	-
Total expenditures	186,929	-	24,250	-	300,058	-	786,334	535,310	3,719
Excess (deficiency) of revenues over (under) expenditures	(17,828)	-	68,110	-	782,949	-	143,528	202,751	6,521
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(683,006)	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	(683,006)	-	-	-	-
Net change in fund balances (deficits)	(17,828)	-	68,110	-	99,943	-	143,528	202,751	6,521
Fund balances (deficits) at the beginning of the year	366,144	18,118	409,654	-	52,149	-	16,729	682,433	5,868
Fund balances at the end of the year	\$ 348,316	\$ 18,118	\$ 477,764	\$ -	\$ 152,092	\$ -	\$ 160,257	\$ 885,184	\$ 12,389

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures By Account, and Changes in Fund Balances (Deficits), Continued Year Ended September 30, 2020

	200525	200527	200528	200540	300612						
	Transportation Services	Registrar General	Ministry of Internal Affairs	Banking Commissioner	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Elimination	Total
Revenues:											
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 529,927	\$ -	\$ -	\$ 529,927
Fees and charges	-	-	65,147	7,500	-	-	99,329	418,627	8,704,183	-	12,277,538
Interest	-	-	-	-	-	21,271	5,622	-	71,035	-	97,928
Sales	2,625	-	-	-	-	-	48,613	40,980	343,409	-	475,506
Total revenues	2,625	-	65,147	7,500	-	21,271	153,564	989,534	9,118,627	-	13,380,899
Expenditures by Account:											
Grants and subsidies	-	-	-	-	-	1,723,737	-	29,992	-	-	2,139,251
Salaries and wages	-	-	-	-	-	128,169	698,419	217,988	306,660	-	1,490,446
Medical supplies	-	-	-	-	-	-	-	4,262,926	725,552	-	4,988,478
Contractual services	-	-	10,828	-	1,680,238	-	-	-	3,014,371	-	5,491,771
Capital outlay	-	-	3,839	-	-	8,493	73,229	1,890	45,683	-	219,235
Travel	-	-	-	-	-	-	26,441	118,958	561,135	-	742,581
Food stuffs	-	-	-	-	-	-	745	33,604	-	-	63,867
Supplies and materials	-	-	3,377	-	-	12,451	57,633	29,498	17,476	-	235,117
POL	-	-	-	-	-	2,506	10,746	10,373	5,786	-	162,488
Rentals	-	-	-	-	-	15,840	2,167	15,602	-	-	50,312
Communications	-	-	-	-	-	30,737	59,205	31,018	10,627	-	131,887
Insurance	-	-	-	-	-	-	4,419	-	16,658	-	26,095
Utilities	-	-	-	-	-	-	37,347	-	53,617	-	92,787
Leased housing	-	-	-	-	-	-	72,000	-	-	-	72,000
Freight	-	-	-	-	-	-	173	89,969	-	-	130,541
Professional services	-	-	-	-	-	-	26,789	22,612	200,000	-	249,401
Printing and reproduction	-	-	-	-	-	2,303	-	33,422	-	-	36,077
Other	-	-	144	-	-	53,085	16,463	113,292	45,703	-	290,201
Total expenditures	-	-	18,188	-	1,680,238	1,977,321	1,085,776	5,011,144	5,003,268	-	16,612,535
Excess (deficiency) of revenues over (under) expenditures	2,625	-	46,959	7,500	(1,680,238)	(1,956,050)	(932,212)	(4,021,610)	4,115,359	-	(3,231,636)
Other financing sources (uses):											
Operating transfers in	-	-	-	-	1,656,005	1,550,894	1,027,666	3,073,017	-	(3,073,017)	4,234,565
Operating transfers out	-	-	-	-	-	-	-	-	(3,073,017)	3,073,017	(683,006)
Total other financing sources (uses), net	-	-	-	-	1,656,005	1,550,894	1,027,666	3,073,017	(3,073,017)	-	3,551,559
Net change in fund balances (deficits)	2,625	-	46,959	7,500	(24,233)	(405,156)	95,454	(948,593)	1,042,342	-	319,923
Fund balances (deficits) at the beginning of the year	34,394	391	176,396	-	581,480	1,089,820	498,290	1,418,432	2,852,494	-	8,202,792
Fund balances at the end of the year	\$ 37,019	\$ 391	\$ 223,355	\$ 7,500	\$ 557,247	\$ 684,664	\$ 593,744	\$ 469,839	\$ 3,894,836	\$ -	\$ 8,522,715

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUSTS

September 30, 2020

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, 2020, 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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Statement of Fiduciary Net Position Fiduciary Funds - Private Purpose Trusts September 30, 2020

DILOG Fund Number		350610	510610	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,772,892	\$ -	\$ -	\$ 4,772,892
Time certificate of deposit	2,000,000	-	-	2,000,000
Receivables, net:				
Contributions	4,487,653	-	-	4,487,653
Other	125,836	-	-	125,836
Investments	79,249,751	-	-	79,249,751
Due from other funds	-	421,658	388,832	810,490
Capital assets, net of accumulated depreciation	477,210	-	-	477,210
Total assets	<u>91,113,342</u>	<u>421,658</u>	<u>388,832</u>	<u>91,923,832</u>
 LIABILITIES				
Accounts payable	195,984	-	35,266	231,250
Other liabilities and accruals	99,741	-	-	99,741
Due to other funds	2,350,855	-	-	2,350,855
Total liabilities	<u>2,646,580</u>	<u>-</u>	<u>35,266</u>	<u>2,681,846</u>
 NET POSITION				
Restricted for:				
Social security benefits	88,466,762	-	-	88,466,762
Land use distributions	-	421,658	353,566	775,224
Total net position	<u>\$ 88,466,762</u>	<u>\$ 421,658</u>	<u>\$ 353,566</u>	<u>\$ 89,241,986</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds - Private Purpose Trusts Year Ended September 30, 2020

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	\$ 15,434,429	\$ -	\$ -	\$ 15,434,429
Government employees	6,837,692	-	-	6,837,692
Penalties and interest	672,115	-	-	672,115
	<u>22,944,236</u>	<u>-</u>	<u>-</u>	<u>22,944,236</u>
Total contributions				
Investment earnings:				
Net change in the fair value of investments	885,458	-	-	885,458
Interest and dividends	1,660,257	-	-	1,660,257
	<u>2,545,715</u>	<u>-</u>	<u>-</u>	<u>2,545,715</u>
Total investment earnings				
Less investment expense	140,543	-	-	140,543
	<u>2,405,172</u>	<u>-</u>	<u>-</u>	<u>2,405,172</u>
Net investment earnings				
Other:				
Compact funding	-	-	22,374,000	22,374,000
Transfer in	1,686,400	-	-	1,686,400
Other	456,283	-	-	456,283
	<u>2,142,683</u>	<u>-</u>	<u>22,374,000</u>	<u>24,516,683</u>
Total additions	<u>27,492,091</u>	<u>-</u>	<u>22,374,000</u>	<u>49,866,091</u>
Deductions:				
Land use distributions	-	-	22,338,247	22,338,247
Benefits	20,932,495	-	-	20,932,495
Administrative expenses	1,246,808	-	-	1,246,808
	<u>22,179,303</u>	<u>-</u>	<u>22,338,247</u>	<u>44,517,550</u>
Total deductions				
Change in net position held in trust for:				
Social security benefits	5,312,788	-	-	5,312,788
Land use distributions	-	-	35,753	35,753
Net position at the beginning of the year	<u>83,153,974</u>	<u>421,658</u>	<u>317,813</u>	<u>83,893,445</u>
Net position at the end of the year	<u>\$ 88,466,762</u>	<u>\$ 421,658</u>	<u>\$ 353,566</u>	<u>\$ 89,241,986</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

FIDUCIARY FUNDS - AGENCY

September 30, 2020

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, 2020, 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, 2020

	Balance October 1, 2019	Additions	Deductions	Balance September 30, 2020
<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, 2020

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, 2020, follows:

Majuro Atoll Waste Company, Inc. (MAWC)

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

Majuro Resort, Inc. (MRI)

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

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 upon approval of the Cabinet 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 provides financial support to MIPSA through legislative appropriations.

National Environmental Protection Authority (EPA)

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

September 30, 2020

Office of Commerce, Investment and Tourism (OCIT)

OCIT, formerly known as the Office of Commerce and Investment (OCI), was established pursuant to the Office of Commerce, Investment and Tourism (Amendment) Act 2018 (Public Law No. 2018-57), which amended the OCI Act of 2013 (Public Law 2013-21). OCI began operations as a statutory corporation on November 25, 2013 upon receiving its first operational budget. The objectives of OCI were to: (1) to investigate, study, develop and implement social and economic development programs and projects, alone or in conjunction with other governmental, private organizations, or agencies, for the betterment of the economic and social conditions of the inhabitants of the Republic; (2) encourage and develop, and manage, businesses of economic or social importance to the Republic, such as tourism, poultry farming and piggeries; and (3) conduct, on behalf of RepMar, such business enterprises as the RepMar Cabinet directs, on such terms and conditions as were agreed to between OCI and the RepMar Cabinet; provided, however, in all decisions of the Board or the RepMar Cabinet, the protection of existing enterprises shall be given highest consideration. OCIT is governed by a seven-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to OCIT through legislative appropriations.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

Combining Statement of Net Position September 30, 2020

	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	National Environmental Protection Authority	Office of Commerce, Investment and Tourism	Total
<u>ASSETS</u>							
Cash and cash equivalents	\$ 76,064	\$ 466,800	\$ 320,471	\$ 942,347	\$ 588,004	\$ 93,187	\$ 2,486,873
Receivables, net	56,285	390,149	247,433	49,534	30,128	10,152	783,681
Inventories	-	24,036	766,157	17,816	-	-	808,009
Other assets	21,100	29,507	155,841	3,335	-	-	209,783
Capital assets:							
Nondepreciable capital assets	-	71,757	-	-	-	-	71,757
Other capital assets, net of accumulated depreciation	580,564	930,740	1,379,990	68,717	89,196	99,352	3,148,559
Total assets	<u>734,013</u>	<u>1,912,989</u>	<u>2,869,892</u>	<u>1,081,749</u>	<u>707,328</u>	<u>202,691</u>	<u>7,508,662</u>
<u>LIABILITIES</u>							
Accounts payable	68,142	791,614	3,390,815	47,401	-	35,696	4,333,668
Other liabilities and accruals	44,482	605,800	42,488	53,172	25,153	55,386	826,481
Unearned revenue	-	-	86,935	24,088	31,381	-	142,404
Total liabilities	<u>112,624</u>	<u>1,397,414</u>	<u>3,520,238</u>	<u>124,661</u>	<u>56,534</u>	<u>91,082</u>	<u>5,302,553</u>
<u>NET POSITION</u>							
Net investment in capital assets	580,564	1,002,497	1,379,990	68,717	89,196	99,352	3,220,316
Restricted	89,221	-	105,008	-	233,369	-	427,598
Unrestricted	(48,396)	(486,922)	(2,135,344)	888,371	328,229	12,257	(1,441,805)
Total net position	<u>\$ 621,389</u>	<u>\$ 515,575</u>	<u>\$ (650,346)</u>	<u>\$ 957,088</u>	<u>\$ 650,794</u>	<u>\$ 111,609</u>	<u>\$ 2,206,109</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

NONMAJOR COMPONENT UNITS

Combining Statement of Revenues, Expenses, and Changes in Net Position Year Ended September 30, 2020

	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	National Environmental Protection Authority	Office of Commerce, Investment and Tourism	Total
Expenses	\$ 1,617,075	\$ 3,755,798	\$ 1,781,897	\$ 790,574	\$ 736,644	\$ 788,826	\$ 9,470,814
Program revenues:							
Charges for services	939,031	3,620,374	992,648	698,514	296,247	20,278	6,567,092
Operating grants and contributions	-	-	-	-	184,036	27,724	211,760
Capital grants and contributions	82,480	-	291,312	-	-	-	373,792
Total program revenues	1,021,511	3,620,374	1,283,960	698,514	480,283	48,002	7,152,644
Net program revenues (expenses)	(595,564)	(135,424)	(497,937)	(92,060)	(256,361)	(740,824)	(2,318,170)
General revenues:							
Payments from RepMar	598,898	239,065	757,902	238,080	352,872	793,600	2,980,417
Other	20,224	-	-	-	-	-	20,224
Total general revenues	619,122	239,065	757,902	238,080	352,872	793,600	3,000,641
Change in net position	23,558	103,641	259,965	146,020	96,511	52,776	682,471
Net position at the beginning of the year	597,831	411,934	(910,311)	811,068	554,283	58,833	1,523,638
Net position at the end of the year	\$ 621,389	\$ 515,575	\$ (650,346)	\$ 957,088	\$ 650,794	\$ 111,609	\$ 2,206,109

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GRANTS ASSISTANCE FUND

September 30, 2020

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, 2020, 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.

World Bank Fund

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

Other Direct Assistance Fund

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

Republic of China Projects Fund

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GRANTS ASSISTANCE FUND

September 30, 2020

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, 2020**

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	\$ -	\$ -	\$ -	\$ 291,500	\$ 7,904,003	\$ -	\$ -	\$ -	\$ -	\$ 9,121,608	\$ 17,317,111
General	-	-	-	-	-	-	728,443	(133,995)	2,000,000	-	2,594,448
Due from other funds	40,380	690	1,593	-	-	726,675	365,497	165,234	5,473,233	7,940,846	14,714,148
Advances	-	-	-	-	131,974	8,575	19,619	(5,784)	16,415	189,534	360,333
Total assets	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 291,500</u>	<u>\$ 8,035,977</u>	<u>\$ 735,250</u>	<u>\$ 1,113,559</u>	<u>\$ 25,455</u>	<u>\$ 7,489,648</u>	<u>\$ 17,251,988</u>	<u>\$ 34,986,040</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ 22,500	\$ 1,572,783	\$ 51,888	\$ 637,582	\$ 14,689	\$ 493,745	\$ 1,457,582	\$ 4,250,769
Other liabilities and accruals	-	-	-	-	207,008	5,128	-	2,106	12,238	926,942	1,153,422
Payable to federal agencies	-	-	-	-	-	-	-	-	-	1,479,942	1,479,942
Retention payable	-	-	-	-	37,926	-	-	70,000	243,260	1,326,611	1,677,797
Due to other funds	-	-	-	269,000	6,260,304	-	-	-	-	5,422,661	11,951,965
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,500</u>	<u>8,078,021</u>	<u>57,016</u>	<u>637,582</u>	<u>86,795</u>	<u>749,243</u>	<u>10,613,738</u>	<u>20,513,895</u>
Fund balances:											
Restricted	40,380	690	1,593	-	-	678,234	475,977	-	-	6,638,250	7,835,124
Committed	-	-	-	-	-	-	-	-	6,740,405	-	6,740,405
Unassigned (deficits)	-	-	-	-	(42,044)	-	-	(61,340)	-	-	(103,384)
Total fund balances (deficits)	<u>40,380</u>	<u>690</u>	<u>1,593</u>	<u>-</u>	<u>(42,044)</u>	<u>678,234</u>	<u>475,977</u>	<u>(61,340)</u>	<u>6,740,405</u>	<u>6,638,250</u>	<u>14,472,145</u>
Total liabilities and fund balances	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 291,500</u>	<u>\$ 8,035,977</u>	<u>\$ 735,250</u>	<u>\$ 1,113,559</u>	<u>\$ 25,455</u>	<u>\$ 7,489,648</u>	<u>\$ 17,251,988</u>	<u>\$ 34,986,040</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GRANTS ASSISTANCE FUND Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2020

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700200	700360	700370			
	Section 215(a)(1) Communi- cations	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	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	\$ -	\$ -	\$ -	\$ 487,741	\$ 15,530,873	\$ 2,344,455	\$ 6,307,853	\$ 382,480	\$ 8,640,000	\$ 41,995,983	\$ -	\$ 75,689,385
Expenditures by Function:												
Current:												
President and Cabinet	-	-	-	-	-	-	-	-	17,557	-	-	17,557
Office of the Chief Secretary	-	-	-	-	3,711,755	-	1,504,589	145,465	260,441	-	-	5,622,250
Special appropriations	-	-	-	-	-	1,500,000	-	-	30,399	-	-	1,530,399
Office of the Auditor-General	-	-	-	487,741	-	-	-	-	-	-	-	487,741
Office of the Attorney General	-	-	-	-	1,590,754	-	-	-	-	-	-	1,590,754
Ministries:												
Education, Sports and Training	-	-	-	-	1,777,551	-	-	-	-	18,469,457	-	20,247,008
Health and Human Services	-	-	-	-	5,217,550	-	-	-	700,211	10,684,666	-	16,602,427
Transportation, Communication and Information Technology	-	-	-	-	-	-	-	-	154,800	-	-	154,800
Natural Resources and Commerce	-	-	-	-	-	14,661	-	22,342	376,915	-	-	413,918
Culture and Internal Affairs	-	-	-	-	255,707	-	-	739	800,061	-	-	1,056,507
Justice, Immigration and Labor	-	-	-	-	-	-	-	-	360,000	-	-	360,000
Finance, Banking and Postal Services	-	-	-	-	1,321,551	276,792	5,907,283	41,856	1,421,634	2,466,555	-	11,435,671
Foreign Affairs and Trade	-	-	-	-	-	-	-	2,594	158,754	-	-	161,348
Environmental Protection Authority	-	-	-	-	-	220,388	-	43,010	1,672	196,455	-	461,525
Capital outlay	-	-	-	-	-	-	-	-	3,394,942	8,636,484	-	12,031,426
Total expenditures	-	-	-	487,741	13,874,868	2,011,841	7,411,872	256,006	7,677,386	40,453,617	-	72,173,331
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,656,005	332,614	(1,104,019)	126,474	962,614	1,542,366	-	3,516,054
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	651,332	(651,332)	-
Operating transfers out	-	-	-	-	(1,656,005)	-	-	-	(651,332)	(792,202)	651,332	(2,448,207)
Total other financing sources (uses), net	-	-	-	-	(1,656,005)	-	-	-	(651,332)	(140,870)	-	(2,448,207)
Net change in fund balances (deficits)	-	-	-	-	-	332,614	(1,104,019)	126,474	311,282	1,401,496	-	1,067,847
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(42,044)	345,620	1,579,996	(187,814)	6,429,123	5,236,754	-	13,404,298
Fund balances (deficits) at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (42,044)	\$ 678,234	\$ 475,977	\$ (61,340)	\$ 6,740,405	\$ 6,638,250	\$ -	\$ 14,472,145

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GRANTS ASSISTANCE FUND
Combining Statement of Revenues, Expenditures by Account,
and Changes in Fund Balances (Deficits)
Year Ended September 30, 2020

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700200	700360	700370			
	Section 215(a)(1) Communica- tions	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	\$ -	\$ -	\$ -	\$ 487,741	\$ 15,530,873	\$ 2,344,455	\$ 6,307,853	\$ 382,480	\$ 8,640,000	\$ 41,995,983	\$ -	\$ 75,689,385
Expenditures by Account:												
Salaries and wages	-	-	-	-	4,193,943	107,129	-	123,938	124,453	18,685,260	-	23,234,723
Unemployment benefits	-	-	-	-	1,550,709	-	-	-	-	-	-	1,550,709
Capital outlay	-	-	-	-	3,925,470	43,598	62,609	4,735	658,734	3,358,375	-	8,053,521
Grants and subsidies	-	-	-	-	731,632	1,520,000	-	14,400	3,732,342	9,953,608	-	15,951,982
Utilities	-	-	-	-	288,880	450	993	-	3,271	1,881,488	-	2,175,082
Leased housing	-	-	-	-	55,680	-	-	-	4,100	297,573	-	357,353
Supplies and materials	-	-	-	-	281,425	5,322	95,109	2,092	193,861	1,010,192	-	1,588,001
Contractual services	-	-	-	-	1,160,271	241,921	1,857,359	90,106	2,374,007	1,499,023	-	7,222,687
Travel	-	-	-	-	344,806	19,069	107,259	4,725	22,460	336,597	-	834,916
Food stuffs	-	-	-	-	73,810	8,858	40,196	2,000	94,887	526,842	-	746,593
Professional services	-	-	-	487,741	26,467	30,068	5,180,276	12,000	142,650	5,500	-	5,884,702
Allowances	-	-	-	-	4,500	-	960	-	-	4,000	-	9,460
Medical supplies	-	-	-	-	97,486	-	-	-	16,484	50,737	-	164,707
Communications	-	-	-	-	228,494	4,533	9,729	-	8,539	195,713	-	447,008
POL	-	-	-	-	162,791	2,845	2,988	-	47,568	270,497	-	486,689
Rentals	-	-	-	-	184,709	5,220	21,822	-	161,469	491,475	-	864,695
Freight	-	-	-	-	3,277	-	-	1,734	-	30,233	-	35,244
Printing and reproduction	-	-	-	-	107,787	-	18,155	-	3,200	45,794	-	174,936
Insurance	-	-	-	-	7,970	164	1,038	-	-	39,539	-	48,711
Other	-	-	-	-	444,761	22,664	13,379	276	89,361	1,771,171	-	2,341,612
Total expenditures	-	-	-	487,741	13,874,868	2,011,841	7,411,872	256,006	7,677,386	40,453,617	-	72,173,331
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,656,005	332,614	(1,104,019)	126,474	962,614	1,542,366	-	3,516,054
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	651,332	(651,332)	-
Operating transfers out	-	-	-	-	(1,656,005)	-	-	-	(651,332)	(792,202)	651,332	(2,448,207)
Total other financing sources (uses), net	-	-	-	-	(1,656,005)	-	-	-	(651,332)	(140,870)	-	(2,448,207)
Net change in fund balances (deficits)	-	-	-	-	-	332,614	(1,104,019)	126,474	311,282	1,401,496	-	1,067,847
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(42,044)	345,620	1,579,996	(187,814)	6,429,123	5,236,754	-	13,404,298
Fund balances (deficits) at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (42,044)	\$ 678,234	\$ 475,977	\$ (61,340)	\$ 6,740,405	\$ 6,638,250	\$ -	\$ 14,472,145

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND
September 30, 2020

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, 2020

Section 211(b)(3) Kwajalein Environment Fund

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

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

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

Section 211(d)(2) Infrastructure Maintenance Fund

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

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

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

COMPACT OF FREE ASSOCIATION SECTOR GRANTS

Combining Balance Sheet

September 30, 2020

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	\$ -	\$ 1,044,328	\$ 143,016	\$ -	\$ -	\$ 1,196,572	\$ 593,972	\$ -	\$ 5,849,498	\$ 294,222	\$ -	\$ 9,121,608
Due from other funds	1,139,641	-	968,934	163,374	-	376,676	-	227,362	-	1,123,620	3,941,239	7,940,846
Advances	14,293	58,445	7,907	-	-	88,929	9,984	5,907	7,040	(2,971)	-	189,534
Total assets	<u>\$ 1,153,934</u>	<u>\$ 1,102,773</u>	<u>\$ 1,119,857</u>	<u>\$ 163,374</u>	<u>\$ -</u>	<u>\$ 1,662,177</u>	<u>\$ 603,956</u>	<u>\$ 233,269</u>	<u>\$ 5,856,538</u>	<u>\$ 1,414,871</u>	<u>\$ 3,941,239</u>	<u>\$ 17,251,988</u>
<u>LIABILITIES AND FUND BALANCES</u>												
Liabilities:												
Accounts payable	\$ 145,856	\$ 233,720	\$ 78,150	\$ -	\$ -	\$ 447,589	\$ 53,997	\$ 1,598	\$ 490,672	\$ 6,000	\$ -	\$ 1,457,582
Other liabilities and accruals	398,753	121,485	282,395	-	-	93,281	5,519	8,181	17,328	-	-	926,942
Payable to federal agencies	298,677	-	297,242	-	-	325,848	248,990	115,534	193,651	-	-	1,479,942
Retention payable	-	-	-	-	-	212,084	179,152	-	593,017	342,358	-	1,326,611
Due to other funds	-	747,568	-	-	-	-	116,298	-	4,558,795	-	-	5,422,661
Total liabilities	<u>843,286</u>	<u>1,102,773</u>	<u>657,787</u>	<u>-</u>	<u>-</u>	<u>1,078,802</u>	<u>603,956</u>	<u>125,313</u>	<u>5,853,463</u>	<u>348,358</u>	<u>-</u>	<u>10,613,738</u>
Fund balances:												
Restricted	310,648	-	462,070	163,374	-	583,375	-	107,956	3,075	1,066,513	3,941,239	6,638,250
Total liabilities and fund balances	<u>\$ 1,153,934</u>	<u>\$ 1,102,773</u>	<u>\$ 1,119,857</u>	<u>\$ 163,374</u>	<u>\$ -</u>	<u>\$ 1,662,177</u>	<u>\$ 603,956</u>	<u>\$ 233,269</u>	<u>\$ 5,856,538</u>	<u>\$ 1,414,871</u>	<u>\$ 3,941,239</u>	<u>\$ 17,251,988</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

COMPACT OF FREE ASSOCIATION SECTOR GRANTS Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances Year Ended September 30, 2020

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	\$ 10,977,819	\$ 5,062,967	\$ 7,923,995	\$ -	\$ -	\$ 8,470,548	\$ 2,466,555	\$ 133,066	\$ 6,260,714	\$ 451,719	\$ 248,600	\$ 41,995,983
Expenditures by Function:												
Current:												
Ministries:												
Education, Sports and Training	10,352,141	5,062,967	-	-	-	2,326,825	-	-	727,524	-	-	18,469,457
Health and Human Services	-	-	7,703,911	-	-	2,757,405	-	-	-	223,350	-	10,684,666
Finance, Banking and Postal Services	-	-	-	-	-	-	2,466,555	-	-	-	-	2,466,555
Environmental Protection Authority	-	-	-	-	-	-	-	196,455	-	-	-	196,455
Capital outlay	-	-	-	-	-	2,954,312	-	-	5,533,190	148,982	-	8,636,484
Total expenditures	10,352,141	5,062,967	7,703,911	-	-	8,038,542	2,466,555	196,455	6,260,714	372,332	-	40,453,617
Excess (deficiency) of revenues over (under) expenditures	625,678	-	220,084	-	-	432,006	-	(63,389)	-	79,387	248,600	1,542,366
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	402,732	248,600	651,332
Operating transfers out	(592,202)	-	-	-	-	(200,000)	-	-	-	-	-	(792,202)
Total other financing sources (uses), net	(592,202)	-	-	-	-	(200,000)	-	-	-	402,732	248,600	(140,870)
Net change in fund balances (deficits)	33,476	-	220,084	-	-	232,006	-	(63,389)	-	482,119	497,200	1,401,496
Fund balances at the beginning of the year	277,172	-	241,986	163,374	-	351,369	-	171,345	3,075	584,394	3,444,039	5,236,754
Fund balances at the end of the year	\$ 310,648	\$ -	\$ 462,070	\$ 163,374	\$ -	\$ 583,375	\$ -	\$ 107,956	\$ 3,075	\$ 1,066,513	\$ 3,941,239	\$ 6,638,250

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

COMPACT OF FREE ASSOCIATION SECTOR GRANTS
Combining Statement of Revenues, Expenditures by Account,
and Changes in Fund Balances (Deficits)
Year Ended September 30, 2020

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	\$ 10,977,819	\$ 5,062,967	\$ 7,923,995	\$ -	\$ -	\$ 8,470,548	\$ 2,466,555	\$ 133,066	\$ 6,260,714	\$ 451,719	\$ 248,600	\$ 41,995,983
Expenditures by Account:												
Salaries and wages	7,812,130	2,418,779	5,819,176	-	-	2,015,407	103,619	184,196	331,953	-	-	18,685,260
Capital outlay	66,224	276,861	114,882	-	-	462,173	637,010	-	1,728,542	72,683	-	3,358,375
Grants and subsidies	1,281,996	288,325	100,000	-	-	2,776,087	1,655,961	-	3,532,132	319,107	-	9,953,608
Utilities	618,848	35,973	643,144	-	-	582,623	900	-	-	-	-	1,881,488
Leased housing	-	-	258,065	-	-	-	9,000	-	30,508	-	-	297,573
Supplies and materials	76,640	490,276	110,889	-	-	315,386	-	901	9,985	6,115	-	1,010,192
Contractual services	-	986,809	269,321	-	-	242,893	-	-	-	-	-	1,499,023
Travel	66,686	94,523	59,817	-	-	84,663	377	4,158	26,373	-	-	336,597
Food stuffs	207,242	48,156	116,162	-	-	155,282	-	-	-	-	-	526,842
Professional services	-	-	-	-	-	-	-	-	5,500	-	-	5,500
Allowances	-	4,000	-	-	-	-	-	-	-	-	-	4,000
Medical supplies	-	-	9,198	-	-	41,539	-	-	-	-	-	50,737
Communications	22,209	23,768	18,300	-	-	112,493	-	-	18,943	-	-	195,713
POL	85,476	23,561	43,868	-	-	105,834	100	-	11,658	-	-	270,497
Rentals	2,750	49,681	53,360	-	-	378,484	-	7,200	-	-	-	491,475
Freight	11,947	9,394	1,398	-	-	7,494	-	-	-	-	-	30,233
Printing and reproduction	18,983	128	20,000	-	-	6,683	-	-	-	-	-	45,794
Insurance	29,794	-	3,644	-	-	1,963	-	-	4,138	-	-	39,539
Other	51,216	312,733	62,687	-	-	749,538	59,588	-	560,982	(25,573)	-	1,771,171
Total expenditures	10,352,141	5,062,967	7,703,911	-	-	8,038,542	2,466,555	196,455	6,260,714	372,332	-	40,453,617
Excess (deficiency) of revenues over (under) expenditures	625,678	-	220,084	-	-	432,006	-	(63,389)	-	79,387	248,600	1,542,366
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	402,732	248,600	651,332
Operating transfers out	(592,202)	-	-	-	-	(200,000)	-	-	-	-	-	(792,202)
Total other financing sources (uses), net	(592,202)	-	-	-	-	(200,000)	-	-	-	402,732	248,600	(140,870)
Net change in fund balances (deficits)	33,476	-	220,084	-	-	232,006	-	(63,389)	-	482,119	497,200	1,401,496
Fund balances (deficits) at the beginning of the year	277,172	-	241,986	163,374	-	351,369	-	171,345	3,075	584,394	3,444,039	5,236,754
Fund balances at the end of the year	\$ 310,648	\$ -	\$ 462,070	\$ 163,374	\$ -	\$ 583,375	\$ -	\$ 107,956	\$ 3,075	\$ 1,066,513	\$ 3,941,239	\$ 6,638,250

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

September 30, 2020

Education Fund

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

Reimbursable Fund

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

Changed Circumstances Fund

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

Judiciary Fund

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

Alternative Energy Fund

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

EPA Fund

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

Agricultural Supplies Fund

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

Postal Service Fund

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

September 30, 2020

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.

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)).

Treasury Fund

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

Payroll Revolving Fund

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

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

**Combining Balance Sheet
September 30, 2020**

	100100		200090		200317		200330		200335		200337		200507		200515		300400		300600		500617		800405		950000		960000			
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Agricultural Supplies	Postal Service	MIDA	Local Government	Compact Section 111	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total													
ASSETS																														
Cash and cash equivalents	\$ -	\$ 191,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,268	\$ 22,356,212	\$ -	\$ -	\$ 22,569,943													
Receivables, net:																														
Taxes	2,716,244	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,716,244													
General	641,876	-	8,508	-	-	-	-	-	-	-	-	-	223,992	(1,566)	-	-	872,810													
Due from other funds	23,477,987	-	-	54,458	420,495	444	-	73,326	-	-	14,251	-	320,137	12,148,543	18,320	(24,575,996)	11,951,965													
Due from component units	6,850,336	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,850,336													
Advances	410,277	-	6,864	-	-	-	-	-	-	-	-	-	1,106	(63,583)	-	-	354,664													
Other assets	2,990,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,990,250													
Restricted assets:																														
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	9,739,057	-	-	9,739,057													
Total assets	\$ 37,086,970	\$ 191,463	\$ 15,372	\$ 54,458	\$ 420,495	\$ 444	\$ -	\$ 73,326	\$ -	\$ -	\$ 14,251	\$ -	\$ 567,503	\$ 44,178,663	\$ 18,320	\$ (24,575,996)	\$ 58,045,269													
LIABILITIES AND FUND BALANCE (DEFICIT)																														
Liabilities:																														
Accounts payable	\$ 4,122,682	\$ 177,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,053	\$ 741,674	\$ -	\$ -	\$ 5,174,436													
Other liabilities and accruals	2,582,298	-	16,103	-	-	28	4,042	-	-	-	-	-	4,434	-	18,320	-	2,625,225													
Retention payable	634,836	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	634,836													
Due to component units	551,741	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	551,741													
Unearned revenue	335,320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	335,320													
Due to other funds	-	-	164,617	-	-	-	31,303	-	658	-	-	-	-	43,436,989	-	(24,575,996)	19,057,571													
Total liabilities	8,226,877	177,027	180,720	-	-	28	35,345	-	658	-	-	-	137,487	44,178,663	18,320	(24,575,996)	28,379,129													
Fund balance:																														
Nonspendable	9,840,586	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,840,586													
Restricted	5,608,716	-	-	-	-	-	-	-	-	-	-	-	627,495	3,317,391	-	-	9,553,602													
Committed	-	-	-	-	-	-	-	-	-	-	14,251	-	-	-	-	-	14,251													
Unassigned (deficits)	13,410,791	14,436	(165,348)	54,458	420,495	416	(35,345)	73,326	(658)	-	-	-	(197,479)	(3,317,391)	-	-	10,257,701													
Total fund balance (deficits)	28,860,093	14,436	(165,348)	54,458	420,495	416	(35,345)	73,326	(658)	-	14,251	-	430,016	-	-	-	29,666,140													
Total liabilities and fund balance	\$ 37,086,970	\$ 191,463	\$ 15,372	\$ 54,458	\$ 420,495	\$ 444	\$ -	\$ 73,326	\$ -	\$ -	\$ 14,251	\$ -	\$ 567,503	\$ 44,178,663	\$ 18,320	\$ (24,575,996)	\$ 58,045,269													

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

Combining Statement of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2020

	100100		200090	200317	200330	200335	200337	200507	200515	300400	300600	500617	800405	950000	960000		
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Agricultural Supplies	Postal Service	MIDA	Local Government	Compact Section 111	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total
Revenues:																	
Taxes	\$ 33,537,102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,537,102
Federal and other grants	11,335,705	-	-	-	-	-	-	-	-	-	-	5,000,000	1,852,611	-	-	-	18,188,316
Ship registry	7,386,364	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,386,364
Interest and dividends	113,087	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	113,087
Fees and charges	40,583	-	114,514	-	65,850	-	-	-	-	-	-	-	-	-	-	-	220,947
Contributions from component units	31,327,953	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,327,953
Other	298,763	14,511	-	-	-	-	-	29,037	-	-	-	-	-	-	-	-	342,311
Total revenues	84,039,557	14,511	114,514	-	65,850	-	-	29,037	-	-	-	5,000,000	1,852,611	-	-	-	91,116,080
Expenditures by Function:																	
Current:																	
President and Cabinet	2,247,110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,247,110
Office of the Chief Secretary	6,287,333	-	-	-	-	-	-	-	-	-	-	-	369,808	-	-	-	6,657,141
Special appropriations	17,210,227	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,358,301)	9,851,926
Council of Iroij	596,714	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	596,714
Nitijela	2,152,471	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,152,471
Office of the Auditor-General	1,078,178	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,078,178
Public Service Commission	615,045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	615,045
Judiciary	-	-	-	-	36,000	-	-	-	-	-	-	-	-	-	-	-	36,000
Office of the Attorney General	1,072,978	-	74,971	-	-	-	-	-	-	-	-	-	-	-	-	-	1,147,949
Ministries:																	
Education, Sports and Training	7,986,691	3,143,732	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,130,423
Health and Human Services	4,826,912	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,826,912
Transportation, Communication and																	
Information Technology	4,466,278	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,466,278
Natural Resources and Commerce	9,928,802	-	14,097	-	-	-	-	-	-	-	-	-	-	-	-	-	9,942,899
Culture and Internal Affairs	3,559,122	-	-	-	-	-	-	-	-	-	-	-	17,530	-	-	-	3,576,652
Justice, Immigration and Labor	3,792,067	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,792,067
Finance, Banking and Postal Services	7,642,389	-	30,162	-	-	-	-	-	-	-	-	-	803,112	-	-	-	8,475,663
Foreign Affairs and Trade	4,495,084	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,495,084
Works, Infrastructure and Utilities	3,486,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,486,548
Environmental Protection Authority	451,188	-	-	-	-	-	(11,584)	-	-	-	-	-	-	-	-	-	439,604
Debt service:																	
Principal repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,694,235	6,694,235
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	664,066	664,066
Total expenditures	81,895,137	3,143,732	119,230	-	36,000	-	(11,584)	-	-	-	-	-	1,190,450	-	-	-	86,372,965
Excess (deficiency) of revenues over (under) expenditures	2,144,420	(3,129,221)	(4,716)	-	29,850	-	11,584	29,037	-	-	-	5,000,000	662,161	-	-	-	4,743,115
Other financing sources (uses):																	
Loan proceeds	5,035,670	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,035,670
Operating transfers in	3,683,006	3,070,291	-	-	698,421	-	-	-	-	-	-	-	-	-	-	(3,768,712)	3,683,006
Operating transfers out	(5,356,649)	-	-	-	(698,421)	-	-	-	-	-	-	(5,000,000)	-	-	-	3,768,712	(7,286,358)
Total other financing sources (uses), net	3,362,027	3,070,291	-	-	-	-	-	-	-	-	-	(5,000,000)	-	-	-	-	1,432,318
Net change in fund balances (deficits)	5,506,447	(58,930)	(4,716)	-	29,850	-	11,584	29,037	-	-	-	-	662,161	-	-	-	6,175,433
Fund balances (deficits) at the beginning of the year	23,353,646	73,366	(160,632)	54,458	390,645	416	(46,929)	44,289	(658)	-	14,251	-	(232,145)	-	-	-	23,490,707
Fund balances (deficits) at the end of the year	\$ 28,860,093	\$ 14,436	\$ (165,348)	\$ 54,458	\$ 420,495	\$ 416	\$ (35,345)	\$ 73,326	\$ (658)	\$ -	\$ 14,251	\$ -	\$ 430,016	\$ -	\$ -	\$ -	\$ 29,666,140

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

GENERAL FUND

Combining Schedule of Expenditures By Account Year Ended September 30, 2020

	100100		200090	200317	200330	200335	200337	200507	200515	300400	300600	500617	800405	
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Agricultural Supplies	Postal Service	MIDA	Local Government	Compact Section 111	ADB Development Projects	Total
Expenditures by Account:														
Salaries and wages	\$ 24,163,357	\$ -	\$ 119,230	\$ -	\$ -	\$ -	\$ (11,584)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,095	\$ 24,390,098
Capital outlay	5,995,347	63,629	-	-	-	-	-	-	-	-	-	-	10,023	6,068,999
Grants and subsidies	23,085,206	552,181	-	-	-	-	-	-	-	-	-	-	17,530	23,654,917
Financial assistance	1,716,623	-	-	-	-	-	-	-	-	-	-	-	-	1,716,623
Medical supplies	16,160	-	-	-	-	-	-	-	-	-	-	-	-	16,160
Contractual services	1,897,819	67,562	-	-	-	-	-	-	-	-	-	-	718,953	2,684,334
Travel	970,077	44,521	-	-	-	-	-	-	-	-	-	-	4,010	1,018,608
Utilities	5,252,276	40,898	-	-	-	-	-	-	-	-	-	-	-	5,293,174
Supplies and materials	665,814	35,501	-	-	-	-	-	-	-	-	-	-	4,852	706,167
Leased housing	1,663,652	613,700	-	-	-	-	-	-	-	-	-	-	-	2,277,352
POL	576,393	16,558	-	-	-	-	-	-	-	-	-	-	-	592,951
Rentals	2,270,634	45,000	-	-	-	-	-	-	-	-	-	-	244,372	2,560,006
Food stuffs	642,312	1,554,896	-	-	-	-	-	-	-	-	-	-	-	2,197,208
Professional services	852,706	-	-	-	-	-	-	-	-	-	-	-	10,500	863,206
Principal repayment	6,694,235	-	-	-	-	-	-	-	-	-	-	-	-	6,694,235
Interest	664,066	-	-	-	-	-	-	-	-	-	-	-	-	664,066
Allowances	1,276,637	70,184	-	-	-	-	-	-	-	-	-	-	-	1,346,821
Communications	606,797	1,215	-	-	-	-	-	-	-	-	-	-	1,520	609,532
Freight	55,656	9,744	-	-	-	-	-	-	-	-	-	-	-	65,400
Printing and reproduction	76,988	-	-	-	-	-	-	-	-	-	-	-	136	77,124
Insurance	179,791	-	-	-	-	-	-	-	-	-	-	-	-	179,791
Other	2,572,591	28,143	-	-	36,000	-	-	-	-	-	-	-	59,459	2,696,193
Total expenditures	\$ 81,895,137	\$ 3,143,732	\$ 119,230	\$ -	\$ 36,000	\$ -	\$ (11,584)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,190,450	\$ 86,372,965

See Accompanying Independent Auditors' Report.