

**REPUBLIC OF THE MARSHALL ISLANDS**

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

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**YEAR ENDED SEPTEMBER 30, 2017**

# REPUBLIC OF THE MARSHALL ISLANDS

## FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2017

### TABLE OF CONTENTS

	<u>Page No.</u>
I. Independent Auditors' Report	1
II. Management's Discussion and Analysis (Unaudited)	4
III. Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Governmental Fund Financial Statements:	
Balance Sheet	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	21
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	23
Statement of Changes in Fiduciary Net Position	24
Discretely Presented Component Unit Financial Statements:	
Combining Statement of Net Position	25
Combining Statement of Revenues, Expenses and Changes in Net Position	26
Notes to the Basic Financial Statements	27
IV. Required Supplementary Information - Other than Management's Discussion and Analysis	71
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)	72
Notes to Required Supplementary Information - Budgetary Reporting	73
V. Other Supplementary Information	74
Combining Schedule of Expenditures by Account - Governmental Funds	75
General Fund:	76
Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance (Fund 100100)	77
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Fund 100100)	79

**REPUBLIC OF THE MARSHALL ISLANDS**

**FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017**

**TABLE OF CONTENTS, CONTINUED**

	<u>Page No.</u>
V. Other Supplementary Information, Continued	
Nonmajor Governmental Funds - Special Revenue Funds:	81
Combining Balance Sheet	84
Combining Schedule of Revenues, Expenditures by Function, and Changes in Fund Balances	86
Combining Schedule of Revenues, Expenditures by Account, and Changes in Fund Balances	88
Fiduciary Funds - Private Purpose Trusts:	90
Combining Schedule of Fiduciary Net Position	91
Combining Schedule of Changes in Fiduciary Net Position	92
Fiduciary Funds - Agency:	93
Statement of Changes in Assets and Liabilities	94
Nonmajor Component Units:	95
Combining Schedule of Net Position	97
Combining Schedule of Revenues, Expenses, and Changes in Net Position	98
Grants Assistance Fund:	99
Combining Balance Sheet	101
Combining Schedule of Revenues, Expenditures by Functions, and Changes in Fund Balances (Deficits)	102
Combining Schedule of Revenues, Expenditures by Account, and Changes in Fund Balances (Deficits)	103
Compact of Free Association Sector Grants:	104
Combining Balance Sheet	106
Combining Schedule of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)	107
Combining Schedule of Revenues, Expenditures by Account, and Changes in Fund Balances (Deficits)	108
General Fund:	109
Combining Balance Sheet	111
Combining Schedule of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)	112
Combining Schedule of Expenditures by Account	113

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands (RepMar) as of and for the year ended September 30, 2017, 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis-of-Matters**

### *Federal Grants Receivable*

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

### *Social Security Obligations*

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

Our opinions are not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information:*

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

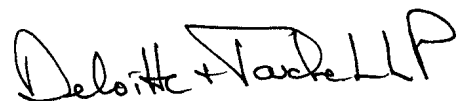
## *Other Information*

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

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information set forth in Section V of the foregoing table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, 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.



June 29, 2018

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **Management's Discussion and Analysis Year Ended September 30, 2017**

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, 2017. We encourage readers to consider the information presented here in conjunction with RepMar's basic financial statements, which follow this section. Fiscal year 2016 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 \$153 million (net position), increasing by \$21 million (or 16%) from \$132 million in the prior year. Of this amount, \$78 million represents RepMar's investment in capital assets; \$88 million represents amounts restricted for various purposes, with the remaining deficiency of \$13 million to be funded from future governmental activities.
- During the current fiscal year, RepMar's expenses for governmental activities were \$144 million, including special appropriations made to the autonomous agencies, and were funded in part by \$66 million in program revenues and \$90 million in taxes and other general revenues. Program revenues increased by \$7 million (or 12%) from \$59 million in the prior year to \$66 million, which was attributable primarily to the increase in capital grants and contributions. Taxes and other general revenues increased by \$17 million (or 23%) from \$73 million in the prior year to \$90 million, which was attributable primarily to the increase in unrestricted grants and contributions. Expenses increased by \$21 million (or 17%) from \$123 million in the prior year to \$144 million, which was attributable primarily to an increase in education, special appropriations, and general government expenses.
- The Compact Trust Fund experienced an increase in fund balance of \$9 million in the current fiscal year, increasing RepMar's trust fund balance to \$71 million from \$62 million in the prior year (up 14%).
- For the current fiscal year, General Fund revenues (and other financing sources) of \$84 million exceeded General Fund expenditures (and other financing uses) of \$78 million. General fund revenues (and other financing sources) were up \$17 million (or 26%) from prior year primarily due to an increase in fishing revenue contributions from the Marshall Islands Marine Resources Authority (MIMRA) of \$14 million (or 54%) and tax revenues of \$1 million (or 5%) from prior year. Concurrently, General Fund expenditures (and other financing uses) were up \$14 million (or 22%) from prior year primarily due to an increase in special appropriations and general government expenditures of \$11 million (or 55%) and \$8 million (or 23%), respectively, offset by a decrease in transfers out of \$4 million (or 71%) from prior year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-wide Financial Statements**

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

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **Management's Discussion and Analysis Year Ended September 30, 2017**

#### **Government-wide Financial Statements, Continued**

The 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.

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.



## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2017

#### Fund Financial Statements, Continued

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 70 of this report.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons. Required supplementary information can be found on pages 71 through 73 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 74 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 \$153 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 \$52 million while its current liabilities were \$19 million. Restricted net position represents resources that are subject to external constraints. The table below summarizes RepMar's net position at the close of the current year compared with prior year.

##### RepMar's Net Position As of September 30

	Governmental Activities 2017	Governmental Activities 2016	Total Percentage Change 2017-2016
Current and other assets	\$ 133,077,869	\$ 113,018,993	18%
Capital assets	93,445,163	89,899,775	4%
<b>Total assets</b>	<b>226,523,032</b>	<b>202,918,768</b>	<b>12%</b>
Long-term debt outstanding	54,064,673	56,570,046	(4)%
Other liabilities	19,254,891	14,495,623	33%
<b>Total liabilities</b>	<b>73,319,564</b>	<b>71,065,669</b>	<b>3%</b>
Net position:			
Net investment in capital assets	78,174,651	73,686,740	6%
Restricted	87,963,947	78,690,330	12%
Unrestricted	(12,935,130)	(20,523,971)	(37)%
<b>Total net position</b>	<b>\$ 153,203,468</b>	<b>\$ 131,853,099</b>	<b>16%</b>

# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2017

### Net Position, Continued

At the end of the current fiscal year, RepMar's unrestricted net position deficiency was \$13 million, a decrease of the prior year amount by \$8 million (or 37%). 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 \$2 million (or 3%) from the prior year amount of \$71 million to \$73 million, which was primarily attributable to an increase in current liabilities of \$4 million (or 27%) due to an increase in accounts payable offset by a decrease in Asian Development Bank (ADB) loans payable of \$2 million (or 4%) due to current year debt service reduction.

### Changes in Net Position

As discussed earlier, net position of the primary government increased by \$21 million, which represents an increase of 16% from the prior year's amount of \$132 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 2017	Governmental Activities 2016	Total Percentage Change 2017-2016
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 10,578,157	\$ 9,766,542	8%
Operating grants and contributions	42,945,911	44,037,490	(2)%
Capital grants and contributions	12,818,231	5,590,317	129%
	<u>66,342,299</u>	<u>59,394,349</u>	12%
General revenues:			
Taxes	29,800,032	28,479,894	5%
Grants and contributions	51,541,990	37,391,558	38%
Ship registry	7,294,153	6,125,000	19%
Other general revenues	1,064,725	738,370	44%
	<u>89,700,900</u>	<u>72,734,822</u>	23%
<b>Total revenues</b>	<b><u>156,043,199</u></b>	<b><u>132,129,171</u></b>	<b>18%</b>
<b>Expenses:</b>			
Education	32,130,995	30,333,274	6%
Health and environment	28,402,074	29,710,503	(4)%
Finance	8,943,894	6,476,974	38%
Special appropriations	28,409,510	18,986,589	50%
Foreign affairs and trade	4,222,128	3,425,239	23%
Public works	4,782,258	2,958,555	62%
Justice	3,803,647	3,547,264	7%
Internal affairs	6,709,920	5,579,462	20%
Capital projects	6,560,532	3,230,111	103%
Resources and development	3,081,143	3,108,595	(1)%
Transportation and communication	3,189,320	2,444,442	30%
President and cabinet	2,483,751	1,916,979	30%
Nitijela	2,087,345	1,843,264	13%
Nuclear claims related	1,420,105	1,378,009	3%
Interest	699,006	740,169	(6)%
Other	6,593,179	7,334,534	(10)%
<b>Total expenses</b>	<b><u>143,518,807</u></b>	<b><u>123,013,963</u></b>	<b>17%</b>
	<b><u>12,524,392</u></b>	<b><u>9,115,208</u></b>	<b>37%</b>
Special item	-	(3,800,000)	
Contributions to permanent funds	8,825,977	5,542,509	59%
<b>Change in net position</b>	<b><u>21,350,369</u></b>	<b><u>10,857,717</u></b>	<b>97%</b>
<b>Net position, beginning of year</b>	<b><u>131,853,099</u></b>	<b><u>120,995,382</u></b>	<b>9%</b>
<b>Net position, end of year</b>	<b><u>\$ 153,203,468</u></b>	<b><u>\$ 131,853,099</u></b>	<b>16%</b>

## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2017

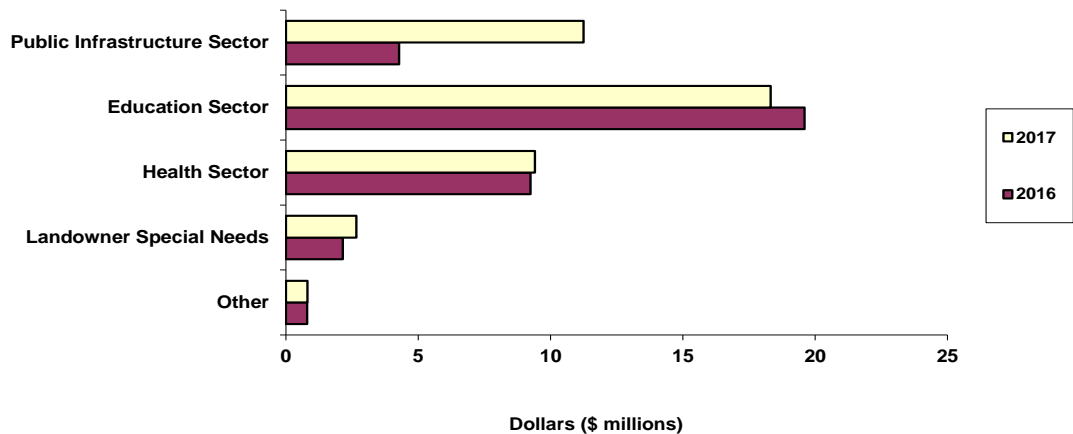
#### Changes in Net Position, Continued

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

- Total revenues increased by \$24 million (or 18%) compared with prior year. General revenues increased by \$17 million (or 23%) as compared with prior year whereas program revenues increased by \$7 million (or 12%) as compared with prior year. The increase in general revenues reflects a \$14 million (or 54%) increase in contributions from MIMRA due to an increase in collections from fishing rights revenues and a \$1 million (or 5%) increase in tax revenues due to primarily to an increase in collections from withholding taxes. The increase in program revenues reflects a \$7 million (or 129%) increase in capital grants and contributions due primarily to an increase in Compact public infrastructure sector activities.
- At the same time, cost of governmental activities increased in the current year by \$21 million (or 17%) as compared with prior year, which was attributable primarily to an increase in education, special appropriations, and general government expenses.
- The Compact Trust Fund experienced an increase in fund balance of \$9 million in the current fiscal year, increasing RepMar's trust fund balance to \$71 million from \$62 million in the prior year (up 14%). The investment gains are an improvement over the gains experienced in prior year of \$6 million.

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 \$6 million (or 18%) from prior year primarily due to an increase in Compact public infrastructure sector activities. A graphic summary of overall Compact sector grant revenues received by RepMar for the current year compared with the prior year follows:

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



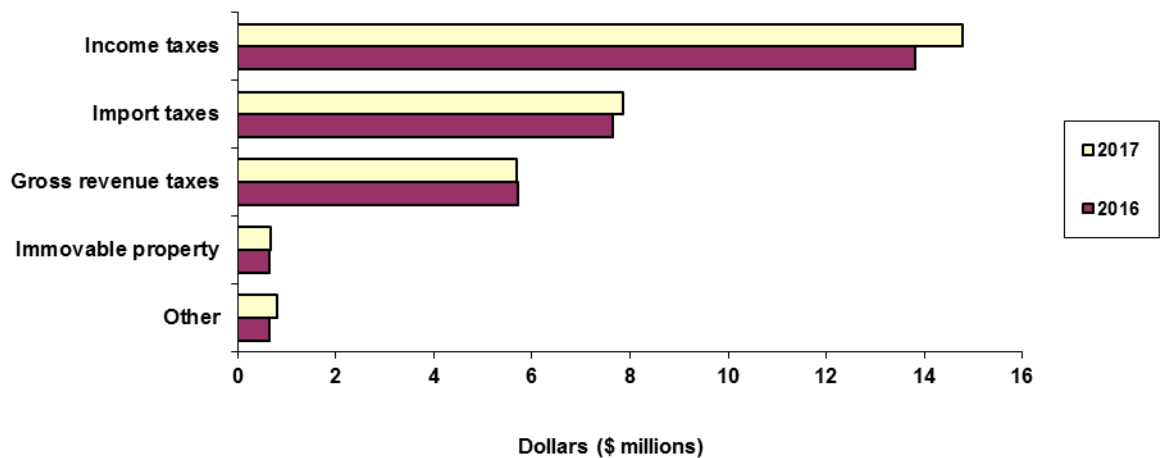
## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2017

#### Changes in Net Position, Continued

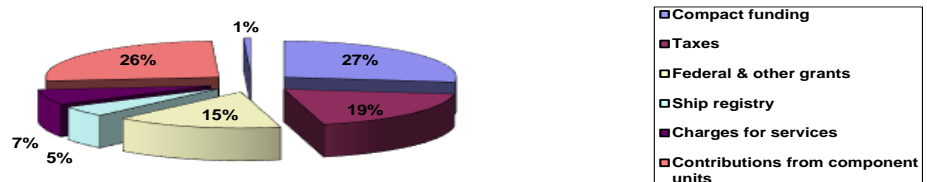
A significant portion of RepMar's general revenues involves tax revenue collections. At \$30 million in the current year, tax revenues increased by \$1 million (or 5%) compared with \$28 million collected in the prior year. A graphic summary of RepMar's tax revenue collections for the current year compared with the prior year follows:

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



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

Graph 3  
RepMar's Revenue Sources  
For the Year Ended September 30, 2017



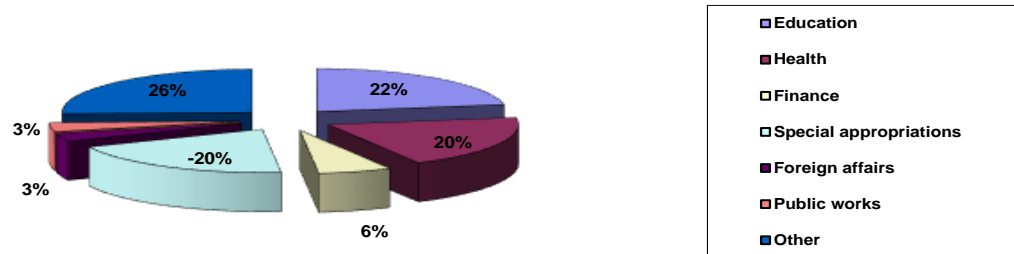
Compact funding, local taxes and federal and other grants are the major sources of revenue for RepMar, which comprise 61% of total revenues for the current year. The remaining 39% is primarily comprised of ship registry fees, fishing revenue contributions from MIMRA, and various fees and service charges.

## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2017

#### Changes in Net Position, Continued

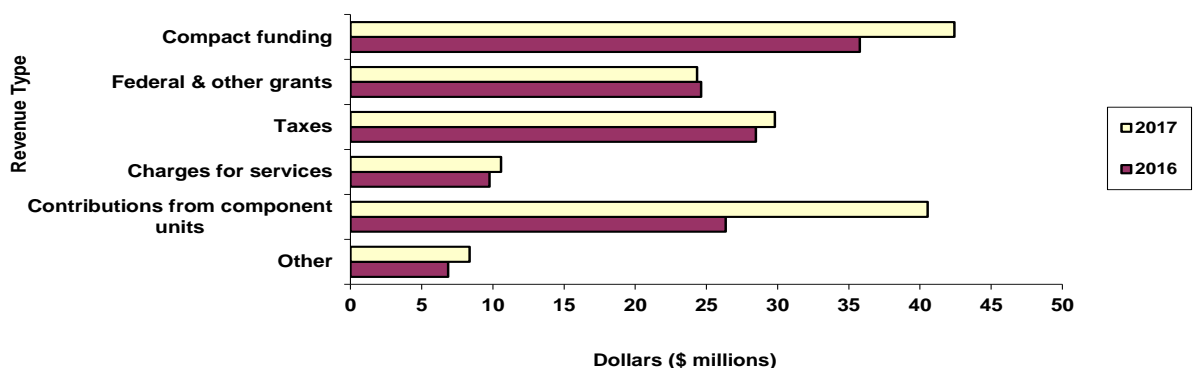
Graph 4  
RepMar's Cost of Governmental Activities  
For the Year Ended September 30, 2017



Other expenses that make up a portion of the costs of governmental activities include ministerial expenses within the Ministry of Justice, Immigration and Labor (\$4 million), the Ministry of Culture and Internal Affairs (\$7 million), the Ministry of Transportation, Communication and Information Technology (\$3 million), and the Ministry of Natural Resources and Commerce (\$3 million); legislative expenses within the Nitijela (\$2 million); and executive expenses within the President's Office and Cabinet (\$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:

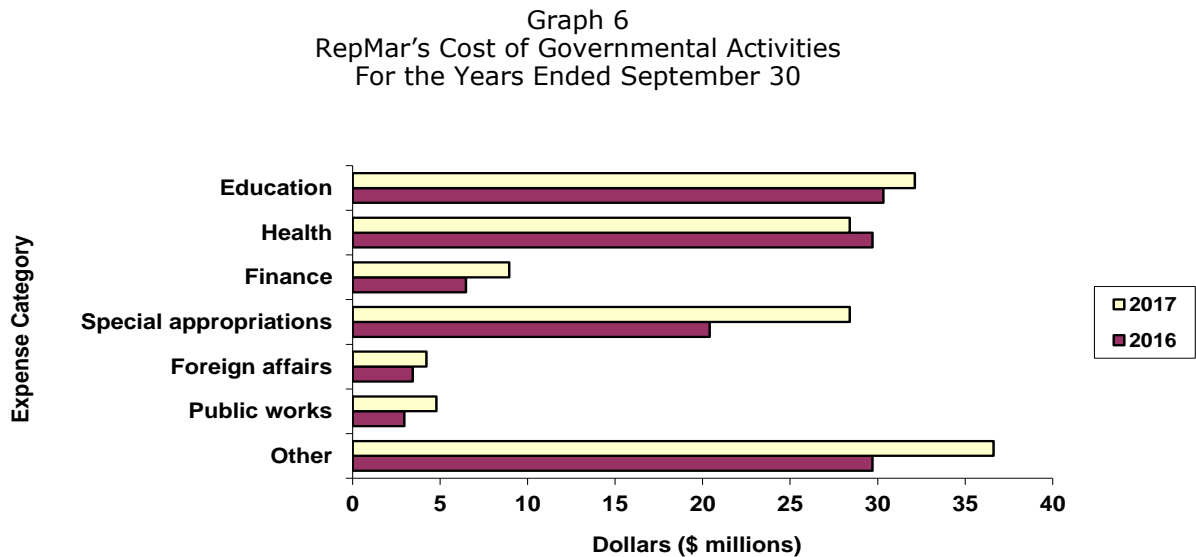
Graph 5  
RepMar's Revenue Sources  
For the Years Ended September 30



## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2017

#### Changes in Net Position, Continued



Other expenses in the current year includes ministerial expenses within the Ministry of Natural Resources & Commerce of \$3 million, constant with the prior year; the Ministry of Transportation, Communications and Information Technology of \$3 million, up from \$2 million in the prior year; the Ministry of Justice, Immigration and Labor of \$4 million, up from \$3 million in the prior year; the Ministry of Culture and Internal Affairs of \$7 million, up from \$6 million in the prior year; legislative expenses within the Nitijela of \$2 million, constant with the prior year; and executive expenses within the President's Office and Cabinet of \$2 million, also constant with the prior year.

#### Analysis of Changes in Net Position

During the current fiscal year, RepMar's total net position increased by \$21 million compared with an increase in the prior fiscal year of \$11 million. This represents an increase year on year in the change in net position of \$10 million (or 96%). The key elements of this increase are: (1) an increase in contributions from component units of \$14 million; (2) an increase in tax revenues of \$1 million; (3) an increase in Compact Trust earnings of \$9 million; (4) an increase in expenses, net of program revenues, of \$14 million; and (5) a special item of \$4 million in the prior year representing the write-off of previously capitalized costs associated with the transfer of University of South Pacific campus capital assets. The elements of these changes are reflected below:

# REPUBLIC OF THE MARSHALL ISLANDS

## Management's Discussion and Analysis Year Ended September 30, 2017

### Analysis of Changes in Net Position, Continued

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

	Governmental Activities 2017	Governmental Activities 2016	Total Percentage Change 2017-2016
<b>General revenues:</b>			
Taxes	\$ 29,800,032	\$ 28,479,894	5%
Grants and contributions	11,000,000	11,032,825	(0)%
Contributions from component units	40,541,990	26,358,733	54%
Ship registry	7,294,153	6,125,000	19%
Other general revenues	1,064,725	738,370	44%
<b>Total general revenues</b>	<b>89,700,900</b>	<b>72,734,822</b>	<b>23%</b>
<b>Expenses, net of program revenues:</b>			
Education	12,221,780	8,503,841	44%
Health and environment	4,954,681	5,669,970	(13)%
Special appropriations	28,409,510	20,396,673	39%
Finance	3,450,624	2,544,899	36%
Public works	3,112,905	1,494,364	108%
Resources and development	3,057,958	2,979,923	3%
Justice	2,972,271	2,825,578	5%
Internal affairs	6,353,871	5,314,375	20%
Foreign affairs and trade	4,145,868	3,156,109	31%
President and cabinet	2,483,751	1,916,979	30%
Capital projects	(4,981,454)	(80,456)	6092%
Nitijela	2,087,345	1,843,264	13%
Transportation and communication	3,189,120	1,182,278	170%
Nuclear claims related	25,331	79,803	(68)%
Interest	699,006	740,169	(6)%
Other	4,993,941	5,051,845	(1)%
<b>Total expenses</b>	<b>77,176,508</b>	<b>63,619,614</b>	<b>21%</b>
	<b>12,524,392</b>	<b>9,115,208</b>	<b>37%</b>
Special items	-	(3,800,000)	(100)%
Contributions to permanent fund	8,825,977	5,542,509	59%
<b>Change in net position</b>	<b>\$ 21,350,369</b>	<b>\$ 10,857,717</b>	<b>97%</b>

General revenues increased by \$17 million (or 23%) from the previous fiscal year. The increase was primarily due to increases in fishing revenue contributions from MIMRA and tax revenues of \$14 million (or 54%) and \$1 million (or 5%), respectively, compared with the prior year.

Expenses, net of program revenues, increased by \$14 million (or 21%) from the previous fiscal year. The increase was primarily due to an increase in special appropriations of \$8 million (or 39%) compared with the prior year and an increase in education expenses of \$4 million (or 44%) compared with the prior year.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **Management's Discussion and Analysis Year Ended September 30, 2017**

#### **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 \$118 million, which represents an increase of \$16 million (or 16%) in comparison with the prior year. This increase is primarily attributable to an excess of revenues over expenditures for the General Fund and the aggregate remaining governmental funds of \$6 million and \$1 million, respectively, together with an increase in the fair value of RepMar's investments in the Compact Trust Fund of \$9 million. Of this total combined fund balance, \$80 million is designated as nonspendable and cannot be spent either because it is not in a spendable form or because of legal or contractual constraints; \$11 million is designated as restricted and is constrained for specific purposes which are externally imposed; and \$15 million is designated as committed and is constrained for specific purposes which are internally imposed. The combined unassigned fund balance of RepMar's governmental funds is \$12 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 \$12 million, an increase of \$5 million from the prior year \$7 million. Total fund balance was \$25 million compared with a total fund balance of \$19 million at the end of the prior fiscal year, an increase of \$6 million. The increase in the overall fund balance of the General Fund was primarily the result of the increase in contributions from MIMRA.

The Grants Assistance Fund has a total fund balance of \$13 million, which primarily represents Republic of China (ROC) and Compact Sector grant revenues received not yet expended at year end. The net increase in fund balance during the current year in the Grants Assistance Fund was \$0.3 million (or 3%).

The Compact Trust Fund has a total fund balance of \$71 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 \$9 million (or 14%), which reflects entirely a net increase in the value of trust fund investments.

##### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the course of the fiscal year, budget revisions of \$4 million were made by management and elected officials of RepMar to the General Fund budget. Revenues collected (including transfers in) of \$83 million were lower than budgeted amounts of \$87 million (or \$4 million) due primarily to lower than anticipated fees and charges collections, which fell short of budgeted amounts by \$2 million, and non receipt of anticipated budgetary support from the Compact Trust Fund of \$3 million. In addition, charges to appropriations (including transfers out) of \$85 million were lower than budgeted amounts of \$94 million due primarily to lower actual ministerial expenditures.



## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2017

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

RepMar's investment in capital assets for its governmental activities as of September 30, 2017 amounted to \$209 million, net of accumulated depreciation of \$116 million, leaving a net book value of \$93 million. This represents an increase of \$3 million (or 4%) from the \$90 million reported in the prior year. RepMar's capital assets include electrical and water infrastructure, roads and bridges, heavy equipment, ships, buildings, and various projects under construction.

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

	Governmental Activities 2017	Governmental Activities 2016	Total Percentage Change 2017-2016
Electrical distribution	\$ 1,106,186	\$ 1,216,979	(9)%
Buildings	60,957,266	62,018,696	(2)%
Water infrastructure system	1,528,854	1,907,508	(20)%
Docks, roads and bridges	3,260,408	3,805,682	(14)%
Ships	12,089,503	13,381,682	(10)%
Software	983,916	649,574	51%
Heavy equipment	7,108,609	5,321,041	34%
Construction in progress	6,410,421	1,598,613	301%
<b>Total</b>	<b>\$ 93,445,163</b>	<b>\$ 89,899,775</b>	<b>4%</b>

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

- Ongoing construction in progress of the following infrastructure projects:

<u>Infrastructure Project</u>	<u>Current Year Additions (\$ millions)</u>	<u>Estimated Completed Cost (\$ millions)</u>
Surgical Ward Phase 1	\$ 1.38	\$ 2.49
Delap Elementary School Classrooms	\$ 1.23	\$ 2.08
Laura Elementary School Classrooms	\$ 1.08	\$ 1.80
Jaluit High School Boys Dormitory	\$ 0.54	\$ 1.06
Majuro Seawall Project	\$ 0.48	\$ 0.76
Ebeye Public School Classrooms	\$ 0.41	\$ 3.66

- Acquisition of various heavy equipment in the amount of \$2 million funded primarily by donated capital assets from the Government of Japan.
- Acquisition of an integrated paperless system by the Nitijela in the amount of \$0.4 million.

Additional information on RepMar's capital assets can be found in note 5 to the financial statements.

##### Long-term Debt

The Government Borrowing Act of 1985 authorizes RepMar to borrow for such purposes as approved by the Nitijela. Since 1991, RepMar has entered into thirteen separate loans with the ADB (See table below). Long-term debt obligations decreased by \$2.5 million (or 4.4%) in the current fiscal year.

## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2017

#### Long-term Debt, Continued

#### RepMar's Outstanding Debt Asian Development Bank September 30,

	Governmental Activities 2017	Governmental Activities 2016	Total Percentage Change 2017-2016
Fisheries Development Project	\$ 1,973,816	\$ 2,114,534	(7)%
Typhoon Rehabilitation	315,732	336,102	(6)%
Basic Education Project	5,148,710	5,460,633	(6)%
Majuro Water Supply Project No. 1	461,362	490,339	(6)%
Health and Population Project	3,551,045	3,760,048	(6)%
Majuro Water Supply Project No. 2	5,976,968	6,309,022	(5)%
Public Sector Reform Program	8,806,643	9,145,307	(4)%
Ebeye Health and Infrastructure Project	5,222,960	5,596,027	(7)%
Skills Training and Vocational Education Project	3,179,663	3,384,802	(6)%
Fiscal and Financial Management Program No. 2	4,194,483	4,718,794	(11)%
Outer Island Transport Infrastructure Project	359,484	380,631	(6)%
Public Sector Program Loan	9,979,846	9,979,846	0%
Fiscal Reform and Debt Management Project	4,893,961	4,893,961	0%
<b>Total</b>	<b>\$ 54,064,673</b>	<b>\$ 56,570,046</b>	<b>(4)%</b>

As mentioned above, total long-term debt decreased by \$2.5 million (or 4%) during the current year. This decrease resulted from declining principal balances associated with debt service payments.

Additional information on RepMar's long-term debt can be found in notes 8 and 9 to the financial statements.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic growth is estimated to be at about 3.5 percent in FY2017 due to increased activities in fisheries and construction. Revenue, specifically from fishing licenses, grew to 18 percent in FY17 compared to 6.5% in FY14. It is estimated that the fiscal surplus will narrow to 3% of GDP because of the increase in government's recurrent spending.

It is estimated that the economic growth will remain at 2.5 percent in FY18 and a 1.5 percent growth in the medium term due to ongoing infrastructure projects and projects in the pipeline. Overall fiscal surplus is projected to narrow further to 1¾ percent of GDP in FY2018 and turn into a deficit of 1½ percent by FY2023, as government spending grows, particularly on goods and services, while fishing license revenues would remain stable at around \$25 million in nominal terms.

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

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

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Management's Discussion and Analysis Year Ended September 30, 2017

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

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

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

The RCU will lead the implementation of reform activities in regular consultation with the PFM Reform Steering Committee, the MOF, the ADB, concerned Line Ministries (LMs), SOEs and other development partners and key stakeholders.

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

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

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

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

This intervention seeks to equip SOEMU with all necessary monitoring capacity, training and tools, and to assist four SOEs (Air Marshall Islands, Inc., Marshall Islands Shipping Corporation, Tobolar Copra Processing Authority, and Marshalls Energy Company, Inc.) with their CSO Agreements and business plans.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **Management's Discussion and Analysis Year Ended September 30, 2017**

Regarding climate change, the Marshall Islands is one of the most vulnerable countries to rising sea levels. With this in mind, RepMar needs to plan for both structural and cyclical fiscal costs stemming from climate change. Intensified efforts have been initiated to mitigate natural disaster risk and build resilience, including through the Joint National Action Plan (JNAP) that contains climate-change adaptation and disaster risk-management strategies.

The Compact Trust fund is estimated to reach about \$615 million by 2023 given the contributions of both US and the RMI - with a 5% nominal return on trust fund assets. However, given the anticipated draws from the fund post 2023, it is anticipated that the growth will not be sufficient to preserve the real value of the Compact Trust Fund.

#### **CONTACTING REPMAR'S FINANCIAL MANAGEMENT**

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

# REPUBLIC OF THE MARSHALL ISLANDS

## Statement of Net Position September 30, 2017

	Primary Government	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 16,269,267	\$ 25,629,328
Time certificates of deposit	-	15,271,198
Receivables, net of allowance for uncollectibles	32,539,991	39,913,431
Advances	1,306,392	-
Inventories	-	5,602,056
Due from primary government	-	1,413,600
Due from component units, net of allowance for uncollectibles	510,684	237,702
Due from external parties	796,379	-
Other current assets	-	1,833,345
Restricted assets:		
Cash and cash equivalents	650,922	-
Total current assets	<u>52,073,635</u>	<u>89,900,660</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	9,376,573	594,862
Time certificates of deposit	-	2,257,103
Investments	63,065,625	-
Investments	-	14,700,320
Due from component units	6,571,786	-
Capital assets:		
Nondepreciable capital assets	6,410,421	18,394,545
Other capital assets, net of accumulated depreciation	87,034,742	114,033,708
Other assets	1,990,250	5,661,331
Total noncurrent assets	<u>174,449,397</u>	<u>155,641,869</u>
Total assets	<u>\$ 226,523,032</u>	<u>\$ 245,542,529</u>
<u>LIABILITIES</u>		
Current liabilities:		
Current portion of long-term obligations	\$ 2,623,411	\$ 3,935,477
Accounts payable	8,392,869	16,768,519
Customer deposits	-	1,893,479
Other liabilities and accruals	2,655,255	5,715,993
Payable to federal agencies	1,735,110	-
Retention payable	532,242	-
Contracts payable	-	695,739
Accrued interest payable	177,434	-
Compensated absences payable	1,126,256	-
Due to primary government	-	1,796,398
Due to component units	1,965,341	237,702
Unearned revenues	112,204	2,938,236
Total current liabilities	<u>19,320,122</u>	<u>33,981,543</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	51,441,262	22,436,048
Compensated absences payable, net of current portion	2,558,180	-
Due to primary government	-	9,688,676
Total noncurrent liabilities	<u>53,999,442</u>	<u>32,124,724</u>
Total liabilities	<u>73,319,564</u>	<u>66,106,267</u>
Commitments and contingencies		
<u>NET POSITION</u>		
Net investment in capital assets	78,174,651	111,537,380
Restricted for:		
Future operations - nonexpendable	70,846,299	-
Debt service	2,909,406	-
Compact related	5,306,094	-
Other purposes	8,902,148	4,754,648
Unrestricted	<u>(12,935,130)</u>	<u>63,144,234</u>
Total net position	<u>153,203,468</u>	<u>179,436,262</u>
Total liabilities and net position	<u>\$ 226,523,032</u>	<u>\$ 245,542,529</u>

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Statement of Activities Year Ended September 30, 2017

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Functions/Programs						
Primary government:						
Governmental activities:						
President and Cabinet	\$ 2,483,751	\$ -	\$ -	\$ -	\$ (2,483,751)	\$ -
Office of the Chief Secretary	1,320,209	-	276,658	-	(1,043,551)	-
Special appropriations	28,409,510	-	-	-	(28,409,510)	-
Council of Iroij	546,646	-	-	-	(546,646)	-
Nitijela	2,087,345	-	-	-	(2,087,345)	-
Office of the Auditor-General	1,445,520	-	434,844	-	(1,010,676)	-
Public Service Commission	623,584	-	-	-	(623,584)	-
Judiciary	1,054,197	240,891	-	-	(813,306)	-
Office of the Attorney General	906,998	80,805	-	-	(826,193)	-
Education	32,130,995	-	19,909,215	-	(12,221,780)	-
Health and Environment	28,402,074	8,534,442	14,912,951	-	(4,954,681)	-
Transportation and Communication	3,189,320	200	-	-	(3,189,120)	-
Resources and Development	3,081,143	23,185	-	-	(3,057,958)	-
Internal Affairs	6,709,920	43,181	312,868	-	(6,353,871)	-
Justice	3,803,647	831,376	-	-	(2,972,271)	-
Finance	8,943,894	654,709	4,838,561	-	(3,450,624)	-
Foreign Affairs and Trade	4,222,128	76,260	-	-	(4,145,868)	-
Public Works	4,782,258	93,108	-	1,576,245	(3,112,905)	-
Environmental Protection Authority	696,025	-	566,040	-	(129,985)	-
Nuclear claims related	1,420,105	-	1,394,774	-	(25,331)	-
Capital projects	6,560,532	-	300,000	11,241,986	4,981,454	-
Unallocated interest - long-term debt	699,006	-	-	-	(699,006)	-
Total primary government	\$ 143,518,807	\$ 10,578,157	\$ 42,945,911	\$ 12,818,231	(77,176,508)	-
Component units:						
Air Marshall Islands, Inc.	4,236,316	4,399,936	-	-	-	163,620
College of the Marshall Islands	12,053,219	8,070,190	-	278,346	-	(3,704,683)
Marshalls Energy Company, Inc.	30,339,162	31,076,751	-	672,576	-	1,410,165
Marshall Islands Development Bank	2,473,501	4,621,742	-	-	-	2,148,241
Marshall Islands Marine Resources Authority	44,798,690	34,057,424	772,879	-	-	(9,968,387)
Marshall Islands National Telecom. Authorit	9,607,910	8,453,946	-	1,690	-	(1,152,274)
RMI Ports Authority	7,055,650	3,891,863	-	2,571,870	-	(591,917)
Other nonmajor component units	25,257,196	16,489,640	37,843	5,208,817	-	(3,520,896)
Total component units	\$ 135,821,644	\$ 111,061,492	\$ 810,722	\$ 8,733,299	-	(15,216,131)
General revenues:						
Taxes:						
Income taxes					14,781,817	-
Import taxes					7,853,055	-
Gross revenue taxes					5,689,946	-
Immovable property					682,292	-
Fuel taxes					612,702	-
Penalties and interest					77,815	-
Other					102,405	-
Grants and contributions not restricted to specific programs					11,000,000	-
Contributions from component units					40,541,990	-
Ship registry					7,294,153	-
Unrestricted investment earnings					149,204	2,387,122
Contributions from primary government					-	20,155,918
Other					915,521	-
Total general revenues					89,700,900	22,543,040
Contributions to permanent funds					8,825,977	-
Total general revenues and contributions					98,526,877	22,543,040
Change in net position					21,350,369	7,326,909
Net position at the beginning of the year					131,853,099	172,109,353
Net position at the end of the year					\$ 153,203,468	\$ 179,436,262

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Balance Sheet Governmental Funds September 30, 2017

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,907,482	\$ -	\$ -	\$ 5,361,785	\$ 16,269,267
Receivables, net:					
Taxes	2,725,717	-	-	121,000	2,846,717
Federal agencies	479,523	14,654,415	-	-	15,133,938
General	2,772,709	1,762,652	-	1,984,494	6,519,855
Securities	-	-	7,003,727	-	7,003,727
Other	-	-	776,947	258,807	1,035,754
Due from other funds	12,134,264	13,632,732	-	3,770,165	29,537,161
Due from component units	7,082,470	-	-	-	7,082,470
Advances	455,024	285,597	-	565,771	1,306,392
Other assets	1,990,250	-	-	-	1,990,250
Restricted assets:					
Cash and cash equivalents	10,027,495	-	-	-	10,027,495
Investments	-	-	63,065,625	-	63,065,625
Total assets	\$ 48,574,934	\$ 30,335,396	\$ 70,846,299	\$ 12,062,022	\$ 161,818,651
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 3,713,266	\$ 1,997,795	\$ -	\$ 2,681,808	\$ 8,392,869
Other liabilities and accruals	1,536,074	819,167	-	300,014	2,655,255
Payable to federal agencies	-	1,735,110	-	-	1,735,110
Retention payable	63,782	468,460	-	-	532,242
Due to component units	1,965,341	-	-	-	1,965,341
Unearned revenue	112,204	-	-	-	112,204
Due to other funds	16,606,518	12,134,264	-	-	28,740,782
Total liabilities	23,997,185	17,154,796	-	2,981,822	44,133,803
Fund balances:					
Nonspendable	9,072,720	-	70,846,299	-	79,919,019
Restricted	2,971,841	7,040,944	-	645,081	10,657,866
Committed	14,251	6,671,410	-	8,435,604	15,121,265
Unassigned	12,518,937	(531,754)	-	(485)	11,986,698
Total fund balances	24,577,749	13,180,600	70,846,299	9,080,200	117,684,848
Total liabilities and fund balances	\$ 48,574,934	\$ 30,335,396	\$ 70,846,299	\$ 12,062,022	
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					93,445,163
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				(177,434)	
Loans payable				(54,064,673)	
Compensated absences payable				(3,684,436)	
					(57,926,543)
Net position of governmental activities					\$ 153,203,468

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, 2017

		Special Revenue	Permanent		
	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 29,800,032	\$ -	\$ -	\$ -	\$ 29,800,032
Federal and other grants	4,140,281	60,605,037	-	442,579	65,187,897
Sales	-	-	-	111,796	111,796
Ship registry	7,294,153	-	-	-	7,294,153
Net change in the fair value of investments	-	-	8,825,977	-	8,825,977
Interest and dividends	114,519	-	-	34,685	149,204
Fees and charges	300,023	-	-	10,166,338	10,466,361
Contributions from component units	40,541,990	-	-	-	40,541,990
Other	915,521	-	-	-	915,521
<b>Total revenues</b>	<b>83,106,519</b>	<b>60,605,037</b>	<b>8,825,977</b>	<b>10,755,398</b>	<b>163,292,931</b>
<b>Expenditures:</b>					
<b>Current:</b>					
President and Cabinet	2,822,745	119,664	-	-	2,942,409
Office of the Chief Secretary	964,248	347,036	-	-	1,311,284
Special appropriations	29,971,281	52,986	-	-	30,024,267
Council of Iroij	543,359	-	-	-	543,359
Nitijela	2,406,923	-	-	-	2,406,923
Office of the Auditor-General	1,009,132	434,844	-	-	1,443,976
Public Service Commission	613,236	-	-	-	613,236
Judiciary	74,000	-	-	973,840	1,047,840
Office of the Attorney General	872,907	-	-	-	872,907
<b>Ministries:</b>					
Education, Sports and Training	8,207,999	20,466,358	-	1,658,070	30,332,427
Health and Human Services	4,869,753	15,177,938	-	8,412,255	28,459,946
Transportation, Communication and Information Technology	2,482,472	-	-	-	2,482,472
Natural Resources and Commerce	939,986	1,061,245	-	-	2,001,231
Culture and Internal Affairs	4,031,016	2,545,832	-	3,880	6,580,728
Justice, Immigration and Labor	3,216,705	101,849	-	217,097	3,535,651
Finance, Banking and Postal Services	4,026,773	4,837,715	-	-	8,864,488
Foreign Affairs and Trade	3,980,722	28,125	-	4,769	4,013,616
Works, Infrastructure and Utilities	2,019,488	-	-	47,257	2,066,745
Environmental Protection Authority	177,838	516,889	-	-	694,727
Nuclear claims related	-	-	-	1,420,105	1,420,105
<b>Debt service:</b>					
Principal repayment	2,505,373	-	-	-	2,505,373
Interest	725,437	-	-	-	725,437
Capital outlay	-	12,389,861	-	-	12,389,861
<b>Total expenditures</b>	<b>76,461,393</b>	<b>58,080,342</b>	<b>-</b>	<b>12,737,273</b>	<b>147,279,008</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>6,645,126</b>	<b>2,524,695</b>	<b>8,825,977</b>	<b>(1,981,875)</b>	<b>16,013,923</b>
<b>Other financing sources (uses):</b>					
Operating transfers in	752,304	-	-	3,896,012	4,648,316
Operating transfers out	(1,711,076)	(2,184,936)	-	(752,304)	(4,648,316)
<b>Total other financing sources (uses), net</b>	<b>(958,772)</b>	<b>(2,184,936)</b>	<b>-</b>	<b>3,143,708</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>5,686,354</b>	<b>339,759</b>	<b>8,825,977</b>	<b>1,161,833</b>	<b>16,013,923</b>
<b>Fund balances at the beginning of the year</b>	<b>18,891,395</b>	<b>12,840,841</b>	<b>62,020,322</b>	<b>7,918,367</b>	<b>101,670,925</b>
<b>Fund balances at the end of the year</b>	<b>\$ 24,577,749</b>	<b>\$ 13,180,600</b>	<b>\$ 70,846,299</b>	<b>\$ 9,080,200</b>	<b>\$ 117,684,848</b>

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, 2017

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

Net change in fund balances - total governmental funds	\$ 16,013,923
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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	\$ 6,030,298	
Depreciation expense, net	<u>(4,061,155)</u>	
		1,969,143

Some capital additions were donated by the Government of Japan.	1,576,245
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. For the current year, these amounts consist of:

Repayment of ADB loans	2,505,373
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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	(740,746)	
Change in accrued interest payable	<u>26,431</u>	
		<u>(714,315)</u>

Change in net position of governmental activities	\$ <u>21,350,369</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, 2017

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 1,363,901	\$ -
Receivables, net:		
Contributions	2,932,912	-
Other	806,654	-
Investments	69,569,434	-
Due from other funds	831,566	164,484
Capital assets, net of accumulated depreciation	<u>40,185</u>	<u>-</u>
Total assets	<u>75,544,652</u>	<u>\$ 164,484</u>
<b><u>LIABILITIES</u></b>		
Accounts payable	135,200	\$ -
Other liabilities and accruals	70,876	164,484
Due to other funds	<u>1,792,429</u>	<u>-</u>
Total liabilities	<u>1,998,505</u>	<u>\$ 164,484</u>
<b><u>NET POSITION</u></b>		
Held in trust for:		
Social security benefits	72,714,581	
Land use distributions	<u>831,566</u>	
Total net position	<u>\$ 73,546,147</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, 2017

	<u>Private Purpose Trust</u>
Additions:	
Contributions:	
Private employees	\$ 11,638,735
Government employees	5,840,515
Penalties and interest	<u>853,957</u>
Total contributions	<u>18,333,207</u>
Investment income:	
Net change in the fair value of investments	5,787,469
Interest and dividends	<u>1,550,897</u>
Total investment income	7,338,366
Less investment expense	<u>126,704</u>
Net investment income	<u>7,211,662</u>
Other:	
Compact funding	21,403,800
Transfers in from the General Fund	3,273,600
Other	<u>433,646</u>
	<u>25,111,046</u>
Total additions	<u>50,655,915</u>
Deductions:	
Land use distributions	21,509,544
Benefits	21,189,518
Administrative expenses	<u>1,014,946</u>
Total deductions	<u>43,714,008</u>
Change in net position held in trust for:	
Social security benefits	7,105,513
Land use distributions	(163,606)
Net position at the beginning of the year	<u>66,604,240</u>
Net position at the end of the year	<u>\$ 73,546,147</u>

See accompanying notes to basic financial statements.

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Statement of Net Position Component Units September 30, 2017

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshall's Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Nonmajor Component Units	Total
<b>ASSETS</b>									
Current assets:									
Cash and cash equivalents	\$ 1,751,843	\$ 1,511,538	\$ 2,798,615	\$ 6,343,344	\$ 5,930,330	\$ 1,694,829	\$ 1,755,094	\$ 3,843,735	\$ 25,629,328
Time certificates of deposit	-	-	2,350,615	-	11,380,240	779,738	649,757	110,848	15,271,198
Receivables, net	201,677	1,271,898	7,220,207	19,369,857	7,859,647	1,636,675	774,162	1,579,308	39,913,431
Inventories	614,062	559,541	2,794,768	50,600	-	283,424	-	1,299,661	5,602,056
Due from primary government	-	-	-	1,413,600	-	-	-	-	1,413,600
Due from component units	-	-	-	-	-	-	237,702	-	237,702
Other current assets	137,349	185,242	705,789	-	-	77,547	91,754	635,664	1,833,345
Total current assets	2,704,931	3,528,219	15,869,994	27,177,401	25,170,217	4,472,213	3,508,469	7,469,216	89,900,660
Noncurrent assets:									
Restricted:									
Cash and cash equivalents	-	-	-	594,862	-	-	-	-	594,862
Time certificates of deposit	-	-	-	557,103	-	-	1,700,000	-	2,257,103
Investments	-	1,294,591	-	7,196,576	6,209,153	-	-	-	14,700,320
Capital assets:									
Nondepreciable capital assets	-	372,306	518,022	83,840	1,517,758	662,970	10,862,260	4,377,389	18,394,545
Capital assets, net of accumulated depreciation	8,355,553	13,780,270	7,712,962	534,582	448,035	19,648,836	56,479,646	7,073,824	114,033,708
Other assets	181,989	-	318,128	-	-	4,593,398	567,816	-	5,661,331
Total noncurrent assets	8,537,542	15,447,167	8,549,112	8,966,963	8,174,946	24,905,204	69,609,722	11,451,213	155,641,869
Total assets	\$ 11,242,473	\$ 18,975,386	\$ 24,419,106	\$ 36,144,364	\$ 33,345,163	\$ 29,377,417	\$ 73,118,191	\$ 18,920,429	\$ 245,542,529
<b>LIABILITIES</b>									
Current liabilities:									
Current portion of long-term debt	\$ 526,349	\$ -	\$ 1,074,332	\$ 295,449	\$ -	\$ 1,661,500	\$ 147,717	\$ 230,130	\$ 3,935,477
Accounts payable	639,546	786,269	4,213,464	221,259	778,304	1,058,659	532,202	8,538,816	16,768,519
Customer deposits	-	-	-	1,443,474	-	450,005	-	-	1,893,479
Other liabilities and accruals	815,143	319,946	3,090,118	4,245	131,533	138,335	249,876	966,797	5,715,993
Contracts payable	-	-	-	-	-	-	695,739	-	695,739
Due to primary government	-	-	390,383	120,301	-	1,000,000	285,714	-	1,796,398
Due to component units	237,702	-	-	-	-	-	-	-	237,702
Unearned revenues	85,762	1,418,370	1,344,746	-	-	-	-	89,358	2,938,236
Total current liabilities	2,304,502	2,524,585	10,113,043	2,084,728	909,837	4,308,499	1,911,248	9,825,101	33,981,543
Noncurrent liabilities:									
Noncurrent portion of long-term debt	-	-	1,362,059	307,621	-	19,730,217	35,633	1,000,518	22,436,048
Due to primary government	3,116,890	-	6,571,786	-	-	-	-	-	9,688,676
Total noncurrent liabilities	3,116,890	-	7,933,845	307,621	-	19,730,217	35,633	1,000,518	32,124,724
Total liabilities	5,421,392	2,524,585	18,046,888	2,392,349	909,837	24,038,716	1,946,881	10,825,619	66,106,267
<b>NET POSITION</b>									
Net investment in capital assets	8,355,553	14,152,576	5,276,571	618,422	1,965,793	2,813,487	67,158,556	11,196,422	111,537,380
Restricted	-	2,082,916	238,794	1,151,965	636,077	-	-	644,896	4,754,648
Unrestricted	(2,534,472)	215,309	856,853	31,981,628	29,833,456	2,525,214	4,012,754	(3,746,508)	63,144,234
Total net position	5,821,081	16,450,801	6,372,218	33,752,015	32,435,326	5,338,701	71,171,310	8,094,810	179,436,262
	\$ 11,242,473	\$ 18,975,386	\$ 24,419,106	\$ 36,144,364	\$ 33,345,163	\$ 29,377,417	\$ 73,118,191	\$ 18,920,429	\$ 245,542,529

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, 2017

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Nonmajor Component Units	Total
Operating revenues:									
Charges for services	\$ 4,293,353	\$ 319,555	\$ 17,895,474	\$ 3,673,163	\$ 33,860,994	\$ 8,453,946	\$ 3,307,239	\$ 8,707,302	\$ 80,511,026
Sales	-	867,253	13,181,277	-	-	-	-	7,441,938	21,490,468
Grants	-	6,672,621	-	172,573	-	-	-	-	6,845,194
Other	106,583	210,761	-	776,006	196,430	-	584,624	340,400	2,214,804
Total operating revenues	<u>4,399,936</u>	<u>8,070,190</u>	<u>31,076,751</u>	<u>4,621,742</u>	<u>34,057,424</u>	<u>8,453,946</u>	<u>3,891,863</u>	<u>16,489,640</u>	<u>111,061,492</u>
Operating expenses:									
Cost of services	2,867,983	8,581,299	25,997,359	68,624	4,444,656	4,500,042	2,913,860	20,372,617	69,746,440
Administration costs	529,840	2,009,618	1,725,841	2,173,175	-	1,255,552	-	2,867,990	10,562,016
Depreciation and amortization	1,160,505	1,458,424	1,364,489	231,702	140,754	2,753,040	4,126,357	1,761,352	12,996,623
Total operating expenses	<u>4,558,328</u>	<u>12,049,341</u>	<u>29,087,689</u>	<u>2,473,501</u>	<u>4,585,410</u>	<u>8,508,634</u>	<u>7,040,217</u>	<u>25,001,959</u>	<u>93,305,079</u>
Operating income (loss)	<u>(158,392)</u>	<u>(3,979,151)</u>	<u>1,989,062</u>	<u>2,148,241</u>	<u>29,472,014</u>	<u>(54,688)</u>	<u>(3,148,354)</u>	<u>(8,512,319)</u>	<u>17,756,413</u>
Nonoperating revenues (expenses):									
Contributions from the primary government	2,479,553	3,155,405	1,140,800	2,827,200	-	2,182,400	500,000	7,870,560	20,155,918
Equity in net earnings of joint venture	-	-	-	-	910,234	-	-	-	910,234
Net change in the fair value of investments	-	122,070	-	940,876	-	-	-	-	1,062,946
Interest income	-	-	-	24,468	264,104	18,497	106,873	-	413,942
Interest expense	(42,970)	-	(302,057)	-	-	(1,095,176)	(29,377)	(136,140)	(1,605,720)
Grants and other contributions	-	-	-	-	772,879	-	-	37,843	810,722
Contributions to the primary government	-	-	(91,869)	-	(40,129,700)	-	-	-	(40,221,569)
Other	364,982	(3,878)	(857,547)	-	(83,580)	(4,100)	13,944	(119,097)	(689,276)
Total nonoperating revenues (expenses), net	<u>2,801,565</u>	<u>3,273,597</u>	<u>(110,673)</u>	<u>3,792,544</u>	<u>(38,266,063)</u>	<u>1,101,621</u>	<u>591,440</u>	<u>7,653,166</u>	<u>(19,162,803)</u>
Net income (loss) before capital contributions	2,643,173	(705,554)	1,878,389	5,940,785	(8,794,049)	1,046,933	(2,556,914)	(859,153)	(1,406,390)
Capital contributions	-	278,346	672,576	-	-	1,690	2,571,870	5,208,817	8,733,299
Change in net position	2,643,173	(427,208)	2,550,965	5,940,785	(8,794,049)	1,048,623	14,956	4,349,664	7,326,909
Net position at the beginning of the year	<u>3,177,908</u>	<u>16,878,009</u>	<u>3,821,253</u>	<u>27,811,230</u>	<u>41,229,375</u>	<u>4,290,078</u>	<u>71,156,354</u>	<u>3,745,146</u>	<u>172,109,353</u>
Net position at the end of the year	<u>\$ 5,821,081</u>	<u>\$ 16,450,801</u>	<u>\$ 6,372,218</u>	<u>\$ 33,752,015</u>	<u>\$ 32,435,326</u>	<u>\$ 5,338,701</u>	<u>\$ 71,171,310</u>	<u>\$ 8,094,810</u>	<u>\$ 179,436,262</u>

See accompanying notes to basic financial statements.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (1) Summary of Significant Accounting Policies

The Republic of the Marshall Islands ("RepMar") was constituted on May 1, 1979, under the provisions of the Constitution of the Republic of the Marshall Islands (the "Constitution") as approved by the people of the Marshall Islands. The Constitution provides for the separation of powers of the executive, legislative, and judicial branches of the government. RepMar assumes responsibility for general government, public safety, health, education, and economic development. The United States dollar is the official currency and legal tender. The Legislative Branch (the Nitijela) recently enacted Public Law 2018-53 declaring the issuance of a digital decentralized currency as legal tender in addition to the United States dollar, which is to be introduced through an Initial Currency Offering (ICO). Regulations associated with this ICO have yet to be formulated by the Minister of Finance, Banking and Postal Services.

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

#### A. Reporting Entity

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

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

Each blended and discretely presented component unit of RepMar has a September 30 year-end except for the Four-Atoll Medical Fund, which has a December 31 year-end.

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

## REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2017

### (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 Environment 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.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (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 Board of Directors appointed by the Cabinet of RepMar. RepMar guarantees principal and interest payments to the Rural Utilities Service in the event of default by MEC on a Federal Financing Bank loan. RepMar provides financial support to MEC through legislative appropriations.
- 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 Resources and Development, the Minister of Foreign Affairs, the Minister of Internal Affairs, and four members appointed by the President. RepMar has the ability to impose its will on MIMRA.
- Marshall Islands National Telecommunications Authority (MINTA): MINTA was incorporated under Public Law No. 1990-105 to engage in the business of providing local and international telecommunication services. MINTA is governed by an eight-member Board of Directors elected by a majority vote of its shareholders. RepMar owns a voting majority of MINTA stock. RepMar guarantees principal and interest payments to the Rural Utilities Service in the event of default by MINTA on Rural Electrification and Telephone Revolving Fund loans.
- RMI Ports Authority (RMIPA): RMIPA was incorporated under Public Law No. 2003-81 to engage in the operation and maintenance of commercial port facilities in the Marshall Islands. RMIPA is governed by a seven-member Board of Directors appointed by the President upon the approval of the Cabinet of RepMar. RepMar has the ability to impose its will on RMIPA.

The component units' column of the basic financial statements also includes the financial data of the following nonmajor component units: Kwajalein Atoll Joint Utilities Resources, Inc., Majuro Atoll Waste Company, Inc., Majuro Resort, Inc., Majuro Water and Sewer Company, Inc., Marshall Islands Postal Service Authority, Marshall Islands Shipping Corporation, Marshall Islands Visitors Authority, Office of Commerce and Investment, and Tobolar Copra Processing Authority. The component units' column does not include the financial data of the RMI Environmental Protection Authority due to absence of individual component unit financial statements. The omission of this component unit is not considered material to the component units' column reporting unit.



## REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2017

### (1) Summary of Significant Accounting Policies, Continued

#### A. Reporting Entity, Continued

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:

P.O. Box 245  
Majuro, Marshall Islands 96960

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

#### B. Government-Wide Financial Statements

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

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (1) Summary of Significant Accounting Policies, Continued

##### B. Government-Wide Financial Statements, Continued

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 \$87,963,947 of restricted net position, of which \$8,902,148 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, 2017

#### (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.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (1) Summary of Significant Accounting Policies, Continued

##### D. Measurement Focus and Basis of Accounting, Continued

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

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

RepMar reports the following major funds:

- General Fund - this fund is the primary operating fund of RepMar. It is used to account for all governmental transactions, except those required to be accounted for in another fund.
- Grants Assistance Fund - this special revenue fund accounts for all financial transactions that are subgranted to RepMar, including United States Congress appropriations under United States Public Law 99-239, as amended, Title II, Article I, Section 211(a) and approved by Nitijela resolution 123 to promote economic advancement and budgetary self-reliance as well as other direct grants that RepMar received from the United States government and other donor countries.
- 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.

## REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2017

### (1) Summary of Significant Accounting Policies, Continued

#### D. Measurement Focus and Basis of Accounting, Continued

In addition, RepMar reports the following fund types:

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

#### E. Cash and Cash Equivalents and Time Certificates of Deposit

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

#### F. Investments

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

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

Securities receivable represent securities which have been liquidated by the Compact Trust Fund, but have not been fully settled and are valued at the transaction price on the trade date, which equals fair value.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (1) Summary of Significant Accounting Policies, Continued

##### F. Investments, Continued

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

RepMar holds approximately 23% of the outstanding shares of Pacific Islands Development Bank with a carrying amount of \$1,990,250. 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.

##### 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.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (1) Summary of Significant Accounting Policies, Continued

##### K. Indefeasible Right of Use

RepMar has capitalized the cost of acquisition of the executive 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.

##### M. Deferred Outflows of Resources

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

##### N. Unearned Revenue

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

##### O. Long-term Debt

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

## REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2017

### (1) Summary of Significant Accounting Policies, Continued

#### 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.

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.



## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (1) Summary of Significant Accounting Policies, Continued

##### 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, 2017, RepMar implemented the following pronouncements:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (1) Summary of Significant Accounting Policies, Continued

##### T. New Accounting Standards, Continued

- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (1) Summary of Significant Accounting Policies, Continued

##### T. New Accounting Standards, Continued

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

##### U. Encumbrances

RepMar utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2017, 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>
\$ 8,588,056	\$13,143,230	\$ -	\$ 287,963	\$22,019,249

##### V. Estimates

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

##### W. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with RepMar's financial statements for the year ended September 30, 2016 from which summarized information was derived.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (2) Deposits and Investments

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

Investment guidelines to be followed by the Secretary of Finance are as follows:

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

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

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

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

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (2) Deposits and Investments, Continued

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 2017 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, 2017

#### (2) Deposits and Investments, Continued

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

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

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

#### 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, 2017, the carrying amount of the primary government's total cash and cash equivalents was \$26,296,762 and the corresponding bank balances were \$28,194,969. Of the bank balances, \$25,292,460 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2017, bank deposits in the amount of \$1,411,592 were FDIC insured. Bank deposits of \$2,902,509 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, 2017, the carrying amount of the fiduciary fund's total cash and cash equivalents was \$1,363,901 and the corresponding bank balances were \$1,409,698. Of the bank balances, \$1,336,692 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2017, bank deposits in the amount of \$250,000 were FDIC insured. Bank deposits of \$73,006 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, 2017, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$43,752,491 and the corresponding bank balances were \$44,683,467. Of the bank balances, \$13,892,574 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2017, bank deposits in the amount of \$2,920,486 were FDIC insured. Bank deposits of \$30,790,893 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, 2017

#### (2) Deposits and Investments, Continued

##### B. Investments

###### Primary Government

Investments of the primary government as of September 30, 2017, are as follows:

###### Compact Trust Fund:

###### Common trust funds:

Domestic Equity	\$ 22,236,152
International Equity	21,106,642
Fixed Income	12,885,618
Real Estate Investment Trust	807,672
Private Markets	4,106,244
Money market funds	<u>1,923,297</u>

\$ 63,065,625

At September 30, 2017, 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"), and a Vanguard Short-Term Investment-Grade Fund ("VST IGF"); the performance of the fixed income funds is expected to closely replicate the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index. The bonds held by VTBMI vary in credit quality with an average overall rating of "AA" as rated by Moody's as of September 30, 2017. High yield debt receiving a credit rating below "A" comprises approximately 15.2% of the VTBMI fixed income portfolio as rated by Moody's at September 30, 2017. At September 30, 2017, the weighted average maturity of the bonds comprising VTBMI is 8.3 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, 2017. High yield debt receiving a credit rating below "A" comprises approximately 26.5% of the VIT IGF fixed income portfolio as rated by Moody's at September 30, 2017. At September 30, 2017, the weighted average maturity of the bonds comprising VIT IGF is 5.9 years. The bonds held by VST IGF vary in credit quality with an average overall rating of "A" as rated by Moody's as of September 30, 2017. High yield debt receiving a credit rating below "A" comprises approximately 30.1% of the VST IGF fixed income portfolio as rated by Moody's at September 30, 2017. At September 30, 2017, the weighted average maturity of the bonds comprising VST IGF is 3.0 years.

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

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

# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2017

### (2) Deposits and Investments, Continued

#### B. Investments, Continued

##### Primary Government, Continued

The Trust Fund's investment in hedge funds included ownership of the Mercer Hedge Fund Series A fund. Mercer Hedge Funds Investors SPC, who incorporated the hedge fund, are registered under the Mutual Funds Law of the Cayman Islands. The fair value of the Trust Fund's position in the pool is equivalent to the value of the pool shares. The Trust Fund liquidated its position in the Mercer Hedge Fund Series A fund effective September 30, 2017.

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. At September 30, 2017, the Trust Fund held approximately \$15,310,000 in securities of foreign issuers held in common trust funds. Of this amount, approximately \$3,652,000 was held in securities whose functional currency is the Euro, \$2,646,000 was held in securities whose functional currency is the Japanese Yen, \$1,953,000 whose functional currency is the British pound, and \$7,059,000 in functional currencies of 33 other countries.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of September 30, 2017, 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, 2017:

		Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Total</u>			
Investments by fair value level:				
Common trust funds:				
Domestic Equity	\$ 22,236,152	\$ 22,236,152	\$ -	\$ -
International Equity	21,106,642	21,106,642	-	-
Fixed Income	12,885,618	12,885,618	-	-
Real Estate Investment Trust	<u>807,672</u>	<u>807,672</u>	-	-
	57,036,084	<u>\$ 57,036,084</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
Private Markets	4,106,244			
Investments measured at amortized cost:				
Money market funds	<u>1,923,297</u>			
	<u>\$ 63,065,625</u>			

##### Fiduciary Funds

Investments in marketable securities of the Marshall Islands Social Security Administration (MISSA) as of September 30, 2017, are as follows:

Money market funds	\$ 76,368
Exchange Traded Funds	7,229,987
Mutual funds	<u>46,275,398</u>
	<u>\$ 53,581,753</u>



# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2017

### (2) Deposits and Investments, Continued

#### B. Investments, Continued

##### Fiduciary Funds, Continued

Fiduciary funds have the following recurring fair value measurements as of September 30, 2017:

		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	\$ 7,229,987	\$ 7,229,987	\$ -	\$ -
Mutual funds	<u>46,275,398</u>	<u>46,275,398</u>	<u>-</u>	<u>-</u>
	53,505,385	<u>\$ 53,505,385</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	<u>76,368</u>			
	<u>\$ 53,581,753</u>			

Additionally, MISSA owns 65,809 shares of common stock of Marshall Islands Holdings, Inc. (MIHI), which represents approximately 38% of the outstanding shares of MIHI as of September 30, 2017. 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 3,000 shares of common stock of Marshall Islands Service Corporation (MISC), which represents approximately 1% of the outstanding shares of MISC as at September 30, 2017. MISC is majority-owned by MIHI. The investment in MIHI is accounted for on the equity method since the investment constitutes 20% or more of the voting stock of MIHI. At September 30, 2017, MISSA's investment in MIHI amounted to \$15,957,681. The investment in MISC is accounted for at the Net Asset Value. At September 30, 2017, MISSA's investment in MISC amounted to \$30,000. During the year ended September 30, 2017, MISSA received dividend payments from MIHI of \$459,963. For the year ended September 30, 2017, MISSA recognized \$1,889,541 of equity in net earnings of MIHI.

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

	As of the quarter ended December 31, 2016 and for the period from January 1, 2017 to September 30, 2017 (Unaudited)
Total assets	\$ <u>115,017,861</u>
Total liabilities	\$ <u>68,251,702</u>
Equity:	
Attributable to stockholders of MIHI	\$ <u>44,139,598</u>
Noncontrolling interest	\$ <u>2,626,561</u>
Net income attributed to:	
Stockholder of MIHI	\$ <u>3,724,673</u>
Noncontrolling interests	\$ <u>304,684</u>

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (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 at September 30, 2017.

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, 2017, 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, 2017

## (2) Deposits and Investments, Continued

### B. Investments, Continued

#### Discretely Presented Component Units

Investments of the discretely presented component units as of September 30, 2017, are as follows:

College of the Marshall Islands (CMI):

Money market funds	\$ 4,647
Exchange Traded Funds	325,185
Mutual funds	<u>964,759</u>
	<u>\$ 1,294,591</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, 2017:

	Fair Value Measurements Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	<u>Total</u>			
Investments by fair value level:				
Exchange traded funds	\$ 325,185	\$ 325,185	\$ -	\$ -
Mutual funds	<u>964,759</u>	<u>964,759</u>	<u>-</u>	<u>-</u>
	1,289,944	<u>\$ 1,289,944</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	<u>4,647</u>			
	<u>\$ 1,294,591</u>			

Marshall Islands Development Bank:

Common equity securities	<u>\$ 7,196,576</u>
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The deposit and investment policies of MIDB are governed by MIDB's Board of Directors. Generally, MIDB can provide financial assistance to enterprises operating in the Republic, including making equity investments in such enterprises.

MIDB owns 26,376 shares of common stock of Marshall Islands Holdings, Inc. (MIHI), which represents approximately 16% of the outstanding shares of MIHI as of September 30, 2017. 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, 2017. MISC is majority-owned by MIHI. The investments in MIHI and MISC are accounted for at the Net Asset Value.

Marshall Islands Marine Resources Authority (MIMRA):

Investment in joint venture	<u>\$ 6,209,153</u>
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# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2017

### (2) Deposits and Investments, Continued

#### B. Investments, Continued

##### Discretely Presented Component Units, Continued

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

A summary of audited financial information as of and for the year ended December 31, 2016, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>18,965,701</u>
Liabilities	\$ <u>5,846,049</u>
Net earnings	\$ <u>1,796,064</u>

For the year ended September 30, 2017, MIMRA recognized equity in net earnings of MIFCO of \$910,234.

### (3) Receivables

#### Primary Government

Receivables as of September 30, 2017, for the primary government's individual major governmental funds, nonmajor governmental funds in the aggregate, and fiduciary funds, including applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
Receivables:						
Taxes	\$ 2,725,717	\$ -	\$ -	\$ 121,000	\$ -	\$ 2,846,717
Federal agencies	479,523	14,654,415	-	-	-	15,133,938
General	3,330,510	1,954,588	-	1,984,494	-	7,269,592
Contributions	-	-	-	-	10,891,399	10,891,399
Securities	-	-	7,003,727	-	-	7,003,727
Loans	4,368,787	-	-	17,981,394	-	22,350,181
Other	-	-	776,947	258,807	97,265	1,133,019
	10,904,537	16,609,003	7,780,674	20,345,695	10,988,664	66,628,573
Less: allowance for uncollectible accounts	(4,926,588)	(191,936)	-	(17,981,394)	(7,249,098)	(30,349,016)
Net receivables	\$ <u>5,977,949</u>	\$ <u>16,417,067</u>	\$ <u>7,780,674</u>	\$ <u>2,364,301</u>	\$ <u>3,739,566</u>	\$ <u>36,279,557</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, 2017

### (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, 2017, loans in the amount of \$1,064,530 were converted to grants as the recipients met the criteria for conversion. \$ 17,981,394

#### Discretely Presented Component Units

Receivables as of September 30, 2017, for the discretely presented component units, including applicable allowance for uncollectible accounts, are as follows:

	Air Marshall Islands, Inc.	College of the Marshall Islands	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands Marine Resources Authority	Marshall Islands National Telecom. Authority	RMI Ports Authority	Non-major Component Units	Totals
Receivables:									
Federal agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600,313	\$ -	\$ 600,313
General	267,514	3,251,225	11,565,078	-	8,426,518	1,762,296	1,570,747	7,473,294	34,316,672
Loans	-	-	-	24,166,207	-	-	-	-	24,166,207
Other	-	<u>158,615</u>	<u>2,244,814</u>	<u>425,352</u>	<u>235,492</u>	<u>624,920</u>	<u>103,172</u>	<u>765,813</u>	<u>4,558,178</u>
	267,514	3,409,840	13,809,892	24,591,559	8,662,010	2,387,216	2,274,232	8,239,107	63,641,370
Less: allowance for uncollectible Accounts	<u>(65,837)</u>	<u>(2,137,942)</u>	<u>(6,589,685)</u>	<u>(5,221,702)</u>	<u>(802,363)</u>	<u>(750,541)</u>	<u>(1,500,070)</u>	<u>(6,659,799)</u>	<u>(23,727,939)</u>
Net receivables	<u>\$ 201,677</u>	<u>\$ 1,271,898</u>	<u>\$ 7,220,207</u>	<u>\$ 19,369,857</u>	<u>\$ 7,859,647</u>	<u>\$ 1,636,675</u>	<u>\$ 774,162</u>	<u>\$ 1,579,308</u>	<u>\$ 39,913,431</u>

# **REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2017

## (3) Receivables, Continued

### Discretely Presented Component Units, Continued

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

Marshall Islands Development Bank (MIDB):

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

## (4) Interfund Receivables and Payables

### Primary Government

Receivables and payables between funds reflected as due to/from other funds in the governmental funds balance sheet at September 30, 2017, 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	\$ 12,134,264	\$ 12,134,264
Grants Assistance	General	13,632,732	13,632,732
Nonmajor governmental funds	General	1,977,736	1,977,736
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	1,792,429	-
Fiduciary Funds - Private Purpose Trust	General	-	831,566
Fiduciary Funds - Agency	General	-	164,484
		<u>29,537,161</u>	<u>28,740,782</u>
Fiduciary Funds - Private Purpose Trust	General	831,566	-
Nonmajor governmental funds	Fiduciary Funds - Private Purpose Trust	-	1,792,429
Fiduciary Funds - Agency	General	164,484	-
		<u>\$ 30,533,211</u>	<u>\$ 30,533,211</u>

Receivables and payables between funds reflected as due to/from component units at September 30, 2017, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Marshall's Energy Company, Inc.	\$ 6,962,169	\$ -
Marshall Islands Development Bank	120,301	-
Marshall Islands Marine Resources Authority	-	330,000
RMI Ports Authority	-	152,678
Nonmajor component units	-	69,063
	<u>\$ 7,082,470</u>	<u>\$ 551,741</u>

The amount recorded by the General Fund due from the Marshall's Energy Company, Inc. of \$6,962,169 represents a subsidiary loan agreement under an Asian Development Bank (ADB) loan (Loan Number 2659 RMI (SF)) received by RepMar from the ADB. Interest accrues at the rate of 1% per annum through September 30, 2018 and at 1.5% per annum thereafter with principal and interest payments due of \$37,960 and matures on May 31, 2034.

# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2017

### (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>
2018	\$ 390,383	\$ 65,137	\$ 455,520
2019	329,251	126,269	455,520
2020	364,380	91,140	455,520
2021	369,884	85,636	455,520
2022	375,470	80,050	455,520
2023 - 2027	1,964,148	313,452	2,277,600
2028 - 2032	2,117,025	160,575	2,277,600
2033 - 2034	<u>1,051,628</u>	<u>17,815</u>	<u>1,069,443</u>
	<u>\$ 6,962,169</u>	<u>\$ 940,074</u>	<u>\$ 7,902,243</u>

The amount recorded by the General Fund due from the Marshall Islands Development Bank (MIDB) of \$120,301 accrues interest at the rate of 4% per annum and matures on May 8, 2018. In the event that RepMar redeems this receivable at an earlier date, receipt of funds may be dependent upon the underlying collectability of loans issued by MIDB, as MIDB does not appear to have readily available cash reserves to meet early redemption. Furthermore, in the event that RepMar is unable to liquidate this amount at an earlier date, such may be deemed to constitute a cash transfer out to MIDB.

The amount recorded as due from component units of the primary government of \$7,082,470 does not equal the corresponding due to primary government of the discretely presented component units of \$11,485,074 due to an allowance for doubtful accounts recorded by the General Fund and the Grants Assistance Fund of \$2,802,604 and \$1,600,000, respectively. The amount recorded as due to component units of the primary government of \$1,965,341 does not equal the corresponding due from primary government of the discretely presented component units of \$1,413,600 due to a \$551,741 allowance for doubtful accounts recorded by the respective component units.

Receivables and payables between funds reflected as due to/from primary government at September 30, 2017, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Air Marshall Islands, Inc.:		
General Fund	\$ -	\$ 1,516,890
Grants Assistance Fund	-	1,600,000
Marshall's Energy Company, Inc.:		
General Fund	-	6,962,169
Marshall Islands Development Bank:		
General Fund	1,413,600	120,301
Marshall Islands National Telecommunications Authority:		
General Fund	-	1,000,000
RMI Ports Authority:		
General Fund	-	285,714
	<u>\$ 1,413,600</u>	<u>\$ 11,485,074</u>

# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2017

### (4) Interfund Receivables and Payables, Continued

#### Primary Government, Continued

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. MINTA is currently in default and, as a result, all amounts due have been reclassified as current liabilities. 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.

#### Discretely Presented Component Units

Receivables and payables between funds reflected as due to/from component units at September 30, 2017, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
RMI Ports Authority:		
Air Marshall Islands, Inc.	\$ 237,702	\$ -
Air Marshall Islands, Inc.:		
RMI Ports Authority	<u>-</u>	<u>237,702</u>
	\$ <u>237,702</u>	\$ <u>237,702</u>

The amount recorded by the RMI Ports Authority due from Air Marshall Islands, Inc. of \$237,702 accrues interest at the rate of 8% per annum and matured on March 30, 2013.

### (5) Capital Assets

Capital asset activities for the year ended September 30, 2017, are as follows:

#### Primary Government

	Estimated Useful Lives	Balance October 1, 2016	Additions	Transfers	Retirements	Balance September 30, 2017
Depreciable capital assets:						
Electrical distribution	30 yrs	\$ 30,540,465	\$ -	\$ -	\$ -	\$ 30,540,465
Buildings	30 - 40 yrs	108,513,808	-	2,134,766	(2,500,000)	108,148,574
Water infrastructure system	25 yrs	9,616,908	-	-	-	9,616,908
Docks, roads and bridges	25 - 30 yrs	14,722,760	-	-	-	14,722,760
Ships	25 yrs	24,082,254	-	-	-	24,082,254
Software	10 yrs	2,908,125	530,204	-	-	3,438,329
Heavy equipment	3 - 10 yrs	<u>9,695,301</u>	<u>2,259,933</u>	<u>1,008,739</u>	<u>(638,907)</u>	<u>12,325,066</u>
		<u>200,079,621</u>	<u>2,790,137</u>	<u>3,143,505</u>	<u>(3,138,907)</u>	<u>202,874,356</u>
Less accumulated depreciation:						
Electrical distribution		(29,323,486)	(110,793)	-	-	(29,434,279)
Buildings		(46,495,112)	(2,133,696)	-	1,437,500	(47,191,308)
Water infrastructure system		(7,709,400)	(378,654)	-	-	(8,088,054)
Docks, roads and bridges		(10,917,078)	(545,274)	-	-	(11,462,352)
Ships		(10,700,572)	(1,292,179)	-	-	(11,992,751)
Software		(2,258,551)	(195,862)	-	-	(2,454,413)
Heavy equipment		<u>(4,374,260)</u>	<u>(1,070,760)</u>	<u>-</u>	<u>228,563</u>	<u>(5,216,457)</u>
		<u>(111,778,459)</u>	<u>(5,727,218)</u>	<u>-</u>	<u>1,666,063</u>	<u>(115,839,614)</u>
Total depreciable capital assets, net		88,301,162	(2,937,081)	3,143,505	(1,472,844)	87,034,742
Nondepreciable capital assets:						
Construction in progress		<u>1,598,613</u>	<u>7,983,205</u>	<u>(3,143,505)</u>	<u>(27,892)</u>	<u>6,410,421</u>
		\$ <u>89,899,775</u>	\$ <u>5,046,124</u>	\$ <u>-</u>	\$ <u>(1,500,736)</u>	\$ <u>93,445,163</u>



# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2017

### (5) Capital Assets, Continued

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

President and Cabinet	\$ 3,186
Public Service Commission	15,000
Education	1,427,665
Health and Environment	731,170
Transportation and Communication	703,035
Resources and Development	17,725
Internal Affairs	40,216
Justice	75,492
Finance	39,825
Foreign Affairs and Trade	164,656
Public Works	2,469,555
Nitijela	<u>39,693</u>
	<u>\$ 5,727,218</u>

### Discretely Presented Component Units

	Estimated Useful Lives	Balance October 1, 2016	Additions	Retirements	Balance September 30, 2017
Depreciable capital assets:					
Buildings	3 - 34 yrs	\$ 46,303,381	\$ 240,208	\$ -	\$ 46,543,589
Utility plant	3 - 40 yrs	80,678,885	1,324,507	(70,403)	81,932,989
Machinery and equipment	2 - 25 yrs	51,782,473	3,620,243	(993,114)	54,409,602
Infrastructure	5 - 50 yrs	<u>58,879,494</u>	<u>22,337,781</u>	<u>-</u>	<u>81,217,275</u>
		237,644,233	27,522,739	(1,063,517)	264,103,455
Less accumulated depreciation		<u>(139,353,468)</u>	<u>(12,450,619)</u>	<u>1,734,340</u>	<u>(150,069,747)</u>
Total depreciable capital assets, net		98,290,765	15,072,120	670,823	114,033,708
Nondepreciable capital assets:					
Land		372,306	-	-	372,306
Construction in progress		<u>35,560,153</u>	<u>7,741,615</u>	<u>(25,279,529)</u>	<u>18,022,239</u>
		<u>35,932,459</u>	<u>7,741,615</u>	<u>(25,279,529)</u>	<u>18,394,545</u>
		<u>\$ 134,223,224</u>	<u>\$ 22,813,735</u>	<u>\$ (24,608,706)</u>	<u>\$ 132,428,253</u>

During the year ended September 30, 2017, the Kwajalein Atoll Joint Utilities Resources, Inc. was the recipient of capital contributions in the amount of \$3,213,670 associated with the Ebeye Water Supply and Sanitation Project for the construction of Salt Water Reverse Osmosis (SWRO) equipment. The SWRO equipment was commissioned on October 7, 2017.

### (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, 2017, accumulated amortization expense of \$1,906,693 has been recorded.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2017

### (7) Short-term Debt

#### Primary Government

In 2015, RepMar obtained a short-term bank loan in the amount of \$1,200,000 to finance payment of RUS loan arrears owed by the Marshall Islands National Telecommunications Authority, interest at 6% per annum, principal and interest due in monthly installments of \$104,000, due and payable on November 30, 2016. This bank loan was paid in full in 2017.

Short-term debt activity for the year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
Bank loan	\$ <u>202,133</u>	\$ <u>-</u>	\$ <u>(202,133)</u>	\$ <u>-</u>

### (8) Long-term Obligations

#### Primary Government

Under the Government Borrowing Act of 1985, RepMar may borrow money for such purposes as approved by the Nitijela of RepMar. As of September 30, 2017, the primary government had the following long-term debt outstanding and payable to the Asian Development Bank (ADB):

Loan Number 1102 MAR (SF) - Fisheries Development Project Loan (SDR 2,432,599), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced January 1, 2002 in an amount of SDR 24,300, increasing to SDR 48,600 on January 1, 2012. \$ 1,973,816

Loan Number 1218 MAR (SF) - Typhoon Rehabilitation Loan (SDR 364,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced May 15, 2003 in an amount of SDR 3,600, increasing to SDR 7,300 on May 15, 2013. 315,732

Loan Number 1249 MAR (SF) - Basic Education Project Loan (SDR 5,717,446), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced April 15, 2004 in an amount of SDR 57,200, increasing to SDR 114,300 on April 15, 2014. 5,148,710

Loan Number 1250 MAR (SF) - Majuro Water Supply Project Loan No. 1 (SDR 478,496), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced November 15, 2003 in an amount of SDR 4,800, increasing to SDR 9,600 on November 15, 2013. 461,362

Loan Number 1316 RMI (SF) - Health and Population Project Loan (SDR 3,858,516), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced January 1, 2005 in an amount of SDR 38,600, increasing to SDR 77,200 on January 1, 2015. 3,551,045

## REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements  
September 30, 2017

### (8) Long-term Obligations, Continued

#### Primary Government, Continued

Loan Number 1389 RMI (SF) - Majuro Water Supply Project Loan No. 2 (SDR 6,062,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced March 1, 2006 in an amount of SDR 60,700, increasing to SDR 121,200 on March 1, 2016. 5,976,968

Loan Number 1513 RMI (SF) - Public Sector Reform Program Loan (SDR 8,241,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced June 1, 2007 in an amount of SDR 82,400, increasing to SDR 164,800 on June 1, 2017. 8,806,643

Loan Number 1694 RMI (SF) - Ebeye Health and Infrastructure Project Loan (SDR 6,918,118), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced February 1, 2008 in an amount of SDR 144,127. 5,222,960

Loan Number 1791 RMI (SF) - Skills Training and Vocational Education Project Loan (SDR 3,483,174), non-interest bearing with a service charge of 1.5% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commenced May 15, 2009 in an amount of SDR 72,566. 3,179,663

Loan Number 1829 RMI (SF) - Fiscal and Financial Management Program Loan No. 2 (SDR 6,320,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence November 15, 2009 in an amount of SDR 197,500, at which time the service charge increases to 1.5% per annum. 4,194,483

Loan Number 1948 RMI (SF) - Outer Island Transport Infrastructure Project (SDR 5,304,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence February 1, 2011 in an amount of SDR 110,500, at which time the service charge increases to 1.5% per annum. 359,484

Loan Number 2659 RMI (SF) - Public Sector Program Loan (SDR 6,413,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence February 15, 2019 in an amount of SDR 200,406, at which time the service charge increases to 1.5% per annum. Concurrently, RepMar entered into a subsidiary loan agreement with the Marshalls Energy Company, Inc. whereby RepMar will on lend a portion of the loan proceeds for the purpose of restructuring certain commercial bank debt. 9,979,846

Loan Number 2950 RMI (SF) - Fiscal Reform and Debt Management Project (SDR 3,242,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence May 15, 2021 in an amount of SDR 101,313, at which time the service charge increases to 1.5% per annum. 4,893,961

\$ 54,064,673

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2017

### (8) Long-term Obligations, Continued

#### Primary Government, Continued

The abovementioned ADB loans payable are uncollateralized and are backed by the full faith and credit of RepMar. The abovementioned loans are designated and measured by the ADB using Special Drawing Rights. (SDRs). The value of a SDR is defined by a weighted currency basket of four major currencies; the U.S. dollar, the euro, the British pound, and the Japanese yen. The International Monetary Fund re-evaluates this currency basket every five years. The effects of foreign currency transaction gains or losses resulting from this re-evaluation are included in the government-wide financial statements in the period when such re-evaluation occurs.

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,623,411	\$ 574,028	\$ 3,197,439
2019	2,623,411	544,077	3,167,488
2020	3,247,151	563,483	3,810,634
2021	3,402,574	535,611	3,938,185
2022	3,557,996	504,768	4,062,764
2023 - 2027	16,741,224	1,872,971	18,614,195
2028 - 2032	14,659,157	923,265	15,582,422
2033 - 2037	<u>7,209,749</u>	<u>175,461</u>	<u>7,385,210</u>
	\$ <u>54,064,673</u>	\$ <u>5,693,664</u>	\$ <u>59,758,337</u>

#### Discretely Presented Component Units

As of September 30, 2017, the discretely presented component units had the following long-term debt outstanding:

Air Marshall Islands, Inc. (AMI):

Note payable to Marshall Islands Development Bank, dated May 30, 2013, interest at 6.5% per annum, with principal and interest due in monthly installments of \$51,100, due May 30, 2018. The loan has been collateralized by certain aircraft operated by AMI and a guarantee from RepMar. Loan proceeds of \$2,500,000 were used to fund Dash 8 aircraft improvements. \$ 526,349

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>
2018	\$ <u>526,349</u>	\$ <u>64,157</u>	\$ <u>590,506</u>

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2017

### (8) Long-term Obligations, Continued

#### Discretely Presented Component Units, Continued

##### Marshalls Energy Company, Inc. (MEC):

Loan payable to the Federal Financing Bank (FFB), dated November 17, 1997, interest based on the FFB rates at the date of the loan advances and range from 5.49% to 7.25% per annum, with principal and interest payable in quarterly installments of \$273,770 through January 2, 2018, with loan repayments guaranteed by the Rural Utilities Service (RUS). On June 22, 2012, RUS granted a two-year \$2 million loan deferment giving MEC a two-year break from having to make payments to RUS. Effective June 22, 2012 through March 31, 2014, interest payments of \$25,000 were due quarterly. Thereafter, quarterly payments of \$299,121 are due. The loan will mature on December 31, 2019. The mortgage notes have been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS in the event of default by MEC, and have been collateralized by a leasehold mortgage and security agreement over the assets of MEC. These notes are subject to certain coverage ratio requirements. MEC is in compliance with these ratio requirements as of September 30, 2017. \$ 2,436,391

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>
2018	\$ 1,074,332	\$ 122,209	\$ 1,196,541
2019	<u>1,362,059</u>	<u>59,698</u>	<u>1,421,757</u>
	\$ <u>2,436,391</u>	\$ <u>181,907</u>	\$ <u>3,105,508</u>

##### Marshall Islands Development Bank (MIDB):

Bank loan dated September 22, 2015, interest at 6.5% per annum, principal and interest due in monthly installments of \$25,265 through November 30, 2019, collateralized by time certificate of deposit. Loan proceeds of \$1,090,500 were used to consolidate prior year loans. \$ 603,070

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>
2018	\$ 295,449	\$ 32,996	\$ 328,445
2019	291,777	11,403	303,180
2020	<u>15,844</u>	<u>85</u>	<u>16,028</u>
	\$ <u>603,070</u>	\$ <u>44,484</u>	\$ <u>647,554</u>

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2017

(8) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

Marshall Islands National Telecommunications Authority (MINTA):

Loans payable to the RUS (formerly the Rural Electrification Administration) from the Rural Electrification and Telephone Revolving Fund, dated August 17, 1989 of \$18,800,000, increased by \$3,999,000 on April 23, 1993, and further increased by \$18,500,000, with interest at 3.64% to 5% per annum. Certain portions of these loans have been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS up to \$1,500,000 annually in the event of default by MINTA. Mortgages over specific MINTA ground leases and essentially all assets of MINTA have collateralized both loans. \$ 21,391,717

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>
2018	\$ 1,661,500	\$ 992,240	\$ 2,653,740
2019	1,743,637	910,103	2,653,740
2020	1,829,869	823,871	2,653,740
2021	1,920,402	733,338	2,653,740
2022	2,015,450	638,290	2,653,740
2023 - 2027	8,551,914	1,794,395	10,346,309
2028 - 2031	<u>3,668,945</u>	<u>234,813</u>	<u>3,903,758</u>
	\$ <u>21,391,717</u>	\$ <u>6,127,050</u>	\$ <u>27,518,767</u>

RMI Ports Authority (RMIPA):

Bank loan dated October 12, 2012, interest at 7.5% per annum, principal and interest due in monthly installments of \$20,125 through October 30, 2017, collateralized by time certificate of deposit. Loan proceeds of \$1,000,000 were used to fund various capital improvement projects. \$ 19,838

Bank loan dated January 11, 2013, interest at 7% per annum, principal and interest due in monthly installments of \$12,300 through December 31, 2018, collateralized by time certificate of deposit. Loan proceeds of \$700,000 were used to fund various capital improvement projects. 163,512  
\$ 183,350

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>
2018	\$ 147,717	\$ 8,517	\$ 156,234
2019	<u>35,633</u>	<u>445</u>	<u>36,078</u>
	\$ <u>183,350</u>	\$ <u>8,962</u>	\$ <u>192,312</u>

# **REPUBLIC OF THE MARSHALL ISLANDS**

## Notes to Financial Statements September 30, 2017

### (8) Long-term Obligations, Continued

#### Discretely Presented Component Units, Continued

Tobolar Copra Processing Authority (TCPA):

Term loan with a bank refinanced from a bank credit line in the amount of \$1,430,000, dated June 23, 2016, interest at 8.5% per annum, principal and interest due in monthly installments of \$25,500 through June 30, 2022, collateralized by a general security agreement over all assets of TCPA and a guarantee from the Marshall Islands Development Bank. \$ 975,857

Bank loan dated August 15, 2013, interest at 7.5% per annum, principal and interest due in monthly installments of \$2,781 through October 15, 2028, collateralized by a general security agreement over all assets of TCPA and a guarantee from RepMar. Loan proceeds of \$300,000 were used to fund capital expenditures. 254,791

\$ 1,230,648

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>
2018	\$ 230,130	\$ 36,423	\$ 266,553
2019	214,161	34,083	248,244
2020	199,500	31,565	231,065
2021	234,424	28,852	263,276
2022	186,080	25,930	212,010
2023 - 2027	128,209	38,653	166,862
2028 - 2032	<u>38,144</u>	<u>1,524</u>	<u>39,668</u>
	<u>\$ 1,230,648</u>	<u>\$ 197,030</u>	<u>\$ 1,427,678</u>

### (9) Change in Long-term Obligations

#### Primary Government

Other long-term liabilities will be liquidated in the future primarily from the General Fund and the Grants Assistance Fund. During the year ended September 30, 2017, 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, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2017</u>	<u>Due Within One Year</u>
Loans payable:					
ADB loans	\$ 56,570,046	\$ -	\$ (2,505,373)	\$ 54,064,673	\$ 2,623,411
Other:					
Compensated absences	<u>2,943,690</u>	<u>2,727,466</u>	<u>(1,986,720)</u>	<u>3,684,436</u>	<u>1,126,256</u>
	<u>\$ 59,513,736</u>	<u>\$ 2,727,466</u>	<u>\$ (4,492,093)</u>	<u>\$ 57,749,109</u>	<u>\$ 3,749,667</u>

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2017

### (9) Change in Long-term Obligations, Continued

#### Discretely Presented Component Units

Changes in long-term liabilities of discretely presented component units for the year ended September 30, 2017, are as follows:

	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Due Within One Year
Loans payable:					
AMI	\$ 1,095,289	\$ -	\$ (568,940)	\$ 526,349	\$ 526,349
MEC	3,449,832	-	(1,013,441)	2,436,391	1,074,332
MIDB	837,241	-	(234,171)	603,070	295,449
MINTA	23,881,466	-	(2,489,749)	21,391,717	1,661,500
RMIPA	543,073	-	(359,723)	183,350	147,717
MAWC	33,635	-	(33,635)	-	-
TCPA	<u>1,521,782</u>	<u>-</u>	<u>(291,134)</u>	<u>1,230,648</u>	<u>230,130</u>
	31,362,318	-	(4,990,793)	26,371,525	3,935,477
Due to primary government	<u>12,838,847</u>	<u>23,196</u>	<u>(1,376,969)</u>	<u>11,485,074</u>	<u>1,796,398</u>
	<u>\$ 44,201,165</u>	<u>\$ 23,196</u>	<u>\$ (6,367,762)</u>	<u>\$ 37,856,599</u>	<u>\$ 5,731,875</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.	\$ 293,133
Savings account established in accordance with Section 211(d)(2) of the Compact of Free Association, as amended, for the purpose of funding RepMar's infrastructure maintenance plan.	4,022,391
Savings account established in accordance with Section 211(e) of the Compact of Free Association, as amended, for the purpose of funding RepMar's disaster assistance emergency fund.	2,444,776
Savings accounts collateralizing a credit card facility.	62,435
Deposit account established in accordance with ADB Loan 2659-RMI (SF) for the purpose of funding loan debt service payments.	2,909,406
Deposit account established to satisfy a court judgment pertaining to Civil Action 2014-133.	200,134
Savings account established for the purpose of accounting for funds held by RepMar in a custodial capacity relating to unclaimed property.	<u>95,220</u>
	<u>\$ 10,027,495</u>

Restricted investments of the primary government are as follows:

Investments held in a trust fund for the purpose of accumulating resources to fund RepMar government operations after fiscal year 2023.	<u>\$ 63,065,625</u>
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# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2017

### (10) Restricted Assets, Continued

#### Discretely Presented Component Units

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

#### Marshall Islands Development Bank:

Savings account collateralizing loans funded by Rural Housing Service (RHS).	\$ 594,862
Time certificate of deposit collateralizing bank loans payable.	<u>557,103</u>
	<u>1,151,965</u>

#### RMI Ports Authority:

Time certificate of deposit collateralizing bank loans payable.	<u>1,700,000</u>
	<u>\$ 2,851,965</u>

### (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, 2017, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Nonmajor governmental funds	\$ <u>1,711,076</u>	\$ <u>752,304</u>
Grants Assistance Fund:		
Nonmajor governmental funds	<u>2,184,936</u>	<u>-</u>
Nonmajor governmental funds:		
General Fund	752,304	1,711,076
Grants Assistance Fund	<u>-</u>	<u>2,184,936</u>
	<u>752,304</u>	<u>3,896,012</u>
	<u>\$ 4,648,316</u>	<u>\$ 4,648,316</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 \$1,711,076 from the General Fund to the Nonmajor Governmental Funds to finance Judicial branch operations and scholarships; \$2,184,936 from the Grants Assistance Fund to the Nonmajor Governmental Funds to finance scholarships and Four-atoll medical costs; and \$752,304 from the Nonmajor Governmental Funds to the General Fund to fund general operations.

# REPUBLIC OF THE MARSHALL ISLANDS

## Notes to Financial Statements September 30, 2017

### (12) 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	\$ 1,990,250	\$ -	\$ -	\$ -	\$ 1,990,250
Loan receivable – MEC	6,962,169	-	-	-	6,962,169
Loan receivable – MIDB	120,301	-	-	-	120,301
Permanent fund principal	-	-	70,846,299	-	70,846,299
Restricted:					
Education and health	-	703,586	-	471,725	1,175,311
Capacity building	-	163,374	-	-	163,374
Environmental	-	105,735	-	-	105,735
Infrastructure maintenance	-	1,741,770	-	-	1,741,770
Disaster assistance	-	4,068,128	-	-	4,068,128
Compact – other	-	41,070	-	-	41,070
ADB loan # 2659 sinking fund	2,909,406	-	-	-	2,909,406
World Bank	-	217,281	-	-	217,281
Credit card collateralization	62,435	-	-	-	62,435
Nuclear claims related	-	-	-	173,356	173,356
Committed:					
Judiciary	-	-	-	431,121	431,121
Education and health	-	-	-	7,438,117	7,438,117
Capital projects	-	6,555,374	-	-	6,555,374
Other	14,251	116,036	-	566,366	696,653
Unassigned	<u>12,518,937</u>	<u>(531,754)</u>	<u>-</u>	<u>(485)</u>	<u>11,986,698</u>
	<u>\$ 24,577,749</u>	<u>\$ 13,180,600</u>	<u>\$ 70,846,299</u>	<u>\$ 9,080,200</u>	<u>\$ 117,684,848</u>

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

	Beginning Balance	Revenues	Expenditures	Ending Balance
Telecommunications and ICT Technical Assistance	\$ 81,756	\$ -	\$ 12,621	\$ 69,135
Sustainable Energy Development Project	-	200,000	55,490	144,510
Pacific Resilience Project II	-	200,000	196,364	3,636
	<u>\$ 81,756</u>	<u>\$ 400,000</u>	<u>\$ 264,475</u>	<u>\$ 217,281</u>

### (13) Compact Trust Fund

Section 216(a) of the Compact, as amended, provides for annual contributions from the United States into a trust fund established in accordance with the Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands Implementing Section 216 and Section 217 of the Compact, as Amended, Regarding a Trust Fund (Trust Fund Agreement). The contributions by the United States were conditioned upon RepMar contributing to the trust fund at least \$25,000,000 on October 1, 2003, \$2,500,000 prior to October 1, 2004, and a final \$2,500,000 prior to October 1, 2005. As of September 30, 2017, 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.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (13) Compact Trust Fund, Continued

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"	\$ 54,878,925
RepMar - "D Account"	<u>15,967,374</u>
	\$ <u>70,846,299</u>

At September 30, 2017, 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"	\$ 262,530,906
Republic of China - "A Account" and "C Account"	<u>39,523,584</u>
	\$ <u>302,054,490</u>

#### (14) Contingencies and Commitments

##### Nuclear Claims Trust Fund (NCTF)

Section 177(c) of the Compact of Free Association (the Compact) provides, on a one-time grant basis, the amount of \$150,000,000 to RepMar to be used to establish a trust fund from which annual distributions are to be made in accordance with Article II of the Agreement between the Government of the United States and RepMar for Implementation of Section 177 of the Compact (the Agreement). Pursuant to the Agreement, RepMar established the NCTF from which these distributions are made. Over a period of fifteen years, the Nuclear Claims Tribunal (NCT) received \$45,750,000 from the NCTF that was made available for whole or partial payment of monetary awards. As of September 30, 2017, 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.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **Notes to Financial Statements September 30, 2017**

#### **(14) Contingencies and Commitments, Continued**

##### **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 2016 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2017. 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.

##### **Economic Dependency**

During the year ended September 30, 2017, RepMar's General Fund recorded contributions from component units of \$40,541,990, which represents 49% of total General Fund revenues. These contributions include fisheries revenues of \$40,032,425 collected by the Marshall Islands Marine Resources Authority (MIMRA) and, as a result, the General Fund is economically dependent upon such contributions. If a significant reduction in the level of budgetary support from MIMRA due to the migratory nature of this economic resource were to occur, it may have an effect on the General Fund's programs and activities.

##### **Marshall's Energy Company, Inc. (MEC)**

As of September 30, 2017, MEC is in compliance with certain coverage ratio requirements relating to a loan agreement with Rural Utilities Service (RUS). The mortgage notes have been unconditionally guaranteed by RepMar. RepMar may be liable for the debt service payments to RUS in the event of default by MEC.

##### **Marshall Islands Social Security Administration (MISSA)**

In 2016, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2014. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of \$442,510,000 and \$72,367,000, respectively, as of October 1, 2014. The funded ratio of the Retirement Fund as of October 1, 2014 is 16%. As of September 30, 2017, MISSA recorded total fund equity of \$72,588,328 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 to terminate the contract.

**REPUBLIC OF THE MARSHALL ISLANDS**

Notes to Financial Statements  
September 30, 2017

**(14) Contingencies and Commitments, Continued**

**Leases**

RepMar enters into numerous leases with various landowners. The lease terms generally range from one to fifteen years. However, appropriations to fund these leases are made only on an annual basis. For the year ended September 30, 2017, RepMar appropriated \$1,200,000 to fund such leases.

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

<u>Year ending September 30,</u>	<u>Total</u>
2018	\$ 94,484
2019	94,484
2020	94,484
2021	97,684
2022	97,684
2023 - 2027	494,818
2028 - 2032	344,418
2033 - 2037	104,418
2038 - 2042	79,418
2043 - 2044	<u>31,767</u>
	<u>\$ 1,533,659</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>
2018	\$ 771,997
2019	377,106
2020	325,566
2021	54,625
2022	30,625
2023 - 2027	148,593
2028 - 2032	143,192
2033 - 2037	138,240
2038 - 2041	<u>42,924</u>
	<u>\$ 2,032,868</u>

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (14) 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>
2018	\$ 95,871
2019	98,747
2020	101,710
2021	104,761
2022	107,904
2023 - 2027	590,062
2028 - 2032	684,044
2033 - 2037	<u>381,268</u>
	<u>\$ 2,164,367</u>

##### Litigation

RepMar is party to various legal proceedings, many of which are normal recurrences in governmental operations. The Attorney General of RepMar is of the opinion that the probable outcome of suits existing at September 30, 2017 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.

##### Trust Company of the Marshall Islands

Under the Joint Venture Agreement, as amended, between RepMar and the Trust Company of the Marshall Islands, Inc. (TCMI) dated September 14, 1990, and as amended August 18, 1995, after meeting certain contractual working capital requirements, annual gross revenues of the programs managed by TCMI are shared using a graduated schedule. In 2002, RepMar agreed to set aside the financial provisions of this Joint Venture Agreement in favor of an annual payment of \$1,000,000, payable in quarterly installments of \$250,000 through December 31, 2006. On December 6, 2006, RepMar agreed to again set aside the financial provisions of this Joint Venture Agreement in favor of an annual payment of \$2,000,000, payable in quarterly installments of \$500,000 through December 31, 2009. On June 8, 2009, RepMar agreed to further amend the financial provisions of this Joint Venture Agreement whereby an annual payment of \$3,000,000 is payable by TCMI through December 31, 2010 in monthly installments of \$250,000, with an effective date of July 1, 2008. For the period January 1, 2011 through December 31, 2013, the annual payment amount increased to \$4,000,000, payable in monthly installments of \$333,333 and further increased to an annual payment amount of \$5,000,000 for the period January 1, 2014 through December 31, 2018, payable in monthly installments of \$416,667.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (14) Contingencies and Commitments, Continued

##### Trust Company of the Marshall Islands, Continued

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

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

The abovementioned annual payments are contingent upon continued net earnings being generated by TCMI. In the event that net earnings of TCMI fall below 2007 levels, the annual payments are to be adjusted accordingly on a prorated basis.

##### 4G LTE Project

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

##### Ebeye Water Supply and Sanitation Project (EWSSP)

In 2015, the Asian Development Bank (ADB) approved two grants (Grant Nos. 0438-RMI and 0439-RMI) to RepMar in the aggregate amount of \$9,000,000 for the EWSSP. Simultaneously, the ADB entered into a project agreement with the Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR) for the purpose of implementing the Project by improving water and sanitation systems on Ebeye. The grant agreements required that the grant proceeds be made available to KAJUR for the purpose of financing expenditures of the Project. During the year ended September 30, 2017, certain Project capital expenditures were incurred of \$3,213,670.

##### 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, 2017 is \$11,858,488.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (14) Contingencies and Commitments, Continued

##### 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 \$11,087,474 as of September 30, 2017. In the event of default, MIDB could be exposed to an amount in excess of the escrow account balance, an amount that is presently indeterminable. No provision for any liability that may result from this matter has been provided for within the accompanying financial statements.

##### Budgetary Compliance

For the year ended September 30, 2017, significant over-expenditures exceeding appropriations within the General Fund were as follows:

Majuro Landowners Electricity Bills	\$ 838,921
International Subscriptions	\$ 99,144
College of the Marshall Islands	\$ 99,200
AMI Repayment Plan	\$ 493,153
Kwajalein Atoll Local Government (MISSA) payments	\$ 642,114
Ministry of Justice, Immigration and Labor	\$ 44,655
Marshall Islands Public School System Fund	\$ 122,657

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

##### 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.

##### Other Commitments

Significant commitments of the primary government as of September 30, 2017, are as follows:

- a) Guaranteed bank debt of Air Marshall Islands, Inc. (AMI) with a letter of guarantee. At September 30, 2017, AMI had guaranteed debt totaling \$526,349.
- b) Guaranteed bank debt of Tobolar Copra Processing Authority (TCPA) with a letter of guarantee. At September 30, 2017, TCPA had guaranteed bank debt totaling \$254,791.
- c) Guaranteed debt of MEC in respect to a loan from the United States Rural Utilities Service (RUS) with a letter of guarantee. At September 30, 2017, MEC had guaranteed RUS debt totaling \$2,436,391.
- d) Guaranteed debt of Marshall Islands National Telecommunications Authority (MINTA) in respect of a loan from RUS with a letter of guarantee. At September 30, 2017, MINTA had guaranteed RUS debt totaling \$21,391,717.



## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Financial Statements September 30, 2017

#### (14) Contingencies and Commitments, Continued

##### Other Commitments, Continued

- e) 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.
- f) 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.
- g) On October 27, 2016, the Cabinet of RepMar authorized and approved a \$5,000,000 loan from the International Cooperation and Development Fund for the Home Energy Efficiency and Renewable Energy Projects. At September 30, 2017, no drawdowns have been made against this loan commitment.

**REPUBLIC OF THE MARSHALL ISLANDS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2017**

# 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, 2017

	Budgeted Amounts		Actual - Budgetary Basis (see Note 1)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 30,546,499	\$ 30,542,999	\$ 29,800,032	\$ (742,967)
Fees and charges	2,374,100	2,374,100	28,175	(2,345,925)
Interest and dividends	-	-	114,519	114,519
Other	50,301,700	51,101,700	52,351,664	1,249,964
Total revenues	83,222,299	84,018,799	82,294,390	(1,724,409)
Expenditures:				
President and Cabinet	4,656,472	4,210,374	3,843,725	366,649
Office of the Chief Secretary	962,954	1,109,443	1,054,169	55,274
Special appropriations	19,961,124	38,360,884	34,361,638	3,999,246
Council of Iroij	587,803	568,296	558,758	9,538
Office of the Auditor-General	2,094,782	2,176,534	1,735,668	440,866
Public Service Commission	674,262	673,578	662,835	10,743
Office of the Attorney General	963,138	905,485	800,812	104,673
Ministries	50,998,015	38,807,390	35,442,567	3,364,823
Environmental Protection Authority	225,020	201,747	177,838	23,909
Nitijela	2,378,706	2,628,228	2,488,438	139,790
Total expenditures	83,502,276	89,641,959	81,126,448	8,515,511
Excess of revenues over expenditures	(279,977)	(5,623,160)	1,167,942	6,791,102
Other financing sources (uses):				
Operating transfers in	-	3,204,000	752,304	(2,451,696)
Operating transfers out	(4,385,601)	(4,355,948)	(4,273,535)	82,413
Other financing sources (uses), net	(4,385,601)	(1,151,948)	(3,521,231)	(2,369,283)
	(4,665,578)	(6,775,108)	(2,353,289)	4,421,819
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	4,665,578	4,665,578	8,374,403	3,708,825
Net change in fund balance	\$ -	\$ (2,109,530)	\$ 6,021,114	\$ 8,130,644

See accompanying notes to required supplementary information - budgetary reporting.

## REPUBLIC OF THE MARSHALL ISLANDS

### Notes to Required Supplementary Information - Budgetary Reporting September 30, 2017

#### (1) Budgetary Information

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

The Budget Act for fiscal year 2017, Public Law No. 2016-15, was passed by the Nitijela on September 28, 2016. A Supplemental Budget Act for fiscal year 2017, Public Law 2017-40, was passed by the Nitijela on March 30, 2017. Formal budget integration is employed as a management control device during the year for all funds. The Cabinet has the authority to reprogram budgeted estimates in accordance with the Constitution. All annual appropriations lapse at fiscal year-end unless otherwise specified by law. Supplemental appropriations may occur throughout the year. Unexpended encumbrances at each fiscal year end are carried forward until they are expended or canceled without further legislative action. RepMar does not establish budgets for the operations of its other governmental funds.

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

#### (2) Reconciliation of Budgetary Schedule

	Net Change In Fund Balance	Reserve for Encumbrances
Budgetary basis – Fund 100100	\$ <u>6,021,114</u>	\$ <u>8,374,403</u>
GASB 54 Funds included within the General Fund:		
Reimbursable Fund	(61,516)	24,668
Judiciary Fund	31,000	-
ADB Development Fund	<u>(304,244)</u>	<u>188,985</u>
	<u>(334,760)</u>	<u>213,653</u>
General Fund	\$ <u>5,686,354</u>	\$ <u>8,588,056</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**OTHER SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2017**

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Schedule of Expenditures by Account Governmental Funds Year Ended September 30, 2017

		Special Revenue	Permanent		
	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
Expenditures:					
Salaries and wages	\$ 20,608,806	\$ 20,704,965	\$ -	\$ 1,205,321	\$ 42,519,092
Grants and subsidies	27,308,074	12,597,077	-	1,166,740	41,071,891
Utilities	5,340,076	1,852,872	-	77,540	7,270,488
Contractual services	903,928	4,614,869	-	6,688,400	12,207,197
Capital outlay	3,909,739	8,921,587	-	380,088	13,211,414
Travel	2,070,779	1,533,425	-	408,380	4,012,584
Medical supplies	468,286	193,041	-	2,040,765	2,702,092
Principal repayment	2,591,177	-	-	-	2,591,177
Supplies and materials	749,183	1,943,021	-	147,495	2,839,699
Leased housing	1,642,319	440,611	-	71,250	2,154,180
Rentals	1,955,697	457,609	-	33,426	2,446,732
Food stuffs	1,165,652	1,364,233	-	10,742	2,540,627
Interest	641,165	-	-	-	641,165
Communications	598,468	339,628	-	87,311	1,025,407
POL	497,519	306,327	-	68,062	871,908
Allowances	1,598,098	1,800	-	7,400	1,607,298
Professional services	659,574	649,695	-	85,459	1,394,728
Printing and reproduction	135,621	112,735	-	4,090	252,446
Insurance	214,362	29,845	-	5,834	250,041
Freight	40,208	52,711	-	25,545	118,464
Other	3,362,662	1,964,291	-	223,425	5,550,378
	<u>\$ 76,461,393</u>	<u>\$ 58,080,342</u>	<u>\$ -</u>	<u>\$ 12,737,273</u>	<u>\$ 147,279,008</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

GENERAL FUND

September 30, 2017

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

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund (Fund 100100) Year Ended September 30, 2017 (with comparative totals for the year ended September 30, 2016)

	2017	2016
Revenues:		
Taxes:		
Income	\$ 14,781,817	\$ 13,799,837
Import	6,714,330	6,525,081
Import - CMI	1,138,725	1,133,610
Gross revenue	5,689,946	5,724,781
Immovable property	682,292	641,377
Fuel	612,702	499,539
Penalties and interest	77,815	48,051
Other	102,405	107,618
	<u>29,800,032</u>	<u>28,479,894</u>
Fees and charges	28,175	18,678
Interest and dividends	114,519	158,955
Other:		
Taiwan grant	3,600,000	3,600,000
Ship registry	7,294,153	6,125,000
Contribution from MI Marine Resources Authority	40,032,425	26,285,938
Contribution from RMI Ports Authority	509,565	72,795
Other	915,521	557,151
	<u>52,351,664</u>	<u>36,640,884</u>
Total revenues	<u>82,294,390</u>	<u>65,298,411</u>
Expenditures:		
President and Cabinet:		
Office of the President	1,621,744	731,670
President and Ministers	556,737	541,894
Cabinet Operations	644,264	468,830
	<u>2,822,745</u>	<u>1,742,394</u>
Office of the Chief Secretary:		
Administration	389,537	1,209,471
Deputy Chief Secretary - Ebeye	86,289	78,817
Economic Policy, Planning and Statistics Office	367,045	223,141
Office of Environmental Planning and Policy Coordination	117,133	129,867
	<u>960,004</u>	<u>1,641,296</u>
Special appropriations:		
Marshall Islands Social Security Administration (MISSA) subsidy	3,273,600	-
Kwajalein Atoll Local Government (Solid Waste matching)	107,136	-
Capitol Building	72,189	-
Majuro Atoll Local Government (seawall project)	496,000	-
National Election	74	587,024
Centralized Utility Billings - Majuro	980,049	959,316
Nuclear Victim's Day	3,272	7,909
MOPW Repairs and Maintenance - Majuro	38,826	37,703
Outer Island Projects	52,446	194,994
National Energy Support Account	644,800	595,200
PSC Training	5,647	9,525
Water Project	1,214,753	22,911
Court judgment	-	200,000
Other special appropriations	1,427	723,976
Centralized Utility Billings - Ebeye	47,573	33,691
Land leases	977,856	1,202,180
Majuro Landowners Electricity	3,563,045	3,277,106
Leased housing	127,535	202,191
Contingency Fund	191,662	158,587
International Subscriptions/Membership Fees	750,660	371,218
Prior Year Liabilities	529,947	1,902,206
Constitution Day - Majuro	245	68,194
Constitutional Convention	1,396,348	15,395
Air Marshall Islands, Inc. (Repayment Plan)	493,153	538,153
Marshall Islands Postal Services Authority	314,365	-
Marshall Islands Red Cross Society	122,508	-
University of South Pacific renovation	496,000	496,000
MOE Snack/Hot Lunch Program	-	494,137
MOE Food Program	-	31,963
Air Marshall Islands, Inc.	1,686,400	496,000
Marshall Islands National Telecommunications Authority	2,182,400	1,692,133
Marshall Islands Shipping Corporation (Repairs and Maintenance)	437,400	477,152
Marshall Islands Development Bank (Small Business Loan Program)	2,827,200	-
Office of Commerce and Investment	477,285	420,801
Marshall Islands Visitors Authority	272,800	49,600
Copra Stabilization Subsidy	1,992,432	2,303,890
WUTMI	119,040	39,680
Alele Corporation	-	84,705
Majuro Atoll Waste Company	152,798	130,678
Kwajalein Atoll Local Government (Ebeye morgue)	198,400	-

See Accompanying Independent Auditors' Report.



# REPUBLIC OF THE MARSHALL ISLANDS

## Schedule of Revenues, Expenditures by Function, and Changes in Fund Balance - General Fund (Fund 100100), Continued Year Ended September 30, 2017 (with comparative totals for the year ended September 30, 2016)

	2017	2016
Expenditures, continued:		
Special appropriations, continued:		
Marshall's Energy Company, Inc. (Outer Island Solar Support)	496,000	347,200
Marshall's Energy Company, Inc. (Jaluit and Wotje subsidy)	672,576	-
Kwajalein Atoll Local Government (Repairs and Maintenance - Ebeye)	45,632	45,632
Kwajalein Atoll Local Government (Ebeye Public Works)	694,400	19,840
Majuro Resort, Inc. (seawall project)	74,400	-
RMI Ports Authority (Delap Dock repair - matching)	1,098,888	-
Majuro Water and Sewer Company, Inc.	-	150,000
Kwajalein Atoll Local Government (MISSA payments)	642,114	636,498
	<u>29,971,281</u>	<u>19,023,388</u>
Council of Iroij:		
Administration	121,082	116,260
Members	422,277	335,948
	<u>543,359</u>	<u>452,208</u>
Nitijela:		
Operations	1,024,132	822,886
General membership	1,075,026	1,007,881
Speaker's contingency	90,962	88,792
Committee	115,754	44,711
Legislative counsel	101,049	128,696
	<u>2,406,923</u>	<u>2,092,966</u>
Office of the Auditor-General:		
Operations	611,246	588,884
Single audit - local match	397,886	364,241
	<u>1,009,132</u>	<u>953,125</u>
Public Service Commission:		
Members	166,224	126,214
Administration	447,012	328,196
	<u>613,236</u>	<u>454,410</u>
Office of the Attorney General	<u>798,293</u>	<u>697,780</u>
Ministries:		
Education, Sports and Training	5,940,140	5,660,571
Health and Human Services	4,869,753	3,944,898
Transportation, Communication and Information Technology	2,482,472	1,741,406
Natural Resources and Commerce	920,628	751,324
Culture and Internal Affairs	4,031,016	3,029,684
Justice, Immigration and Labor	3,216,705	3,188,514
Finance, Banking and Postal Services	3,052,100	2,587,729
Foreign Affairs and Trade	3,980,722	3,056,984
Works, Infrastructure and Utilities	2,019,488	1,296,741
	<u>30,513,024</u>	<u>25,257,851</u>
Environmental Protection Authority	<u>177,838</u>	<u>183,313</u>
Debt service:		
ADB loan repayment:		
Principal repayment	2,505,373	2,931,484
Interest charges	725,437	721,118
	<u>3,230,810</u>	<u>3,652,602</u>
Total expenditures	<u>73,046,645</u>	<u>56,151,333</u>
Excess of revenues over expenditures	<u>9,247,745</u>	<u>9,147,078</u>
Other financing sources:		
Operating transfers in:		
Health Care Revenue Fund	137,181	-
Ministry of Justice Fund	615,123	465,427
Total other financing sources	<u>752,304</u>	<u>465,427</u>
Other financing uses:		
Operating transfers out:		
Judiciary Fund	635,910	555,209
Compact Trust Fund	-	2,200,000
Section 211(d)(2) Infrastructure Maintenance Fund	-	300,000
Marshall Islands Scholarship, Grant and Loan Board Fund	737,952	683,973
Marshall Islands Health Fund	-	1,805,440
Marshall Islands Judiciary Fund	311,883	343,288
Marshall Islands Public School System Fund	2,267,859	314,248
Nuclear Claims Tribunal	25,331	49,600
Total other financing uses	<u>3,978,935</u>	<u>6,251,758</u>
Net change in fund balance	6,021,114	3,360,747
Fund balance at the beginning of the year	18,336,560	14,975,813
Fund balance at the end of the year	<u>\$ 24,357,674</u>	<u>\$ 18,336,560</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, 2017

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Revenues:				
Taxes:				
Income	\$ 13,777,978	\$ 13,777,978	\$ 14,781,817	\$ 1,003,839
Import	5,877,298	5,877,298	6,714,330	837,032
Import - CMI	960,100	960,100	1,138,725	178,625
Gross revenue	8,532,899	8,532,899	5,689,946	(2,842,953)
Immovable property	690,000	690,000	682,292	(7,708)
Fuel	608,400	608,400	612,702	4,302
Penalties and interest	40,428	40,428	77,815	37,387
Other	59,396	55,896	102,405	46,509
	<u>30,546,499</u>	<u>30,542,999</u>	<u>29,800,032</u>	<u>(742,967)</u>
Fees and charges	2,374,100	2,374,100	28,175	(2,345,925)
Interest and dividends	-	-	114,519	114,519
Taiwan grant	3,600,000	3,600,000	3,600,000	-
Ship registry	6,500,000	6,800,000	7,294,153	494,153
MI Marine Resources Authority	40,201,700	40,701,700	40,032,425	(669,275)
RMI Ports Authority	-	-	509,565	509,565
Other	-	-	915,521	915,521
	<u>50,301,700</u>	<u>51,101,700</u>	<u>52,351,664</u>	<u>1,249,964</u>
Total revenues	<u>83,222,299</u>	<u>84,018,799</u>	<u>82,294,390</u>	<u>(1,724,409)</u>
Expenditures:				
President and Cabinet:				
Office of the President	3,539,102	3,006,284	2,620,439	385,845
President and Ministers	554,383	559,533	556,737	2,196
Cabinet Operations	562,987	644,557	666,549	(21,992)
	<u>4,656,472</u>	<u>4,210,374</u>	<u>3,843,725</u>	<u>366,649</u>
Office of the Chief Secretary:				
Administration	326,224	478,573	465,408	13,165
Deputy Chief Secretary - Ebeye	113,282	112,612	86,716	25,896
EPPSO	381,239	377,932	382,691	(4,759)
OEPPC	142,209	140,326	119,354	20,972
	<u>962,954</u>	<u>1,109,443</u>	<u>1,054,169</u>	<u>55,274</u>
Special appropriations:				
Marshall Islands Social Security Administration (MISSA) subsidy	2,281,600	3,273,600	3,273,600	-
Kwajalein Atoll Local Government (Solid Waste matching)	107,136	107,136	107,136	-
Capitol Building	2,976,000	2,976,000	72,189	2,903,811
Border Management System	793,600	793,600	-	793,600
Majuro Atoll Local Government (seawall project)	496,000	496,000	496,000	-
National Election	-	-	74	(74)
Traditional Leaders meeting	1,170	1,170	-	1,170
Centralized Utility Billings - Majuro	1,240,000	1,240,000	980,049	259,951
Nuclear Victim's Day	2,011	2,011	3,272	(1,261)
MOPW Repairs and Maintenance - Majuro	38,555	38,555	38,826	(271)
I-law software for Nitijela	3,000	3,000	-	3,000
Outer Island Projects	26,790	26,790	52,446	(25,656)
National Energy Support Account	644,800	644,800	644,800	-
PSC Training	6,297	6,297	5,647	650
Water Project	1,315,000	1,779,775	1,529,383	250,392
Court judgment	545,600	545,600	-	545,600
Centralized Utility Billings - Ebeye	85,724	83,019	49,030	33,989
Land leases	1,193,883	1,193,883	977,856	216,027
Majuro Landowners Electricity	2,724,124	2,724,124	3,563,045	(838,921)
Leased housing	335,962	329,797	128,188	201,609
Contingency Fund	198,400	198,400	193,743	4,657
International Subscriptions/Membership Fees	409,542	651,516	750,660	(99,144)
Prior Year Liabilities	305,917	623,437	529,947	93,490
ADB debt service payments	4,067,200	4,067,200	3,230,810	836,390
Constitution Day - Majuro	3,358	245	245	-
Constitutional Convention	58,298	1,633,683	1,590,021	43,662
College of Marshall Islands	99,200	99,200	198,400	(99,200)
Air Marshall Islands, Inc. (Repayment Plan)	-	-	493,153	(493,153)
Emergency payments	1,957	1,957	-	1,957
Marshall Islands Postal Services Authority	-	314,365	314,365	-
Marshall Islands Red Cross Society	-	122,508	122,508	-
University of South Pacific renovation	-	496,000	496,000	-
Air Marshall Islands, Inc.	-	1,686,400	1,686,400	-
Marshall Islands National Telecommunications Authority	-	2,182,400	2,182,400	-
Marshall Islands Shipping Corporation (Repairs and Maintenance)	-	456,320	437,400	18,920
Marshall Islands Development Bank	-	2,827,200	2,827,200	-
Office of Commerce and Investment	-	476,834	477,285	(451)
Marshall Islands Visitors Authority	-	272,800	272,800	-
Copra Stabilization Subsidy	-	1,992,432	1,992,432	-
WUTMI	-	119,040	119,040	-
Majuro Atoll Waste Company	-	152,798	152,798	-
Kwajalein Atoll Local Government (Ebeye morgue)	-	198,400	198,400	-

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## Schedule of Revenues, Expenditures and Changes in Fund Balance, Continued Budget and Actual - General Fund (Fund 100100) Year Ended September 30, 2017

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, continued:				
Special appropriations, continued:				
Marshall's Energy Company, Inc. (Outer Island Solar Support)	-	496,000	496,000	-
Marshall's Energy Company, Inc. (Jaluit and Wotje subsidy))	-	672,576	672,576	-
Kwajalein Atoll Local Government (Repairs and Maintenance - Ebeye)	-	45,632	45,632	-
Kwajalein Atoll Local Government (Ebeye Public Works)	-	694,400	694,400	-
Majuro Resort, Inc. (seawall project)	-	148,800	148,800	-
RMI Ports Authority (Delap Dock repair - matching)	-	1,465,184	1,465,184	-
Kwajalein Atoll Local Government (MISSA payments)	-	-	642,114	(642,114)
Other special appropriations	-	-	9,384	(9,384)
	<u>19,961,124</u>	<u>38,360,884</u>	<u>34,361,638</u>	<u>3,999,246</u>
Council of Iroij:				
Administration	133,176	135,732	135,763	(31)
Members	<u>454,627</u>	<u>432,564</u>	<u>422,995</u>	<u>9,569</u>
	<u>587,803</u>	<u>568,296</u>	<u>558,758</u>	<u>9,538</u>
Office of the Auditor-General:				
Operations	770,561	938,867	813,202	125,665
Single audit - local match	<u>1,324,221</u>	<u>1,237,667</u>	<u>922,466</u>	<u>315,201</u>
	<u>2,094,782</u>	<u>2,176,534</u>	<u>1,735,668</u>	<u>440,866</u>
Public Service Commission:				
Members	205,857	205,857	200,743	5,114
Administration	<u>468,405</u>	<u>467,721</u>	<u>462,092</u>	<u>5,629</u>
	<u>674,262</u>	<u>673,578</u>	<u>662,835</u>	<u>10,743</u>
Office of the Attorney General	<u>963,138</u>	<u>905,485</u>	<u>800,812</u>	<u>104,673</u>
Ministries:				
Education, Sports and Training	7,082,179	6,325,651	6,040,592	285,059
Health and Human Services	4,537,676	5,597,523	5,262,081	335,442
Transportation, Communication and Information Technology	6,524,284	3,840,439	3,767,405	73,034
Natural Resources and Commerce	7,227,811	1,543,167	1,190,249	352,918
Culture and Internal Affairs	5,336,579	5,198,786	4,637,283	561,503
Justice, Immigration and Labor	3,307,763	3,247,622	3,292,277	(44,655)
Finance, Banking and Postal Services	4,192,301	4,145,177	3,150,624	994,553
Foreign Affairs and Trade	4,337,973	4,367,541	4,267,304	100,237
Works, Infrastructure and Utilities	<u>8,451,449</u>	<u>4,541,484</u>	<u>3,834,752</u>	<u>706,732</u>
	<u>50,998,015</u>	<u>38,807,390</u>	<u>35,442,567</u>	<u>3,364,823</u>
Environmental Protection Authority	<u>225,020</u>	<u>201,747</u>	<u>177,838</u>	<u>23,909</u>
Nitijela:				
Operations	807,265	1,123,654	1,052,696	70,958
General Membership	1,157,663	1,111,628	1,087,686	23,942
Speaker's Contingency	132,048	117,888	104,839	13,049
Committee	133,676	136,837	142,168	(5,331)
Legislative Counsel	<u>148,054</u>	<u>138,221</u>	<u>101,049</u>	<u>37,172</u>
	<u>2,378,706</u>	<u>2,628,228</u>	<u>2,488,438</u>	<u>139,790</u>
Total expenditures	<u>83,502,276</u>	<u>89,641,959</u>	<u>81,126,448</u>	<u>8,515,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(279,977)</u>	<u>(5,623,160)</u>	<u>1,167,942</u>	<u>6,791,102</u>
Other financing sources:				
Operating transfers in:				
Compact Trust Fund	-	3,204,000	-	(3,204,000)
Health Care Revenue Fund	-	-	137,181	137,181
Ministry of Justice Fund	-	-	615,123	615,123
	<u>-</u>	<u>3,204,000</u>	<u>752,304</u>	<u>(2,451,696)</u>
Other financing uses:				
Operating transfers out:				
Judiciary Fund	1,464,052	1,434,399	930,510	503,889
Marshall Islands Scholarship Fund	764,443	764,443	737,952	26,491
Marshall Islands Judiciary Fund	-	-	311,883	(311,883)
Marshall Islands Public School System Fund	2,145,202	2,145,202	2,267,859	(122,657)
Nuclear Claims Tribunal	<u>11,904</u>	<u>11,904</u>	<u>25,331</u>	<u>(13,427)</u>
	<u>4,385,601</u>	<u>4,355,948</u>	<u>4,273,535</u>	<u>82,413</u>
	<u>(4,665,578)</u>	<u>(6,775,108)</u>	<u>(2,353,289)</u>	<u>4,421,819</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>4,665,578</u>	<u>4,665,578</u>	<u>8,374,403</u>	<u>3,708,825</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,109,530)</u>	<u>\$ 6,021,114</u>	<u>\$ 8,130,644</u>

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

September 30, 2017

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, 2017, 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 Public Works.

#### 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. This fund was established under Public Law No. 1989-70 and administers fees and fines, as collected by the courts with respect to violation of National Government laws, and any appropriations made by the Nitijela for related purposes.

#### Marshall Islands Revised Code Fund

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

#### Resident Workers Training Account Fund

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

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

September 30, 2017

#### 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 and Communications 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 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 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 Environment 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, 2017

Marshall Islands Health Fund

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

Nuclear Claims Tribunal

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

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Balance Sheet September 30, 2017

	200105	200224	200318	200319	200332	200333	200340	200520	200525
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Resident Workers Training Account	Sea Patrol	Transportation Services
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, net:									
Taxes	-	-	-	-	-	-	121,000	-	-
General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	810	-	-
Due from other funds	172,306	18,118	246,585	152,510	249,901	-	915,563	5,868	28,839
Advances	4,600	-	1,204	-	7,386	-	4,086	-	-
Total assets	<u>\$ 176,906</u>	<u>\$ 18,118</u>	<u>\$ 247,789</u>	<u>\$ 152,510</u>	<u>\$ 257,287</u>	<u>\$ -</u>	<u>\$ 1,041,459</u>	<u>\$ 5,868</u>	<u>\$ 28,839</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 3,400	\$ -	\$ 335	\$ -	\$ 257,772	\$ -	\$ 472,130	\$ -	\$ -
Other liabilities and accruals	-	-	-	152,510	-	-	5,148	-	-
Total liabilities	<u>3,400</u>	<u>-</u>	<u>335</u>	<u>152,510</u>	<u>257,772</u>	<u>-</u>	<u>477,278</u>	<u>-</u>	<u>-</u>
Fund balances (deficit):									
Restricted	-	-	-	-	-	-	-	-	-
Committed	173,506	18,118	247,454	-	-	-	564,181	5,868	28,839
Unassigned	-	-	-	-	(485)	-	-	-	-
Total fund balances (deficit)	<u>173,506</u>	<u>18,118</u>	<u>247,454</u>	<u>-</u>	<u>(485)</u>	<u>-</u>	<u>564,181</u>	<u>5,868</u>	<u>28,839</u>
Total liabilities and fund balances	<u>\$ 176,906</u>	<u>\$ 18,118</u>	<u>\$ 247,789</u>	<u>\$ 152,510</u>	<u>\$ 257,287</u>	<u>\$ -</u>	<u>\$ 1,041,459</u>	<u>\$ 5,868</u>	<u>\$ 28,839</u>

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Balance Sheet, Continued September 30, 2017

	200527	200528	300612							
	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
<b>ASSETS</b>										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 995,314	\$ 432,457	\$ 3,767,984	\$ 166,030	\$ -	\$ -	\$ 5,361,785
Receivables, net:										
Taxes	-	-	-	-	-	-	-	-	-	121,000
General	-	-	-	-	-	-	1,984,494	-	-	1,984,494
Other	-	-	75,721	-	4,269	92,935	85,072	-	-	258,807
Due from other funds	391	90,020	97,635	-	-	-	1,792,429	-	-	3,770,165
Advances	-	2,170	-	-	-	65,829	480,496	-	-	565,771
Total assets	<u>\$ 391</u>	<u>\$ 92,190</u>	<u>\$ 173,356</u>	<u>\$ 995,314</u>	<u>\$ 436,726</u>	<u>\$ 3,926,748</u>	<u>\$ 4,508,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,062,022</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ 1,216	\$ 5,605	\$ 253,719	\$ 1,687,631	\$ -	\$ -	\$ 2,681,808
Other liabilities and accruals	-	-	-	-	-	142,356	-	-	-	300,014
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,216</u>	<u>5,605</u>	<u>396,075</u>	<u>1,687,631</u>	<u>-</u>	<u>-</u>	<u>2,981,822</u>
Fund balances (deficit):										
Restricted	-	-	173,356	471,725	-	-	-	-	-	645,081
Committed	391	92,190	-	522,373	431,121	3,530,673	2,820,890	-	-	8,435,604
Unassigned	-	-	-	-	-	-	-	-	-	(485)
Total fund balances (deficit)	<u>391</u>	<u>92,190</u>	<u>173,356</u>	<u>994,098</u>	<u>431,121</u>	<u>3,530,673</u>	<u>2,820,890</u>	<u>-</u>	<u>-</u>	<u>9,080,200</u>
Total liabilities and fund balances	<u>\$ 391</u>	<u>\$ 92,190</u>	<u>\$ 173,356</u>	<u>\$ 995,314</u>	<u>\$ 436,726</u>	<u>\$ 3,926,748</u>	<u>\$ 4,508,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,062,022</u>

See Accompanying Independent Auditors' Report.



# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Schedule of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficit) Year Ended September 30, 2017

	200105	200224	200318	200319	200332	200333	200340	200520	200525
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Resident Workers Training Account	Sea Patrol	Transportation Services
Revenues:									
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	93,108	-	76,260	-	788,471	-	563,676	-	200
Interest	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	42,905	-	-	-	-
Total revenues	93,108	-	76,260	-	831,376	-	563,676	-	200
Expenditures by Function:									
Current:									
Judiciary	-	-	-	-	-	-	-	-	-
Ministries:									
Education, Sports and Training	-	-	-	-	-	-	315,195	-	-
Health and Human Services	-	-	-	-	-	-	-	-	-
Culture and Internal Affairs	-	-	-	-	-	-	-	-	-
Justice, Immigration and Labor	-	-	-	-	217,097	-	-	-	-
Foreign Affairs and Trade	-	-	4,769	-	-	-	-	-	-
Works, Infrastructure and Utilities	47,257	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-
Total expenditures	47,257	-	4,769	-	217,097	-	315,195	-	-
Excess (deficiency) of revenues over (under) expenditures	45,851	-	71,491	-	614,279	-	248,481	-	200
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(615,123)	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	(615,123)	-	-	-	-
Net change in fund balances (deficit)	45,851	-	71,491	-	(844)	-	248,481	-	200
Fund balances at the beginning of the year	127,655	18,118	175,963	-	359	-	315,700	5,868	28,639
Fund balances (deficit) at the end of the year	\$ 173,506	\$ 18,118	\$ 247,454	\$ -	\$ (485)	\$ -	\$ 564,181	\$ 5,868	\$ 28,839

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Schedule of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficit), Continued Year Ended September 30, 2017

	200527	200528	300612							
	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
Revenues:										
Federal and other grants	\$ -	\$ 12,000	\$ -	\$ -	\$ -	\$ 430,579	\$ -	\$ -	\$ -	\$ 442,579
Fees and charges	-	26,828	-	-	95,884	380,480	8,141,431	-	-	10,166,338
Interest	-	-	-	30,368	4,317	-	-	-	-	34,685
Sales	-	4,353	-	-	40,007	22,718	1,813	-	-	111,796
Total revenues	-	43,181	-	30,368	140,208	833,777	8,143,244	-	-	10,755,398
Expenditures by Function:										
Current:										
Judiciary	-	-	-	-	973,840	-	-	-	-	973,840
Ministries:										
Education, Sports and Training	-	-	-	1,342,875	-	-	-	-	-	1,658,070
Health and Human Services	-	-	-	-	-	2,580,433	5,831,822	-	-	8,412,255
Culture and Internal Affairs	-	3,880	-	-	-	-	-	-	-	3,880
Justice, Immigration and Labor	-	-	-	-	-	-	-	-	-	217,097
Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	4,769
Works, Infrastructure and Utilities	-	-	-	-	-	-	-	-	-	47,257
Nuclear claims related	-	-	1,394,774	-	-	-	-	25,331	-	1,420,105
Total expenditures	-	3,880	1,394,774	1,342,875	973,840	2,580,433	5,831,822	25,331	-	12,737,273
Excess (deficiency) of revenues over (under) expenditures	-	39,301	(1,394,774)	(1,312,507)	(833,632)	(1,746,656)	2,311,422	(25,331)	-	(1,981,875)
Other financing sources (uses):										
Operating transfers in	-	-	1,394,774	1,528,114	947,793	-	375,508	25,331	(375,508)	3,896,012
Operating transfers out	-	-	-	-	-	(512,689)	-	-	375,508	(752,304)
Total other financing sources (uses), net	-	-	1,394,774	1,528,114	947,793	(512,689)	375,508	25,331	-	3,143,708
Net change in fund balances (deficit)	-	39,301	-	215,607	114,161	(2,259,345)	2,686,930	-	-	1,161,833
Fund balances at the beginning of the year	391	52,889	173,356	778,491	316,960	5,790,018	133,960	-	-	7,918,367
Fund balances (deficit) at the end of the year	\$ 391	\$ 92,190	\$ 173,356	\$ 994,098	\$ 431,121	\$ 3,530,673	\$ 2,820,890	\$ -	\$ -	\$ 9,080,200

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Schedule of Revenues, Expenditures By Account, and Changes in Fund Balances (Deficit) Year Ended September 30, 2017

	200105	200224	200318	200319	200332	200333	200340	200520	200525
	Public Works	Land Registration Authority	Labor (General)	Labor (Bond)	Ministry of Justice	Marshall Islands Revised Code	Resident Workers Training Account	Sea Patrol	Transportation Services
Revenues:									
Federal and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	93,108	-	76,260	-	788,471	-	563,676	-	200
Interest	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	42,905	-	-	-	-
Total revenues	93,108	-	76,260	-	831,376	-	563,676	-	200
Expenditures by Account:									
Grants and subsidies	-	-	-	-	-	-	-	-	-
Salaries and wages	-	-	-	-	-	-	73,371	-	-
Medical supplies	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	131,664	-	-
Capital outlay	-	-	3,335	-	55,127	-	15,682	-	-
Travel	12,836	-	770	-	47,682	-	43,620	-	-
Food stuffs	2,108	-	-	-	1,312	-	7,322	-	-
Supplies and materials	-	-	92	-	76,146	-	6,243	-	-
POL	29,065	-	-	-	15,192	-	1,583	-	-
Rentals	3,098	-	-	-	-	-	14,488	-	-
Allowances	-	-	-	-	-	-	7,400	-	-
Communications	-	-	-	-	1,383	-	7,228	-	-
Insurance	-	-	-	-	-	-	1,404	-	-
Utilities	-	-	-	-	-	-	379	-	-
Leased housing	-	-	-	-	-	-	-	-	-
Freight	-	-	-	-	11,992	-	-	-	-
Professional services	-	-	-	-	-	-	-	-	-
Printing and reproduction	-	-	-	-	1,090	-	3,000	-	-
Other	150	-	572	-	7,173	-	1,811	-	-
Total expenditures	47,257	-	4,769	-	217,097	-	315,195	-	-
Excess (deficiency) of revenues over (under) expenditures	45,851	-	71,491	-	614,279	-	248,481	-	200
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(615,123)	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	(615,123)	-	-	-	-
Net change in fund balances (deficit)	45,851	-	71,491	-	(844)	-	248,481	-	200
Fund balances at the beginning of the year	127,655	18,118	175,963	-	359	-	315,700	5,868	28,639
Fund balances (deficit) at the end of the year	\$ 173,506	\$ 18,118	\$ 247,454	\$ -	\$ (485)	\$ -	\$ 564,181	\$ 5,868	\$ 28,839

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

### Combining Schedule of Revenues, Expenditures By Account, and Changes in Fund Balances (Deficit), Continued Year Ended September 30, 2017

	200527	200528	300612	Marshall Islands Scholarship, Grant and Loan Board	Marshall Islands Judiciary	Health Care Revenue	Marshall Islands Health	Nuclear Claims Tribunal	Elimination	Total
	Registrar General	Ministry of Internal Affairs	Four-Atoll Medical							
Revenues:										
Federal and other grants	\$ -	\$ 12,000	\$ -	\$ -	\$ -	\$ 430,579	\$ -	\$ -	\$ -	\$ 442,579
Fees and charges	-	26,828	-	-	95,884	380,480	8,141,431	-	-	10,166,338
Interest	-	-	-	30,368	4,317	-	-	-	-	34,685
Sales	-	4,353	-	-	40,007	22,718	1,813	-	-	111,796
Total revenues	-	43,181	-	30,368	140,208	833,777	8,143,244	-	-	10,755,398
Expenditures by Account:										
Grants and subsidies	-	-	-	1,166,740	-	-	-	-	-	1,166,740
Salaries and wages	-	-	-	82,944	638,398	170,342	240,266	-	-	1,205,321
Medical supplies	-	-	-	-	-	1,858,240	182,525	-	-	2,040,765
Contractual services	-	-	1,394,774	-	-	-	5,161,962	-	-	6,688,400
Capital outlay	-	3,450	-	10,951	8,069	283,474	-	-	-	380,088
Travel	-	-	-	6,209	53,578	178,798	64,887	-	-	408,380
Food stuffs	-	-	-	-	-	-	-	-	-	10,742
Supplies and materials	-	430	-	9,771	44,559	10,254	-	-	-	147,495
POL	-	-	-	-	11,110	-	11,112	-	-	68,062
Rentals	-	-	-	15,840	-	-	-	-	-	33,426
Allowances	-	-	-	-	-	-	-	-	-	7,400
Communications	-	-	-	16,505	37,873	2,446	21,876	-	-	87,311
Insurance	-	-	-	-	-	-	4,430	-	-	5,834
Utilities	-	-	-	-	39,033	-	38,128	-	-	77,540
Leased housing	-	-	-	-	71,250	-	-	-	-	71,250
Freight	-	-	-	-	-	13,553	-	-	-	25,545
Professional services	-	-	-	-	28,515	56,944	-	-	-	85,459
Printing and reproduction	-	-	-	-	-	-	-	-	-	4,090
Other	-	-	-	33,915	41,455	6,382	106,636	25,331	-	223,425
Total expenditures	-	3,880	1,394,774	1,342,875	973,840	2,580,433	5,831,822	25,331	-	12,737,273
Excess (deficiency) of revenues over (under) expenditures	-	39,301	(1,394,774)	(1,312,507)	(833,632)	(1,746,656)	2,311,422	(25,331)	-	(1,981,875)
Other financing sources (uses):										
Operating transfers in	-	-	1,394,774	1,528,114	947,793	-	375,508	25,331	(375,508)	3,896,012
Operating transfers out	-	-	-	-	-	(512,689)	-	-	375,508	(752,304)
Total other financing sources (uses), net	-	-	1,394,774	1,528,114	947,793	(512,689)	375,508	25,331	-	3,143,708
Net change in fund balances (deficit)	-	39,301	-	215,607	114,161	(2,259,345)	2,686,930	-	-	1,161,833
Fund balances at the beginning of the year	391	52,889	173,356	778,491	316,960	5,790,018	133,960	-	-	7,918,367
Fund balances (deficit) at the end of the year	\$ 391	\$ 92,190	\$ 173,356	\$ 994,098	\$ 431,121	\$ 3,530,673	\$ 2,820,890	\$ -	\$ -	\$ 9,080,200

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **FIDUCIARY FUNDS - PRIVATE PURPOSE TRUSTS**

September 30, 2017

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, 2017, follows:

#### Marshall Islands Social Security Administration (MISSA)

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

#### Kwajalein Atoll Trust Fund

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

#### Section 212 Kwajalein Landowners Fund

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

#### Nuclear Claims Trust Fund

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

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Schedule of Fiduciary Net Position Fiduciary Funds - Private Purpose Trusts September 30, 2017

DILOG Fund Number		350610	510610	300614	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Nuclear Claims Trust	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,363,901	\$ -	\$ -	\$ -	\$ 1,363,901
Receivables, net:					
Contributions	2,932,912	-	-	-	2,932,912
Other	806,654	-	-	-	806,654
Investments	69,569,434	-	-	-	69,569,434
Due from other funds	-	421,658	409,908	-	831,566
Capital assets, net of accumulated depreciation	40,185	-	-	-	40,185
Total assets	<u>74,713,086</u>	<u>421,658</u>	<u>409,908</u>	<u>-</u>	<u>75,544,652</u>
<u>LIABILITIES</u>					
Accounts payable	135,200	-	-	-	135,200
Other liabilities and accruals	70,876	-	-	-	70,876
Due to other funds	<u>1,792,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,792,429</u>
Total liabilities	<u>1,998,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,998,505</u>
<u>NET POSITION</u>					
Restricted for:					
Social security benefits	72,714,581	-	-	-	72,714,581
Land use distributions	-	421,658	409,908	-	831,566
Total net position	<u>\$ 72,714,581</u>	<u>\$ 421,658</u>	<u>\$ 409,908</u>	<u>\$ -</u>	<u>\$ 73,546,147</u>

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## Combining Schedule of Changes in Fiduciary Net Position Fiduciary Funds - Private Purpose Trusts Year Ended September 30, 2017

DILOG Fund Number		350610	510610	300614	
	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Nuclear Claims Trust	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Additions:					
Contributions:					
Private employees	\$ 11,638,735	\$ -	\$ -	\$ -	\$ 11,638,735
Government employees	5,840,515	-	-	-	5,840,515
Penalties and interest	853,957	-	-	-	853,957
Total contributions	<u>18,333,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,333,207</u>
Investment earnings:					
Net change in the fair value of investments	5,787,469	-	-	-	5,787,469
Interest and dividends	1,550,897	-	-	-	1,550,897
Total investment earnings	7,338,366	-	-	-	7,338,366
Less investment expense	126,704	-	-	-	126,704
Net investment earnings	<u>7,211,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,211,662</u>
Other:					
Compact funding	-	-	21,403,800	-	21,403,800
Transfer in	3,273,600	-	-	-	3,273,600
Other	433,646	-	-	-	433,646
	<u>3,707,246</u>	<u>-</u>	<u>21,403,800</u>	<u>-</u>	<u>25,111,046</u>
Total additions	<u>29,252,115</u>	<u>-</u>	<u>21,403,800</u>	<u>-</u>	<u>50,655,915</u>
Deductions:					
Land use distributions	-	-	21,509,544	-	21,509,544
Benefits	21,189,518	-	-	-	21,189,518
Administrative expenses	957,084	-	-	57,862	1,014,946
Total deductions	<u>22,146,602</u>	<u>-</u>	<u>21,509,544</u>	<u>57,862</u>	<u>43,714,008</u>
Change in net position held in trust for:					
Social security benefits	7,105,513	-	-	-	7,105,513
Land use distributions	-	-	(105,744)	(57,862)	(163,606)
Net position at the beginning of the year	<u>65,609,068</u>	<u>421,658</u>	<u>515,652</u>	<u>57,862</u>	<u>66,604,240</u>
Net position at the end of the year	<u>\$ 72,714,581</u>	<u>\$ 421,658</u>	<u>\$ 409,908</u>	<u>\$ -</u>	<u>\$ 73,546,147</u>

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **FIDUCIARY FUNDS - AGENCY**

September 30, 2017

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, 2017, 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, 2017

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017
<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, 2017

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, 2017, follows:

#### Kwajalein Atoll Joint Utilities Resources, Inc. (KAJUR)

KAJUR was incorporated under the laws of the Republic of the Marshall Islands on September 1, 1990, to generate and distribute utilities on the island of Ebeye. KAJUR is governed by the Board of Directors of the Marshalls Energy Company, Inc. RepMar provides financial support to KAJUR through legislative appropriations.

#### Majuro Atoll Waste Company, Inc. (MAWC)

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

#### Majuro Resort, Inc. (MRI)

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

#### Majuro Water and Sewer Company, Inc. (MWSC)

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

#### Marshall Islands Postal Services Authority (MIPSA)

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

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **NONMAJOR COMPONENT UNITS**

September 30, 2017

#### Marshall Islands Shipping Corporation (MISC)

MISC was established as a body corporate pursuant to the Marshall Islands Shipping Corporation Act of 2004 (Public Law No. 2005-41) to operate services for the transportation of goods, mails and passengers by sea and to carry on business as ship owners, charterers of ships and vessels, ship brokers, and shipping agents, and to make provision for purposes connected with the aforesaid matters. MISC is governed by a five-member Board of Directors appointed by the President upon approval of the Cabinet of RepMar. RepMar provides financial support to MISC through legislative appropriations.

#### Tobolar Copra Processing Authority (TCPA)

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

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR COMPONENT UNITS

### Combining Schedule of Net Position September 30, 2017

	Kwajalein Atoll Joint Utilities Resources, Inc.	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	Marshall Islands Shipping Corporation	Marshall Islands Visitors Authority	Office of Commerce and Investment	Tobolar Copra Processing Authority	Total
<b>ASSETS</b>										
Current assets:										
Cash and cash equivalents	\$ 398,277	\$ 109,340	\$ 326,073	\$ 155,614	\$ 740,223	\$ 1,178,723	\$ 36,850	\$ 28,502	\$ 870,133	\$ 3,843,735
Time certificates of deposit	-	-	-	-	-	-	-	-	110,848	110,848
Receivables, net	497,576	41,428	146,812	238,749	54,112	299,489	72,757	-	228,385	1,579,308
Inventories	538,412	-	24,303	410,742	18,540	3,801	-	-	303,863	1,299,661
Other current assets	179,451	11,091	47,336	10,270	10,386	344,444	1,351	3,500	27,835	635,664
Total current assets	1,613,716	161,859	544,524	815,375	823,261	1,826,457	110,958	32,002	1,541,064	7,469,216
Noncurrent assets:										
Nondepreciable capital assets	3,438,029	903,552	35,808	-	-	-	-	-	-	4,377,389
Other capital assets, net of accumulated depreciation	1,995,980	703,420	1,248,293	1,666,504	76,014	261,227	-	15,604	1,106,782	7,073,824
Total noncurrent assets	5,434,009	1,606,972	1,284,101	1,666,504	76,014	261,227	-	15,604	1,106,782	11,451,213
Total assets	\$ 7,047,725	\$ 1,768,831	\$ 1,828,625	\$ 2,481,879	\$ 899,275	\$ 2,087,684	\$ 110,958	\$ 47,606	\$ 2,647,846	\$ 18,920,429
<b>LIABILITIES</b>										
Current liabilities:										
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,130	\$ 230,130
Accounts payable	3,694,027	47,064	862,482	2,751,480	171,092	537,371	99,132	25,413	350,755	8,538,816
Other liabilities and accruals	30,323	76,196	573,412	53,943	39,851	112,516	8,743	-	71,813	966,797
Unearned revenues	67,159	-	-	-	22,199	-	-	-	-	89,358
Total current liabilities	3,791,509	123,260	1,435,894	2,805,423	233,142	649,887	107,875	25,413	652,698	9,825,101
Noncurrent liabilities:										
Noncurrent portion of long-term debt	-	-	-	-	-	-	-	-	1,000,518	1,000,518
Total liabilities	3,791,509	123,260	1,435,894	2,805,423	233,142	649,887	107,875	25,413	1,653,216	10,825,619
<b>NET POSITION</b>										
Net investment in capital assets	5,434,009	1,606,972	1,284,101	1,666,504	76,014	261,227	-	15,604	851,991	11,196,422
Restricted	22,478	-	-	-	-	622,418	-	-	-	644,896
Unrestricted	(2,200,271)	38,599	(891,370)	(1,990,048)	590,119	554,152	3,083	6,589	142,639	(3,746,508)
Total net position	3,256,216	1,645,571	392,731	(323,544)	666,133	1,437,797	3,083	22,193	994,630	8,094,810
	\$ 7,047,725	\$ 1,768,831	\$ 1,828,625	\$ 2,481,879	\$ 899,275	\$ 2,087,684	\$ 110,958	\$ 47,606	\$ 2,647,846	\$ 18,920,429

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## NONMAJOR COMPONENT UNITS

### Combining Schedule of Revenues, Expenses, and Changes in Net Position Year Ended September 30, 2017

	Kwajalein Atoll Joint Utilities Resources, Inc.	Majuro Atoll Waste Company, Inc.	Majuro Resort, Inc.	Majuro Water and Sewer Company, Inc.	Marshall Islands Postal Service Authority	Marshall Islands Shipping Corporation	Marshall Islands Visitors Authority	Office of Commerce and Investment	Tobolar Copra Processing Authority	Total
Operating revenues:										
Charges for services	\$ 4,116,536	\$ 130,943	\$ 1,746,382	\$ 1,064,376	\$ 69,346	\$ 1,579,719	\$ -	\$ -	\$ -	\$ 8,707,302
Sales	241,745	36,950	1,950,465	-	476,151	54,141	-	-	4,682,486	7,441,938
Other	7,828	3,515	123,435	4,411	61,156	111,134	14,003	14,918	-	340,400
Total operating revenues	4,366,109	171,408	3,820,282	1,068,787	606,653	1,744,994	14,003	14,918	4,682,486	16,489,640
Operating expenses:										
Cost of services	6,140,080	569,522	3,074,062	1,604,968	-	2,969,209	326,238	-	5,688,538	20,372,617
Administration costs	-	-	559,716	-	604,209	-	-	483,069	1,220,996	2,867,990
Depreciation and amortization	557,740	223,135	320,776	295,535	31,881	61,340	5,842	8,209	256,894	1,761,352
Total operating expenses	6,697,820	792,657	3,954,554	1,900,503	636,090	3,030,549	332,080	491,278	7,166,428	25,001,959
Operating income (loss)	(2,331,711)	(621,249)	(134,272)	(831,716)	(29,437)	(1,285,555)	(318,077)	(476,360)	(2,483,942)	(8,512,319)
Nonoperating revenues (expenses):										
Contributions from the primary government	1,327,860	472,018	74,400	-	314,365	1,894,720	352,400	477,285	2,957,512	7,870,560
Interest expense	-	(10,458)	(7,398)	-	-	-	-	-	(118,284)	(136,140)
Grants and other contributions	-	-	-	-	-	-	37,843	-	-	37,843
Other	(97,435)	7,444	366	(675)	47,735	(7,449)	(69,083)	-	-	(119,097)
Total nonoperating revenues (expenses), net	1,230,425	469,004	67,368	(675)	362,100	1,887,271	321,160	477,285	2,839,228	7,653,166
Net income (loss) before capital contributions	(1,101,286)	(152,245)	(66,904)	(832,391)	332,663	601,716	3,083	925	355,286	(859,153)
Capital contributions	3,213,670	915,331	-	644,816	-	435,000	-	-	-	5,208,817
Change in net position	2,112,384	763,086	(66,904)	(187,575)	332,663	1,036,716	3,083	925	355,286	4,349,664
Net position at the beginning of the year	1,143,832	882,485	459,635	(135,969)	333,470	401,081	-	21,268	639,344	3,745,146
Net position at the end of the year	\$ 3,256,216	\$ 1,645,571	\$ 392,731	\$ (323,544)	\$ 666,133	\$ 1,437,797	\$ 3,083	\$ 22,193	\$ 994,630	\$ 8,094,810

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **GRANTS ASSISTANCE FUND**

September 30, 2017

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, 2017, follows:

#### Section 215(a)(1) Communications Fund

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

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

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

#### Section 216(a)(3) Scholarship Fund

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

#### Section 213 Audit Fund

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

#### U.S. Federal Grants Fund

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

#### European Union Grants Fund

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

#### Other Direct Assistance Fund

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

#### Republic of China Projects Fund

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

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**GRANTS ASSISTANCE FUND**

September 30, 2017

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, 2017**

<b>DILOG Fund Number</b>	<b>350200</b>	<b>350305</b>	<b>350315</b>	<b>510130</b>	<b>600350</b>	<b>700100</b>	<b>700200</b>	<b>700360</b>	<b>700370</b>		
	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	Total
<b><u>ASSETS</u></b>											
Receivables:											
Federal agencies	\$ -	\$ -	\$ -	\$ 1,038,396	\$ 3,396,098	\$ -	\$ -	\$ -	\$ -	\$ 10,219,921	\$ 14,654,415
General	-	-	-	-	-	46,646	-	(133,994)	1,850,000	-	1,762,652
Due from other funds	40,380	690	1,593	-	-	70,522	234,368	-	4,879,619	8,405,560	13,632,732
Advances	-	-	-	-	150,251	-	4,874	(4,267)	15,045	119,694	285,597
Total assets	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 1,038,396</u>	<u>\$ 3,546,349</u>	<u>\$ 117,168</u>	<u>\$ 239,242</u>	<u>\$ (138,261)</u>	<u>\$ 6,744,664</u>	<u>\$ 18,745,175</u>	<u>\$ 30,335,396</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>											
<b><u>(DEFICITS)</u></b>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ 248,437	\$ 320,891	\$ 1,132	\$ 21,322	\$ 10,332	\$ 189,290	\$ 1,206,391	\$ 1,997,795
Other liabilities and accruals	-	-	-	-	123,263	-	639	5,859	-	689,406	819,167
Payable to federal agencies	-	-	-	-	-	-	-	-	-	1,735,110	1,735,110
Retention payable	-	-	-	-	-	-	-	-	-	468,460	468,460
Due to other funds	-	-	-	789,959	3,139,473	-	-	32,789	-	8,172,043	12,134,264
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,038,396</u>	<u>3,583,627</u>	<u>1,132</u>	<u>21,961</u>	<u>48,980</u>	<u>189,290</u>	<u>12,271,410</u>	<u>17,154,796</u>
Fund balances (deficits):											
Restricted	40,380	690	1,593	-	-	-	217,281	-	-	6,781,000	7,040,944
Committed	-	-	-	-	-	116,036	-	-	6,555,374	-	6,671,410
Unassigned	-	-	-	-	(37,278)	-	-	(187,241)	-	(307,235)	(531,754)
Total fund balances (deficits)	<u>40,380</u>	<u>690</u>	<u>1,593</u>	<u>-</u>	<u>(37,278)</u>	<u>116,036</u>	<u>217,281</u>	<u>(187,241)</u>	<u>6,555,374</u>	<u>6,473,765</u>	<u>13,180,600</u>
Total liabilities and fund balances	<u>\$ 40,380</u>	<u>\$ 690</u>	<u>\$ 1,593</u>	<u>\$ 1,038,396</u>	<u>\$ 3,546,349</u>	<u>\$ 117,168</u>	<u>\$ 239,242</u>	<u>\$ (138,261)</u>	<u>\$ 6,744,664</u>	<u>\$ 18,745,175</u>	<u>\$ 30,335,396</u>

See Accompanying Independent Auditors' Report.



# REPUBLIC OF THE MARSHALL ISLANDS

## GRANTS ASSISTANCE FUND Combining Schedule of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2017

DILOG Fund Number	350200	350305	350315	510130	600350	700100	700200	700360	700370			
	Section 215(a)(1) Commu- nications	Section 216(a)(1) Surveillance and Enforcement	Section 216(a)(3) Scholarship	Section 213 Audit	U.S. Federal Grants	European Union Grants	World Bank	Other Direct Assistance	Republic of China Projects	Compact Sector	Elimination	Total
Revenues:												
Federal and other grants	\$ -	\$ -	\$ -	\$ 397,886	\$ 9,705,750	\$ 12,887	\$ 400,000	\$ 266,568	\$ 7,400,000	\$ 42,421,946	\$ -	\$ 60,605,037
Expenditures by Function:												
Current:												
President and Cabinet	-	-	-	-	-	-	-	-	119,664	-	-	119,664
Office of the Chief Secretary	-	-	-	-	38,838	-	-	238,467	69,731	-	-	347,036
Special appropriations	-	-	-	-	-	-	-	-	52,986	-	-	52,986
Office of the Auditor-General	-	-	-	397,886	36,958	-	-	-	-	-	-	434,844
Ministries:												
Education, Sports and Training	-	-	-	-	1,594,957	-	-	-	295,185	18,576,216	-	20,466,358
Health and Human Services	-	-	-	-	5,368,268	-	-	-	714,218	9,095,452	-	15,177,938
Natural Resources and Commerce	-	-	-	-	-	-	-	34,167	1,027,078	-	-	1,061,245
Culture and Internal Affairs	-	-	-	-	46,300	-	-	145,552	2,353,980	-	-	2,545,832
Justice, Immigration and Labor	-	-	-	-	-	-	-	-	101,849	-	-	101,849
Finance, Banking and Postal Services	-	-	-	-	1,225,655	41,697	264,475	24,446	621,704	2,659,738	-	4,837,715
Foreign Affairs and Trade	-	-	-	-	-	-	-	-	28,125	-	-	28,125
Environmental Protection Authority	-	-	-	-	-	-	-	-	-	516,889	-	516,889
Capital outlay	-	-	-	-	-	-	-	-	-	12,389,861	-	12,389,861
Total expenditures	-	-	-	397,886	8,310,976	41,697	264,475	442,632	5,384,520	43,238,156	-	58,080,342
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,394,774	(28,810)	135,525	(176,064)	2,015,480	(816,210)	-	2,524,695
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	81,756	-	-	686,900	(768,656)	-
Operating transfers out	-	-	-	-	(1,394,774)	-	-	(81,756)	(686,900)	(790,162)	768,656	(2,184,936)
Total other financing sources (uses), net	-	-	-	-	(1,394,774)	-	81,756	(81,756)	(686,900)	(103,262)	-	(2,184,936)
Net change in fund balances (deficits)	-	-	-	-	-	(28,810)	217,281	(257,820)	1,328,580	(919,472)	-	339,759
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(37,278)	144,846	-	70,579	5,226,794	7,393,237	-	12,840,841
Fund balances (deficits) at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (37,278)	\$ 116,036	\$ 217,281	\$ (187,241)	\$ 6,555,374	\$ 6,473,765	\$ -	\$ 13,180,600

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## GRANTS ASSISTANCE FUND Combining Schedule of Revenues, Expenditures by Account, and Changes in Fund Balances (Deficits) Year Ended September 30, 2017

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	\$ -	\$ -	\$ -	\$ 397,886	\$ 9,705,750	\$ 12,887	\$ 400,000	\$ 266,568	\$ 7,400,000	\$ 42,421,946	\$ -	\$ 60,605,037
Expenditures by Account:												
Salaries and wages	-	-	-	-	3,222,007	-	4,699	114,432	19,916	17,343,911	-	20,704,965
Capital outlay	-	-	-	-	396,909	6,036	9,631	44,307	465,863	7,998,841	-	8,921,587
Grants and subsidies	-	-	-	-	12,000	-	-	18,738	3,783,151	8,783,188	-	12,597,077
Utilities	-	-	-	-	58,828	-	-	118	-	1,793,926	-	1,852,872
Leased housing	-	-	-	-	3,750	-	-	2,250	-	434,611	-	440,611
Supplies and materials	-	-	-	-	180,355	2,065	1,613	7,053	27,796	1,724,139	-	1,943,021
Contractual services	-	-	-	-	2,129,014	-	-	41,500	506,499	1,937,856	-	4,614,869
Travel	-	-	-	-	747,635	27,835	17,143	78,961	150,892	510,959	-	1,533,425
Food stuffs	-	-	-	-	712,805	990	-	69,581	98,026	482,831	-	1,364,233
Allowances	-	-	-	-	-	-	-	-	-	1,800	-	1,800
Professional services	-	-	-	397,886	-	-	218,359	33,450	-	-	-	649,695
Medical supplies	-	-	-	-	166,114	-	-	-	-	26,927	-	193,041
Communications	-	-	-	-	167,277	-	2,901	4,586	600	164,264	-	339,628
POL	-	-	-	-	74,473	-	-	1,780	1,973	228,101	-	306,327
Rentals	-	-	-	-	124,590	-	3,048	1,600	475	327,896	-	457,609
Freight	-	-	-	-	1,227	-	-	435	-	51,049	-	52,711
Printing and reproduction	-	-	-	-	63,989	678	4,799	3,237	-	40,032	-	112,735
Insurance	-	-	-	-	2,649	-	-	-	-	27,196	-	29,845
Other	-	-	-	-	247,354	4,093	2,282	20,604	329,329	1,360,629	-	1,964,291
Total expenditures	-	-	-	397,886	8,310,976	41,697	264,475	442,632	5,384,520	43,238,156	-	58,080,342
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	1,394,774	(28,810)	135,525	(176,064)	2,015,480	(816,210)	-	2,524,695
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	81,756	-	-	686,900	(768,656)	-
Operating transfers out	-	-	-	-	(1,394,774)	-	-	(81,756)	(686,900)	(790,162)	768,656	(2,184,936)
Total other financing sources (uses), net	-	-	-	-	(1,394,774)	-	81,756	(81,756)	(686,900)	(103,262)	-	(2,184,936)
Net change in fund balances (deficits)	-	-	-	-	-	(28,810)	217,281	(257,820)	1,328,580	(919,472)	-	339,759
Fund balances (deficits) at the beginning of the year	40,380	690	1,593	-	(37,278)	144,846	-	70,579	5,226,794	7,393,237	-	12,840,841
Fund balances (deficits) at the end of the year	\$ 40,380	\$ 690	\$ 1,593	\$ -	\$ (37,278)	\$ 116,036	\$ 217,281	\$ (187,241)	\$ 6,555,374	\$ 6,473,765	\$ -	\$ 13,180,600

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **COMPACT OF FREE ASSOCIATION SECTOR GRANTS FUND**

September 30, 2017

#### 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, 2017

#### Section 211(b)(1) Kwajalein Environment Fund

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

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

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

#### Section 211(d)(2) Infrastructure Maintenance Fund

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

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

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

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**COMPACT OF FREE ASSOCIATION SECTOR GRANTS**

**Combining Balance Sheet**

**September 30, 2017**

<b>DILOG Fund Number</b>	<b>410100</b>	<b>410102</b>	<b>410110</b>	<b>410120</b>	<b>410140</b>	<b>410150</b>	<b>410160</b>	<b>410170</b>	<b>510100</b>	<b>510110</b>	<b>510120</b>	
	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
<b><u>ASSETS</u></b>												
Receivables:												
Federal agencies	\$ 75,800	\$ 514,884	\$ 82,000	\$ -	\$ -	\$ 300,000	\$ 1,161,586	\$ -	\$ 8,085,651		\$ -	\$ 10,219,921
Due from other funds	379,984	-	1,033,206	163,374	10,487	842,530	-	100,589	-	1,807,262	4,068,128	8,405,560
Advances	(3,756)	16,596	5,939	-	-	86,781	8,446	4,639	4,020	(2,971)	-	119,694
Total assets	<u>\$ 452,028</u>	<u>\$ 531,480</u>	<u>\$ 1,121,145</u>	<u>\$ 163,374</u>	<u>\$ 10,487</u>	<u>\$ 1,229,311</u>	<u>\$ 1,170,032</u>	<u>\$ 105,228</u>	<u>\$ 8,089,671</u>	<u>\$ 1,804,291</u>	<u>\$ 4,068,128</u>	<u>\$ 18,745,175</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>												
<b><u>(DEFICITS)</u></b>												
Liabilities:												
Accounts payable	\$ 52,586	\$ 85,331	\$ 139,548	\$ -	\$ -	\$ 94,085	\$ -	\$ 2,088	\$ 794,503	\$ 38,250	\$ -	\$ 1,206,391
Other liabilities and accruals	297,885	92,516	213,900	-	-	59,718	3,001	7,892	13,879	615	-	689,406
Payable to federal agencies	49,626	237,413	549,820	-	-	643,323	254,928	-	-	-	-	1,735,110
Retention payable	-	-	-	-	-	-	27,235	-	417,569	23,656	-	468,460
Due to other funds	-	423,455	-	-	-	-	884,868	-	6,863,720	-	-	8,172,043
Total liabilities	<u>400,097</u>	<u>838,715</u>	<u>903,268</u>	<u>-</u>	<u>-</u>	<u>797,126</u>	<u>1,170,032</u>	<u>9,980</u>	<u>8,089,671</u>	<u>62,521</u>	<u>-</u>	<u>12,271,410</u>
Fund balances (deficits):												
Restricted	51,931	-	217,877	163,374	10,487	432,185	-	95,248	-	1,741,770	4,068,128	6,781,000
Unassigned	-	(307,235)	-	-	-	-	-	-	-	-	-	(307,235)
Total fund balances (deficits)	<u>51,931</u>	<u>(307,235)</u>	<u>217,877</u>	<u>163,374</u>	<u>10,487</u>	<u>432,185</u>	<u>-</u>	<u>95,248</u>	<u>-</u>	<u>1,741,770</u>	<u>4,068,128</u>	<u>6,473,765</u>
Total liabilities and fund balances	<u>\$ 452,028</u>	<u>\$ 531,480</u>	<u>\$ 1,121,145</u>	<u>\$ 163,374</u>	<u>\$ 10,487</u>	<u>\$ 1,229,311</u>	<u>\$ 1,170,032</u>	<u>\$ 105,228</u>	<u>\$ 8,089,671</u>	<u>\$ 1,804,291</u>	<u>\$ 4,068,128</u>	<u>\$ 18,745,175</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF THE MARSHALL ISLANDS**

**COMPACT OF FREE ASSOCIATION SECTOR GRANTS**  
**Combining Schedule of Revenues, Expenditures by Function,**  
**and Changes in Fund Balances (Deficits)**  
**Year Ended September 30, 2017**

<b>DILOG Fund Number</b>	<b>410100</b>	<b>410102</b>	<b>410110</b>	<b>410120</b>	<b>410140</b>	<b>410150</b>	<b>410160</b>	<b>410170</b>	<b>510100</b>	<b>510110</b>	<b>510120</b>	
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Total
Revenues:												
Compact funding	\$ 11,293,131	\$ 5,340,053	\$ 6,731,758	\$ -	\$ 319,220	\$ 4,351,420	\$ 2,659,738	\$ 246,820	\$ 11,241,986	\$ -	\$ 237,820	\$ 42,421,946
Expenditures by Function:												
Current:												
Ministries:												
Education, Sports and Training	10,648,223	5,629,821	-	-	-	2,298,172	-	-	-	-	-	18,576,216
Health and Human Services	-	-	7,025,106	-	-	2,070,346	-	-	-	-	-	9,095,452
Finance, Banking and Postal Services	-	-	-	-	-	-	2,659,738	-	-	-	-	2,659,738
Environmental Protection Authority	-	-	-	-	319,219	-	-	197,670	-	-	-	516,889
Capital outlay	-	-	-	-	-	300,000	-	-	11,241,986	847,875	-	12,389,861
Total expenditures	10,648,223	5,629,821	7,025,106	-	319,219	4,668,518	2,659,738	197,670	11,241,986	847,875	-	43,238,156
Excess (deficiency) of revenues over (under) expenditures	644,908	(289,768)	(293,348)	-	1	(317,098)	-	49,150	-	(847,875)	237,820	(816,210)
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	449,080	237,820	686,900
Operating transfers out	(590,162)	-	-	-	-	(200,000)	-	-	-	-	-	(790,162)
Total other financing sources (uses), net	(590,162)	-	-	-	-	(200,000)	-	-	-	449,080	237,820	(103,262)
Net change in fund balances (deficits)	54,746	(289,768)	(293,348)	-	1	(517,098)	-	49,150	-	(398,795)	475,640	(919,472)
Fund balances (deficits) at the beginning of the year	(2,815)	(17,467)	511,225	163,374	10,486	949,283	-	46,098	-	2,140,565	3,592,488	7,393,237
Fund balances (deficits) at the end of the year	\$ 51,931	\$ (307,235)	\$ 217,877	\$ 163,374	\$ 10,487	\$ 432,185	\$ -	\$ 95,248	\$ -	\$ 1,741,770	\$ 4,068,128	\$ 6,473,765

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## COMPACT OF FREE ASSOCIATION SECTOR GRANTS Combining Schedule of Revenues, Expenditures by Account, and Changes in Fund Balances (Deficits) Year Ended September 30, 2017

DILOG Fund Number	410100	410102	410110	410120	410140	410150	410160	410170	510100	510110	510120	
	Section 211(a)(1) Education	Supplemental Education	Section 211(a)(2) Health	Section 211(a)(4) Capacity Building	Section 211(a)(5) Environment	Section 211(b)(1) Ebeye Special Needs	Section 211(b)(2) Landowners Special Needs	Section 211(b)(3) Kwajalein Environment	Section 211(d)(1) Public Infrastructure	Section 211(d)(2) Infrastructure Maintenance	Section 211(e)(1) Disaster Assistance	Total
Revenues:												
Compact funding	\$ 11,293,131	\$ 5,340,053	\$ 6,731,758	\$ -	\$ 319,220	\$ 4,351,420	\$ 2,659,738	\$ 246,820	\$ 11,241,986	\$ -	\$ 237,820	\$ 42,421,946
Expenditures by Account:												
Salaries and wages	7,470,400	2,364,202	5,363,187	-	-	1,563,735	75,842	180,466	288,675	37,404	-	17,343,911
Capital outlay	103,815	304,463	406,190	-	-	320,166	163,360	1,954	6,698,893	-	-	7,998,841
Grants and subsidies	1,282,002	288,325	50,000	-	319,219	325,000	2,016,673	-	4,020,200	481,769	-	8,783,188
Utilities	408,403	72,493	619,442	-	-	688,910	-	4,678	-	-	-	1,793,926
Leased housing	391,861	-	-	-	-	-	6,750	-	36,000	-	-	434,611
Supplies and materials	450,619	818,818	80,617	-	-	349,272	-	-	24,813	-	-	1,724,139
Contractual services	10,800	1,043,316	223,477	-	-	242,073	375,042	-	40,400	2,748	-	1,937,856
Travel	75,806	99,834	62,738	-	-	166,480	21,222	8,022	76,857	-	-	510,959
Food stuffs	207,941	42,479	85,695	-	-	144,972	-	-	1,744	-	-	482,831
Allowances	-	1,800	-	-	-	-	-	-	-	-	-	1,800
Medical supplies	-	-	-	-	-	26,927	-	-	-	-	-	26,927
Communications	21,642	20,520	5,249	-	-	88,424	-	-	28,429	-	-	164,264
POL	73,164	15,227	40,421	-	-	85,528	659	500	12,602	-	-	228,101
Rentals	11,419	7,272	1,000	-	-	306,155	-	2,050	-	-	-	327,896
Freight	20,255	11,758	4,778	-	-	14,258	-	-	-	-	-	51,049
Printing and reproduction	8,008	2,540	15,000	-	-	2,484	-	-	12,000	-	-	40,032
Insurance	21,941	-	3,867	-	-	149	-	-	1,239	-	-	27,196
Other	90,147	536,774	63,445	-	-	343,985	190	-	134	325,954	-	1,360,629
Total expenditures	10,648,223	5,629,821	7,025,106	-	319,219	4,668,518	2,659,738	197,670	11,241,986	847,875	-	43,238,156
Excess (deficiency) of revenues over (under) expenditures	644,908	(289,768)	(293,348)	-	1	(317,098)	-	49,150	-	(847,875)	237,820	(816,210)
Other financing sources (uses):												
Operating transfers in	-	-	-	-	-	-	-	-	-	449,080	237,820	686,900
Operating transfers out	(590,162)	-	-	-	-	(200,000)	-	-	-	-	-	(790,162)
Total other financing sources (uses), net	(590,162)	-	-	-	-	(200,000)	-	-	-	449,080	237,820	(103,262)
Net change in fund balances (deficits)	54,746	(289,768)	(293,348)	-	1	(517,098)	-	49,150	-	(398,795)	475,640	(919,472)
Fund balances (deficits) at the beginning of the year	(2,815)	(17,467)	511,225	163,374	10,486	949,283	-	46,098	-	2,140,565	3,592,488	7,393,237
Fund balances (deficits) at the end of the year	\$ 51,931	\$ (307,235)	\$ 217,877	\$ 163,374	\$ 10,487	\$ 432,185	\$ -	\$ 95,248	\$ -	\$ 1,741,770	\$ 4,068,128	\$ 6,473,765

See Accompanying Independent Auditors' Report.

## **REPUBLIC OF THE MARSHALL ISLANDS**

### **GENERAL FUND**

September 30, 2017

#### Education Fund

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

#### Reimbursable Fund

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

#### Changed Circumstances Fund

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

#### Judiciary Fund

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

#### Alternative Energy Fund

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

#### Postal Service Fund

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

#### Marshall Islands Development Authority (MIDA) Fund

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

#### Local Government Fund

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

See Accompanying Independent Auditors' Report.



## **REPUBLIC OF THE MARSHALL ISLANDS**

### **GENERAL FUND**

September 30, 2017

#### Asian Development Bank (ADB) Development Projects

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

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## GENERAL FUND

### Combining Balance Sheet September 30, 2017

	100100		200090	200317	200330	200335	200337	200515	300400	300600	800405	950000	960000		
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Postal Service	MIDA	Local Government	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total
<b>ASSETS</b>															
Cash and cash equivalents	\$ -	\$ 553,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,268	\$ 10,331,511	\$ -	\$ -	\$ 10,907,482
Receivables, net:															
Taxes	2,725,717	-	-	-	-	-	-	-	-	-	-	-	-	-	2,725,717
Federal agencies	27,510	-	452,013	-	-	-	-	-	-	-	-	-	-	-	479,523
General	2,695,429	-	8,508	-	-	-	-	-	-	-	70,338	(1,566)	-	-	2,772,709
Due from other funds	13,545,777	-	-	54,458	467,670	444	-	-	-	14,251	-	12,134,264	-	(14,082,600)	12,134,264
Due from component units	7,082,470	-	-	-	-	-	-	-	-	-	-	-	-	-	7,082,470
Advances	496,638	-	15,661	-	-	-	-	-	-	-	1,049	(58,324)	-	-	455,024
Other assets	1,990,250	-	-	-	-	-	-	-	-	-	-	-	-	-	1,990,250
Restricted assets:															
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	10,027,495	-	-	10,027,495
Total assets	<u>\$ 28,563,791</u>	<u>\$ 553,703</u>	<u>\$ 476,182</u>	<u>\$ 54,458</u>	<u>\$ 467,670</u>	<u>\$ 444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,251</u>	<u>\$ 93,655</u>	<u>\$ 32,433,380</u>	<u>\$ -</u>	<u>\$ (14,082,600)</u>	<u>\$ 48,574,934</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>															
Liabilities:															
Accounts payable	\$ 1,962,099	\$ 553,703	\$ 3,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 975	\$ 1,193,471	\$ -	\$ -	\$ 3,713,266
Other liabilities and accruals	1,516,291	-	30,890	-	-	28	-	-	-	-	-	-	(11,135)	-	1,536,074
Retention payable	63,782	-	-	-	-	-	-	-	-	-	-	-	-	-	63,782
Due to component units	551,741	-	-	-	-	-	-	-	-	-	-	1,413,600	-	-	1,965,341
Unearned revenue	112,204	-	-	-	-	-	-	-	-	-	-	-	-	-	112,204
Due to other funds	-	-	605,408	-	-	-	51,039	658	-	-	194,569	29,826,309	11,135	(14,082,600)	16,606,518
Total liabilities	<u>4,206,117</u>	<u>553,703</u>	<u>639,316</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>51,039</u>	<u>658</u>	<u>-</u>	<u>-</u>	<u>195,544</u>	<u>32,433,380</u>	<u>-</u>	<u>(14,082,600)</u>	<u>23,997,185</u>
Fund balance (deficit):															
Nonspendable	9,072,720	-	-	-	-	-	-	-	-	-	-	-	-	-	9,072,720
Restricted	-	-	-	-	-	-	-	-	-	-	-	2,971,841	-	-	2,971,841
Committed	-	-	-	-	-	-	-	-	-	14,251	-	-	-	-	14,251
Unassigned	15,284,954	-	(163,134)	54,458	467,670	416	(51,039)	(658)	-	-	(101,889)	(2,971,841)	-	-	12,518,937
Total fund balance (deficit)	<u>24,357,674</u>	<u>-</u>	<u>(163,134)</u>	<u>54,458</u>	<u>467,670</u>	<u>416</u>	<u>(51,039)</u>	<u>(658)</u>	<u>-</u>	<u>14,251</u>	<u>(101,889)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,577,749</u>
Total liabilities and fund balance	<u>\$ 28,563,791</u>	<u>\$ 553,703</u>	<u>\$ 476,182</u>	<u>\$ 54,458</u>	<u>\$ 467,670</u>	<u>\$ 444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,251</u>	<u>\$ 93,655</u>	<u>\$ 32,433,380</u>	<u>\$ -</u>	<u>\$ (14,082,600)</u>	<u>\$ 48,574,934</u>

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## GENERAL FUND

### Combining Schedule of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficits) Year Ended September 30, 2017

	100100		200090	200317	200330	200335	200337	200515	300400	300600	800405	950000	960000		
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Postal Service	MIDA	Local Government	ADB Development Projects	Treasury	Payroll Revolving	Elimination	Total
Revenues:															
Taxes	\$ 29,800,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,800,032
Federal and other grants	3,600,000	-	466,346	-	-	-	-	-	-	-	73,935	-	-	-	4,140,281
Ship registry	7,294,153	-	-	-	-	-	-	-	-	-	-	-	-	-	7,294,153
Interest and dividends	114,519	-	-	-	-	-	-	-	-	-	-	-	-	-	114,519
Fees and charges	28,175	-	166,848	-	105,000	-	-	-	-	-	-	-	-	-	300,023
Contributions from component units	40,541,990	-	-	-	-	-	-	-	-	-	-	-	-	-	40,541,990
Other	915,521	-	-	-	-	-	-	-	-	-	-	-	-	-	915,521
Total revenues	82,294,390	-	633,194	-	105,000	-	-	-	-	-	73,935	-	-	-	83,106,519
Expenditures by Function:															
Current:															
President and Cabinet	2,822,745	-	-	-	-	-	-	-	-	-	-	-	-	-	2,822,745
Office of the Chief Secretary	960,004	-	-	-	-	-	-	-	-	-	4,244	-	-	-	964,248
Special appropriations	29,971,281	-	-	-	-	-	-	-	-	-	-	-	-	-	29,971,281
Council of Iroij	543,359	-	-	-	-	-	-	-	-	-	-	-	-	-	543,359
Nitijela	2,406,923	-	-	-	-	-	-	-	-	-	-	-	-	-	2,406,923
Office of the Auditor-General	1,009,132	-	-	-	-	-	-	-	-	-	-	-	-	-	1,009,132
Public Service Commission	613,236	-	-	-	-	-	-	-	-	-	-	-	-	-	613,236
Judiciary	-	-	-	-	74,000	-	-	-	-	-	-	-	-	-	74,000
Office of the Attorney General	798,293	-	74,614	-	-	-	-	-	-	-	-	-	-	-	872,907
Ministries:															
Education, Sports and Training	5,940,140	2,267,859	-	-	-	-	-	-	-	-	-	-	-	-	8,207,999
Health and Human Services	4,869,753	-	-	-	-	-	-	-	-	-	-	-	-	-	4,869,753
Transportation, Communication and Information Technology	2,482,472	-	-	-	-	-	-	-	-	-	-	-	-	-	2,482,472
Natural Resources and Commerce	920,628	-	19,358	-	-	-	-	-	-	-	-	-	-	-	939,986
Culture and Internal Affairs	4,031,016	-	-	-	-	-	-	-	-	-	-	-	-	-	4,031,016
Justice, Immigration and Labor	3,216,705	-	-	-	-	-	-	-	-	-	-	-	-	-	3,216,705
Finance, Banking and Postal Services	3,052,100	-	600,738	-	-	-	-	-	-	-	373,935	-	-	-	4,026,773
Foreign Affairs and Trade	3,980,722	-	-	-	-	-	-	-	-	-	-	-	-	-	3,980,722
Works, Infrastructure and Utilities	2,019,488	-	-	-	-	-	-	-	-	-	-	-	-	-	2,019,488
Environmental Protection Authority	177,838	-	-	-	-	-	-	-	-	-	-	-	-	-	177,838
Debt service:															
Principal repayment	2,505,373	-	-	-	-	-	-	-	-	-	-	-	-	-	2,505,373
Interest	725,437	-	-	-	-	-	-	-	-	-	-	-	-	-	725,437
Total expenditures	73,046,645	2,267,859	694,710	-	74,000	-	-	-	-	-	378,179	-	-	-	76,461,393
Excess (deficiency) of revenues over (under) expenditures	9,247,745	(2,267,859)	(61,516)	-	31,000	-	-	-	-	-	(304,244)	-	-	-	6,645,126
Other financing sources (uses):															
Operating transfers in	752,304	2,267,859	-	-	635,910	-	-	-	-	-	-	-	-	(2,903,769)	752,304
Operating transfers out	(3,978,935)	-	-	-	(635,910)	-	-	-	-	-	-	-	-	2,903,769	(1,711,076)
Total other financing sources (uses), net	(3,226,631)	2,267,859	-	-	-	-	-	-	-	-	-	-	-	-	(958,772)
Net change in fund balances (deficits)	6,021,114	-	(61,516)	-	31,000	-	-	-	-	-	(304,244)	-	-	-	5,686,354
Fund balances (deficits) at the beginning of the year	18,336,560	-	(101,618)	54,458	436,670	416	(51,039)	(658)	-	14,251	202,355	-	-	-	18,891,395
Fund balances (deficits) at the end of the year	\$ 24,357,674	\$ -	\$ (163,134)	\$ 54,458	\$ 467,670	\$ 416	\$ (51,039)	\$ (658)	\$ -	\$ 14,251	\$ (101,889)	\$ -	\$ -	\$ -	\$ 24,577,749

See Accompanying Independent Auditors' Report.

# REPUBLIC OF THE MARSHALL ISLANDS

## GENERAL FUND

### Combining Schedule of Expenditures By Account Year Ended September 30, 2017

	100100		200090	200317	200330	200335	200337	200515	300400	300600	800405	
	General	Education	Reimbursable	Changed Circumstances	Judiciary	Alternative Energy	EPA	Postal Service	MIDA	Local Government	ADB Development Projects	Total
Expenditures by Account:												
Salaries and wages	\$ 20,052,824	\$ -	\$ 555,982	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,608,806
Capital outlay	3,491,819	393,755	24,165	-	-	-	-	-	-	-	-	3,909,739
Grants and subsidies	26,794,721	198,400	-	-	-	-	-	-	-	-	314,953	27,308,074
Medical supplies	468,286	-	-	-	-	-	-	-	-	-	-	468,286
Contractual services	844,946	-	-	-	-	-	-	-	-	-	58,982	903,928
Travel	1,967,640	61,190	39,449	-	-	-	-	-	-	-	2,500	2,070,779
Utilities	5,214,141	91,319	34,616	-	-	-	-	-	-	-	-	5,340,076
Supplies and materials	687,041	56,975	5,167	-	-	-	-	-	-	-	-	749,183
Leased housing	1,568,136	67,433	6,750	-	-	-	-	-	-	-	-	1,642,319
POL	486,163	6,488	4,868	-	-	-	-	-	-	-	-	497,519
Rentals	1,949,162	6,075	460	-	-	-	-	-	-	-	-	1,955,697
Food stuffs	759,267	404,641	-	-	-	-	-	-	-	-	1,744	1,165,652
Professional services	653,499	-	6,075	-	-	-	-	-	-	-	-	659,574
Principal repayment	2,591,177	-	-	-	-	-	-	-	-	-	-	2,591,177
Interest	641,165	-	-	-	-	-	-	-	-	-	-	641,165
Allowances	1,580,048	15,800	2,250	-	-	-	-	-	-	-	-	1,598,098
Communications	577,653	7,773	13,042	-	-	-	-	-	-	-	-	598,468
Freight	34,615	5,444	149	-	-	-	-	-	-	-	-	40,208
Printing and reproduction	135,621	-	-	-	-	-	-	-	-	-	-	135,621
Insurance	205,443	8,478	441	-	-	-	-	-	-	-	-	214,362
Other	2,343,278	944,088	1,296	-	74,000	-	-	-	-	-	-	3,362,662
Total expenditures	\$ 73,046,645	\$ 2,267,859	\$ 694,710	\$ -	\$ 74,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378,179	\$ 76,461,393

See Accompanying Independent Auditors' Report.