

REPUBLIC OF THE MARSHALL ISLANDS

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED SEPTEMBER 30, 2007

REPUBLIC OF THE MARSHALL ISLANDS

FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

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INDEPENDENT AUDITORS' REPORT

His Excellency Litokwa Tomeing
President
Republic of the Marshall Islands:

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, 2007, which collectively comprise RepMar's basic financial statements as set forth in Section II of the foregoing table of contents. These financial statements are the responsibility of the management of RepMar. Our responsibility is to express an opinion on the respective 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RepMar's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

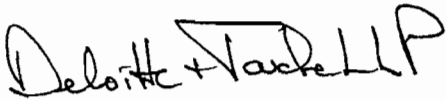
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of the Marshall Islands as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, on pages 3 through 14, as well as the Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund and notes thereto, as set forth in Section III of the foregoing table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the management of RepMar. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

As discussed in Note 14 to the financial statements, the beginning net assets of the governmental activities and the beginning fund balance of the Compact Trust Fund within the accompanying financial statements have been restated.

Our audit was conducted for the purpose of forming an opinion on RepMar's respective financial statements that collectively comprise RepMar's basic financial statements. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of RepMar. This supplementary information is the responsibility of the management of RepMar. Such additional information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2008, on our consideration of the Republic of the Marshall Islands' 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


June 25, 2008

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2007

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, 2007. We encourage readers to consider the information presented here in conjunction with RepMar's basic financial statements, which follow this section. Fiscal year 2006 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 \$77.1 million (net assets), increasing by \$17.8 million (or 30.1%) from \$59.3 million in the prior year. This increase is primarily attributable to the infusion of resources from the Government of the United States through Public Infrastructure Sector grant funds of \$16.6 million, which were expended on various capital infrastructure projects throughout the nation, and the net increase in the corpus of the Compact Trust Fund of \$7.9 million.
- During the current fiscal year, RepMar's expenses for governmental activities were \$99.2 million, including expenses recorded or payments made or due to the autonomous agencies, and were funded in part by \$82.0 million in program revenues and \$35.0 million in taxes and other general revenues. Program revenues increased by \$6.8 million (or 9.0%) from \$75.2 million in the prior year to \$82.0 million, which was attributable primarily to the increase in resources received through Public Infrastructure Sector grant funds. Secondly, general revenues increased by \$2.5 million (or 7.5%) from \$32.5 million in the prior year to \$35.0 million, which was attributable primarily to an increase in tax revenue. Expenses increased by \$4.2 million (or 4.5%) from \$95.0 million in the prior year to \$99.2 million. The increase in expenses was primarily attributable to an increase in resources utilized for education and health-related expenses.
- For the current fiscal year, the General Fund reported revenues (and transfers in) of \$42.3 million, \$7.9 million in excess of charges to general fund appropriations (including transfers out) of \$34.4 million. General fund revenues were up \$8.2 million (or 24.1%) from prior year primarily due to a one-time transfer from the Intergenerational Trust Fund of \$5.9 million. On the other hand, General fund appropriations were down marginally by \$0.7 million (or 2.0%) from prior year primarily due to a decrease in transfers to other governmental funds of \$1.1 million (down from \$1.5 million in prior year to \$0.4 million). Revenues collected, including transfers in, of \$42.3 million were higher than budgeted amounts of \$36.8 million. Additionally, charges to appropriations, including transfers out, of \$34.4 million were lower than budgeted amounts of \$36.9 million resulting in an overall net budgetary surplus for the current year of \$7.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2007

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 assets presents information on all of RepMar's assets and liabilities, with the difference between the two reported as net assets. 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.

The two government-wide financial statements report RepMar's net assets and how they have changed. Net assets, 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 assets are 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 15 and 16 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.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis
Year Ended September 30, 2007

Fund Financial Statements, Continued

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 17 and 18 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 assets and a statement of change in fiduciary net assets.

The basic fiduciary fund financial statements can be found on pages 20 and 21 of this report.

Discretely presented component unit financial statements are presented for entities where RepMar has financial accountability, but are independent of the core RepMar operations. Most operate similar to private-sector businesses.

The discretely presented component unit financial statements can be found on pages 22 and 23 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 24 through 61 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 62 through 64 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 65 through 102 of this report.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis
Year Ended September 30, 2007

A FINANCIAL ANALYSIS OF REPMAR AS A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of RepMar, assets exceeded liabilities by \$77.1 million at the close of the most recent fiscal year. However, all these net assets are either restricted as to the purpose they can be used for or are 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 assets are 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 \$32.7 million while its current liabilities were \$31.2 million. Restricted net assets represent resources that are subject to external constraints. The table below summarizes RepMar's net assets at the close of the current year compared with prior year.

RepMar's Net Assets As of September 30		
	<u>2007</u>	<u>2006</u> <u>Restated</u>
Current and other assets	\$ 83,439,545	\$ 70,769,643
Capital assets	<u>86,992,722</u>	<u>76,825,995</u>
Total Assets	<u>170,432,267</u>	<u>147,595,638</u>
Long-term liabilities	62,092,811	63,260,171
Other liabilities	<u>31,226,530</u>	<u>25,041,396</u>
Total Liabilities	<u>93,319,341</u>	<u>88,301,567</u>
Net assets:		
Invested in capital assets, net of related debt	64,866,493	54,128,155
Restricted net assets	52,588,074	45,486,749
Unrestricted net assets	<u>(40,341,641)</u>	<u>(40,320,833)</u>
Total net assets	<u>\$ 77,112,926</u>	<u>\$ 59,294,071</u>

At the end of the current fiscal year, RepMar's unrestricted net asset deficiency was \$40.3 million, which essentially remained unchanged from prior year. 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 Asian Development Bank (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.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2007

Changes in Net Assets

As discussed earlier, net assets of the primary government increased by \$17.8 million, which represents an increase of 30.1% from the prior year's amount of \$59.3 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 assets for the current fiscal year as compared with prior year.

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

	<u>2007</u>	<u>2006</u> <u>Restated</u>
Revenues:		
Program revenues:		
Charges for services	\$ 7,725,378	\$ 8,101,072
Operating grants and contributions	48,096,755	46,436,682
Capital grants and contributions	26,214,934	20,678,059
General revenues:		
Taxes	27,078,657	25,142,867
Grants and contributions not restricted	4,000,000	4,000,000
Fishing rights	1,250,000	1,500,000
Ship registry	1,750,000	1,000,000
Unrestricted investment earnings	386,554	422,880
Other	<u>523,152</u>	<u>471,035</u>
Total revenues	<u>117,025,430</u>	<u>107,752,595</u>
Expenses:		
President and Cabinet	2,095,006	1,715,084
Office of the Chief Secretary	1,312,892	1,088,924
Special appropriations	7,261,383	5,396,036
Council of Iroij	426,641	443,283
Office of the Auditor-General	637,014	738,577
Public Service Commission	658,097	497,151
Office of the Attorney General	594,124	650,212
Education	25,807,631	24,243,349
Health and Environment	22,524,449	20,985,881
Transportation and Communication	2,898,984	3,373,908
Resources and Development	1,206,447	1,804,198
Internal Affairs	3,095,233	2,701,868
Justice	3,216,587	3,683,678
Finance	9,410,639	6,707,948
Foreign Affairs and Trade	2,389,108	2,858,167
Public Works	4,308,882	5,276,038
Nitijela	2,108,920	1,931,478
Judiciary	857,907	833,651
Environmental Protection Authority	377,060	464,942
Nuclear claims related	644,361	3,390,938
Interest on long-term debt	789,850	869,357
Capital projects	6,514,863	5,167,226
Other	<u>70,497</u>	<u>142,539</u>
Total expenses	<u>99,206,575</u>	<u>94,964,433</u>
Change in net assets	17,818,855	12,788,162
Net assets – beginning of year	<u>59,294,071</u>	<u>46,505,909</u>
Net assets – end of year	<u>\$ 77,112,926</u>	<u>\$ 59,294,071</u>

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Management's Discussion and Analysis
Year Ended September 30, 2007

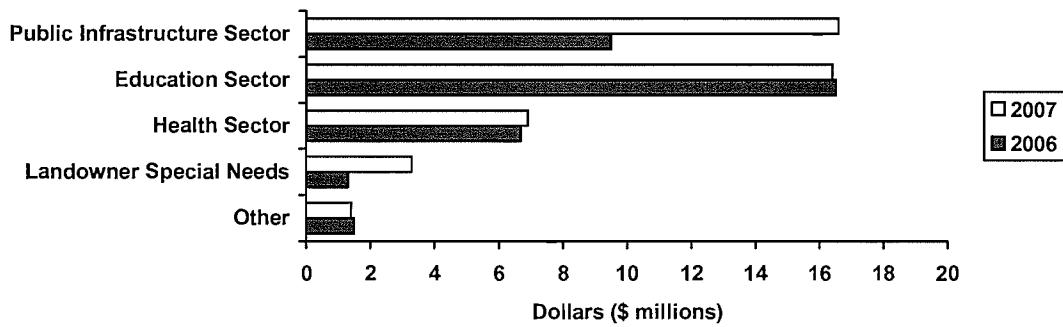
Changes in Net Assets, Continued

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

- Revenues increased in the current year by \$9.2 million (or 8.6%) due to an increase in program revenues and general revenues of \$6.6 million (or 9.0%) and \$2.4 million (or 7.5%), respectively, as compared with prior year.

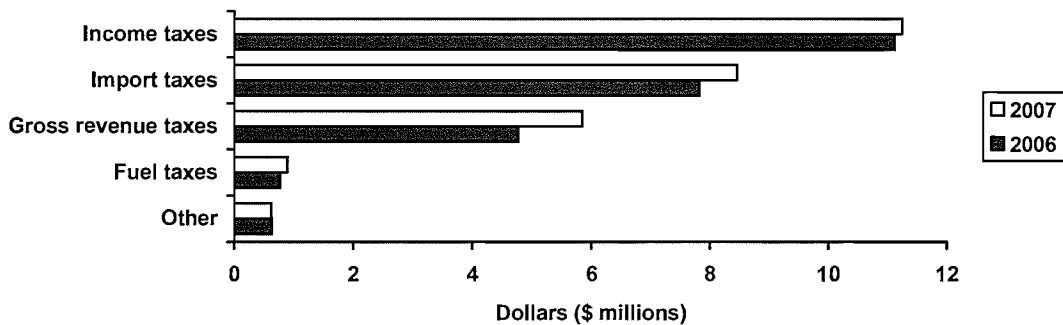
The increase in program revenues is primarily attributable to an increase in grant revenues received under the Compact Sector grants, specifically Public Infrastructure Sector grant funds, which increased by \$7.1 million (or 74.6%) from \$9.5 million received in the prior year to \$16.6 million received in the current year. A graphic summary of overall Compact grant revenues received by RepMar for the current year compared with prior year follows:

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



The increase in general revenues is primarily attributable to an increase in tax revenues. A graphic summary of RepMar's tax revenue collections for the current year compared with prior year follows:

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



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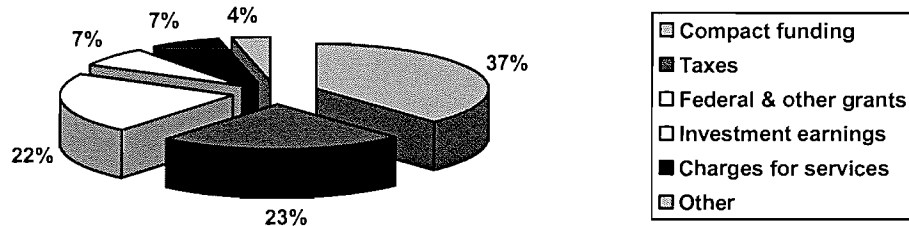
Management's Discussion and Analysis Year Ended September 30, 2007

Changes in Net Assets, Continued

- Cost of governmental activities increased in the current year by \$4.2 million (or 4.5%) compared with prior year. Education and health related expenses comprised of \$48.3 million (or 48.7%) of total expenses in the current year as compared with \$45.2 million (or 47.6%) in the prior year, which reflects RepMar's highest priorities in terms of expenditure appropriations.

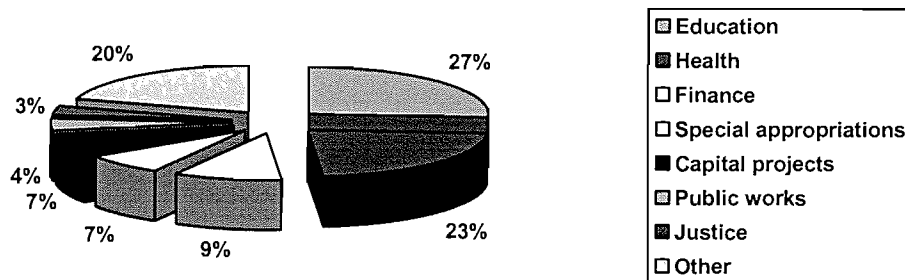
Graphs 3 and 4 below indicate the major components of revenues and cost of governmental activities.

Graph 3
RepMar's Revenue Sources
For the Year Ended September 30, 2007



As in prior years, Compact funding and federal and other grants are the major sources of revenue for RepMar, which comprise 59% of the total revenues for the current year. The remaining 41% is predominantly comprised of local sourced tax revenues, including income taxes and gross revenue taxes.

Graph 4
RepMar's Cost of Governmental Activities
For the Year Ended September 30, 2007



Other expenses that make up a portion of the costs of governmental activities include ministerial expenses within the Ministry of Transportation and Communication (\$2.9 million), and the Ministry of Foreign Affairs and Trade (\$2.4 million); legislative expenses within the Nitijela (\$2.1 million); and executive expenses within the President's Office and Cabinet (\$2.1 million).

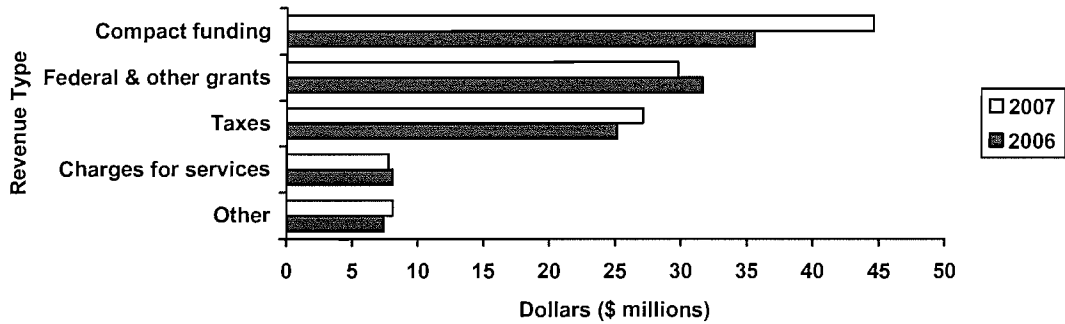
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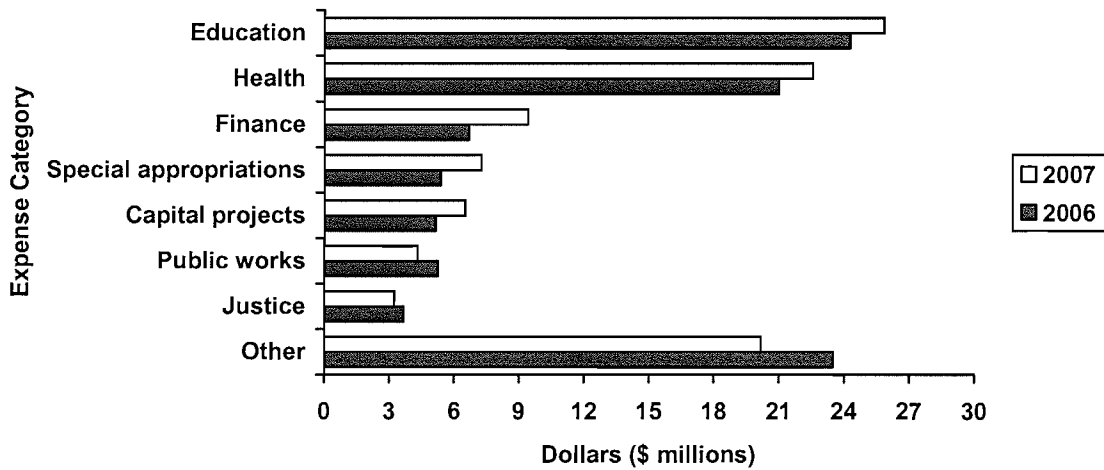
Changes in Net Assets, Continued

Graphs 5 and 6 below show a comparison of the major components of revenues and cost of governmental activities for fiscal years 2006 and 2007.

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



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



Finance expenses in the current year include consolidated electric utility billings of \$2.7 million, up from \$1.9 million (or 43%) in the prior year, and subsidies to component units of \$3.3 million, up from \$1.7 million (or 98%) in the prior year. Special appropriation expenses in the current year include subsidies to component units of \$4.2 million, up from \$3.6 million (or 17%) in the prior year. Other expenses in the current year includes ministerial expenses within the Ministry of Transportation and Communication of \$2.9 million, down from \$3.4 million (or 14%) in the prior year; the Ministry of Foreign Affairs and Trade of \$2.4 million, down from \$2.9 million (or 16%) in the prior year; legislative expenses within the Nitijela of \$2.1 million, up from \$1.9 million (or 9%) in the prior year; and executive expenses within the President's Office and Cabinet of \$2.1 million, up from \$1.7 million (or 22%) in the prior year.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis
Year Ended September 30, 2007

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, unreserved 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 \$54.6 million, which represents an increase of \$6.9 million (or 14.5%) in comparison with the prior year. This increase is primarily attributable to an increase in fund balance of the Compact Trust Fund. Of this total combined fund balance, \$79.0 million is reserved to indicate that it is not available for new spending because it has already been committed: 1) to generate income for future operations (\$46.7 million); 2) to continuing appropriations through grant awards or enabling legislation (\$20.3 million); 3) to liquidate contracts and purchase orders of the prior period (\$7.5 million); or 4) for a variety of other restricted purposes (\$4.6 million). The combined unreserved deficit of RepMar's governmental funds is \$24.4 million, an increase of \$16.5 million (or 211%) from the prior year. This deficit will be funded through future budgetary surpluses.

The General Fund is the chief operating fund of RepMar. At the end of the current fiscal year, the unreserved fund deficit of the General Fund was \$2.6 million as compared with the prior year ending unreserved fund deficit of \$6.3 million, an improvement of \$3.7 million (or 59.4%), while total fund balance was \$2.0 million compared with a total fund deficit of \$5.9 million, an improvement of \$7.9 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the fiscal year, management and elected officials of RepMar revised the General Fund budget. The revised budget included an increase in overall budgetary appropriations of \$2.1 million. The primary reason for the upward revision was due to emergency payments appropriated to the Marshalls Energy Company, Inc. in order to continue to assist in the payment of delinquent billings relating to fuel shipments.

As previously discussed, revenues collected (including transfers in) of \$42.3 million were higher than budgeted amounts of \$36.8 million due primarily to transfers in from the Intergenerational Trust Fund, which exceeded budgeted amounts. In addition, charges to appropriations (including transfers out) of \$34.4 million were lower than budgeted amounts of \$36.9 million due primarily to expenditure containment initiated by the Ministry of Finance within the various ministries and departments of RepMar.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis
Year Ended September 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

RepMar's investment in capital assets for its governmental activities as of September 30, 2007 amounted to \$161.3 million, net of accumulated depreciation of \$74.3 million, leaving a net book value of \$87 million. This represents a net increase of \$10.2 million (or 13.2%) from 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)

	2007	2006
Electrical distribution	\$ 6,860,787	\$ 7,878,802
Buildings	45,768,443	34,639,328
Water infrastructure system	5,345,506	5,730,182
Docks, roads and bridges	8,563,804	9,131,840
Ships	8,249,813	8,792,503
Software	739,854	887,825
Heavy equipment	899,884	933,767
Dry-dock	387,637	581,456
Construction in progress	10,176,994	8,250,292
	\$ 86,992,722	\$ 76,825,995

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

- Completion of the following Compact funded education facilities infrastructure projects:

<u>Infrastructure Project</u>	<u>Current Year Additions (\$ millions)</u>	<u>Completed Cost (\$ millions)</u>
Jaluit High School – Ph. I	\$ -	\$ 1.8
Rita Elementary School – Ph. II	\$ 0.4	\$ 1.2
Rairok Elementary School – Ph. I	\$ 1.2	\$ 1.4
Laura High School – Ph. I and II	\$ 1.0	\$ 1.8
M.I. High School – Ph. I and II	\$ 3.5	\$ 5.8
N.I. High School – Ph. I	\$ 0.2	\$ 1.2

- 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>
Namdrik Elementary School	\$ 1.0	\$ 1.0
Jaluit High School – Ph. II	\$ 1.8	\$ 2.2
N.I. High School – Ph. II	\$ 1.7	\$ 2.9
International Convention Center	\$ 5.1	\$ 5.5

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

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2007

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 twelve separate loans with the Asian Development Bank (See table below). Long-term debt obligations decreased by \$1.3 million (or 2.1%) in the current fiscal year.

RepMar's Outstanding Debt Asian Development Bank September 30,

	<u>2007</u>	<u>2006</u>
Fisheries Development Project	\$ 3,099,560	\$ 3,203,851
Typhoon Rehabilitation	462,645	477,692
Basic Education Project	7,252,028	7,490,453
Majuro Water Supply Project No. 1	664,201	685,777
Health and Population Project	4,909,566	5,062,317
Majuro Water Supply Project No. 2	7,971,483	8,303,958
Public Sector Reform Program	11,177,293	11,290,181
Ebeye Health and Infrastructure Project	8,953,626	8,953,626
Skills Training and Vocational Education Project	4,923,345	4,923,345
Fiscal and Financial Management Program No. 1	3,388,600	3,815,700
Fiscal and Financial Management Program No. 2	8,388,966	8,388,966
Outer Island Transport Infrastructure Project	507,517	448,905
	<u>\$ 61,698,830</u>	<u>\$ 63,044,771</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic growth as measured by Gross Domestic Product (GDP) continued over fiscal year 2006 with modest GDP growth in fiscal year 2007 of 2.0%. This was driven predominantly by increased government capital expenditures. The Marshall Islands' economy is extremely vulnerable to external shocks because of its small and open nature and the effect of such continued on from fiscal year 2006 through fiscal year 2007. The continued effect of increasing fuel prices placed stress on RepMar's budget not only in the transport and energy sectors but also on public sector enterprises, most notably the Marshalls Energy Company, Inc. (MEC). RepMar struggled to cope with these shocks despite continued inflows through Compact revenues. Revenue performance remained stagnant from prior year with an exception in gross receipts taxes. This reflected the more aggressive stance taken by the Ministry of Finance's Division of Revenue and Taxation in pursuing noncompliant taxpayers; however, other revenue areas continued to lag mainly due to high fuel prices and a drop in fishing license permits, with income taxes, import taxes and fishing license revenues falling short of anticipated amounts by \$328,000, \$602,000, and \$500,000, respectively. Fuel tax revenues were also expected to increase, however, due to MEC's problems with securing fuel supplies and the subsequent lack of fishing vessels visiting the Marshall Islands to buy fuel, anticipated fuel tax revenues fell short by \$553,000. These shortfalls were again offset by a one-time cash transfer in from the Intergenerational Trust Fund. Despite these problems, the impacts of the flow-on effects of Compact revenues continued to support the economy.

REPUBLIC OF THE MARSHALL ISLANDS

Management's Discussion and Analysis Year Ended September 30, 2007

In an effort to pursue private sector development, the Nitijela introduced legislation during the January 2008 session to allow competition in the telecommunications sector; however, any changes to the existing legislation are still pending. Furthermore, construction on a new fish processing plant commenced in fiscal year 2007, which should revive tuna loining in the later part of fiscal year 2008 through employment of up to 500 workers. Finally, the Marshall Islands was removed from the List of Uncooperative Tax Havens by the Organization for Economic Co-operation and Development during fiscal year 2007. RepMar continues to face stumbling blocks to private sector development; however, with the advent of the above initiatives together with improvements in the policy environment such as secured transactions, labor and immigration laws, and review of the land registration process, RepMar is hopeful that the ground work is set to entice greater private investment.

For fiscal year 2008, the budget approved by the Nitijela of \$123 million continues RepMar's focus on the education and health sectors, including their infrastructure needs. Compact revenues for fiscal year 2008 have been directed solely to fund these priority areas. With an educated and healthy workforce and a stable macroeconomic environment, RepMar is striving to set a strong base for private sector growth albeit being dampened due to global economic challenges such as continuing increases in world oil prices and a weakening U.S. dollar. Rising energy costs and a reduction in employment at the U.S. military base in Kwajalein will constrain growth, with annual GDP growth expected to increase by 1% through the remainder of fiscal year 2008 and 2009.

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 Assets
September 30, 2007

	<u>Primary Government</u>	<u>Component Units</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,612,156	\$ 9,162,612
Time certificates of deposit	593,040	3,058,918
Investments	-	3,317,853
Receivables, net of allowance for uncollectibles	7,593,771	25,458,244
Advances	280,538	-
Inventories	-	7,381,408
Due from primary government	-	233,524
Due from component units	563,669	-
Other current assets	-	727,241
Restricted assets:		
Cash and cash equivalents	21,040,956	1,992,354
Time certificates of deposit	55,000	-
Total current assets	<u>32,739,130</u>	<u>51,332,154</u>
Noncurrent assets:		
Restricted assets:		
Time certificates of deposit	-	750,000
Investments	46,645,166	-
Investments	318,630	538,596
Due from component units	3,736,619	-
Capital assets, net of accumulated depreciation	86,992,722	77,607,717
Other noncurrent assets	-	1,539,855
Total noncurrent assets	<u>137,693,137</u>	<u>80,436,168</u>
Total assets	<u>\$ 170,432,267</u>	<u>\$ 131,768,322</u>
<u>LIABILITIES</u>		
Current liabilities:		
Current portion of long-term obligations	\$ 1,367,578	\$ 4,103,418
Accounts payable	5,523,256	6,704,990
Customer deposits	-	895,691
Other liabilities and accruals	2,262,072	7,586,451
Payable to federal agencies	1,385,690	-
Retention payable	1,625,722	101,505
Contracts payable	1,227,514	4,618,191
Accrued interest payable	84,474	-
Compensated absences payable	1,091,841	-
Due to primary government	-	563,669
Due to component units	729,738	968,939
Due to external parties	15,900,692	-
Deferred revenue	27,953	1,100,172
Total current liabilities	<u>31,226,530</u>	<u>26,643,026</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	60,331,252	34,921,476
Compensated absences payable, net of current portion	1,761,559	-
Due to primary government	-	5,736,619
Total noncurrent liabilities	<u>62,092,811</u>	<u>40,658,095</u>
Total liabilities	<u>93,319,341</u>	<u>67,301,121</u>
Commitments and contingencies		
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	64,866,493	55,973,771
Restricted for:		
Nonexpendable:		
Future operations	46,655,771	-
Expendable:		
Compact related	3,242,547	-
Other purposes	2,689,756	1,185,188
Unrestricted (deficits)	<u>(40,341,641)</u>	<u>7,308,242</u>
Total net assets	<u>77,112,926</u>	<u>64,467,201</u>
Total liabilities and net assets	<u>\$ 170,432,267</u>	<u>\$ 131,768,322</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Activities
Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government:						
Governmental activities:						
President and Cabinet	\$ 2,095,006	\$ -	\$ -	\$ -	\$ (2,095,006)	\$ -
Office of the Chief Secretary	1,312,892	-	546,310	-	(766,582)	-
Special appropriations	7,261,383	-	-	1,335,050	(5,926,333)	-
Council of Iroij	426,641	-	-	-	(426,641)	-
Office of the Auditor-General	637,014	-	205,446	-	(431,568)	-
Public Service Commission	658,097	-	-	150,000	(508,097)	-
Office of the Attorney General	594,124	-	-	-	(594,124)	-
Education	25,807,631	175,248	20,307,516	-	(5,324,867)	-
Health and Environment	22,524,449	6,600,438	11,823,710	-	(4,100,301)	-
Transportation and Communication	2,898,984	1,398	-	546,700	(2,350,886)	-
Resources and Development	1,206,447	-	66,123	250,000	(890,324)	-
Internal Affairs	3,095,233	35,999	131,981	144,058	(2,783,195)	-
Justice	3,216,587	577,769	-	314,037	(2,324,781)	-
Finance	9,410,639	242,768	6,236,253	277,505	(2,654,113)	-
Foreign Affairs and Trade	2,389,108	50,176	39,928	-	(2,299,004)	-
Public Works	4,308,882	37,610	-	4,341,292	70,020	-
Nitijela	2,108,920	3,400	-	200,000	(1,905,520)	-
Judiciary	857,907	572	-	-	(857,335)	-
Environmental Protection Authority	377,060	-	209,665	-	(167,395)	-
Nuclear claims related	644,361	-	530,250	-	(114,111)	-
Future operations	-	-	7,999,573	-	7,999,573	-
Capital projects	6,514,863	-	-	18,656,292	12,141,429	-
Unallocated interest - long-term debt	789,850	-	-	-	(789,850)	-
Other	70,497	-	-	-	(70,497)	-
Total primary government	\$ 99,206,575	\$ 7,725,378	\$ 48,096,755	\$ 26,214,934	\$ (17,169,508)	\$ -
Component units:						
Kwajalein Atoll Joint Utilities Resources, Inc.	\$ 5,495,320	\$ 2,674,531	\$ -	\$ 306,844	\$ -	\$ (2,513,945)
Marshalls Energy Company, Inc.	26,926,258	22,419,427	-	-	-	(4,506,831)
Marshall Islands Development Bank	2,390,554	2,720,388	-	-	-	329,834
Marshall Islands National Telecom. Authority	7,602,628	8,196,395	-	-	-	593,767
RMI Ports Authority	3,758,853	2,209,712	-	5,168,081	-	3,618,940
Other nonmajor component units	23,551,461	15,614,578	-	5,669,664	-	(2,267,219)
Total component units	\$ 69,725,074	\$ 53,835,031	\$ -	\$ 11,144,589	-	(4,745,454)
General revenues:						
Taxes:						
Income taxes					11,244,334	-
Import taxes					8,455,053	-
Gross revenue taxes					5,851,310	-
Fuel taxes					899,228	-
Penalties and interest					116,071	-
Other					512,661	-
Grants and contributions not restricted to specific programs					4,000,000	-
Fishing rights					1,250,000	-
Ship registry					1,750,000	-
Unrestricted investment earnings					386,554	770,949
Contributions from primary government					-	13,008,952
Other					523,152	-
Total general revenues					34,988,363	13,779,901
Change in net assets					17,818,855	9,034,447
Net assets at the beginning of the year, as restated					59,294,071	55,432,754
Net assets at the end of the year					\$ 77,112,926	\$ 64,467,201

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Balance Sheet
Governmental Funds
September 30, 2007

	Special Revenue			Permanent	Other Governmental Funds	Total
	General	U.S Federal Grants	Compact Sector	Compact Trust		
ASSETS						
Cash and cash equivalents	\$ 750,767	\$ -	\$ -	\$ -	\$ 1,861,389	\$ 2,612,156
Time certificates of deposit	-	-	-	-	593,040	593,040
Investments	-	-	-	-	318,630	318,630
Receivables, net:						
Taxes	2,513,259	-	-	-	36,672	2,549,931
Federal agencies	15,901	980,804	1,743,137	-	293,168	3,033,010
General	280,179	-	-	-	1,165,776	1,445,955
Other	298,824	-	-	10,605	255,446	564,875
Due from other funds	957,665	-	5,723,730	-	3,056,756	9,738,151
Due from component units	4,300,288	-	-	-	-	4,300,288
Advances	96,162	100,051	5,847	-	78,478	280,538
Restricted assets:						
Cash and cash equivalents	21,040,956	-	-	-	-	21,040,956
Time certificates of deposit	55,000	-	-	-	-	55,000
Investments	-	-	-	46,645,166	-	46,645,166
Total assets	\$ 30,309,001	\$ 1,080,855	\$ 7,472,714	\$ 46,655,771	\$ 7,659,355	\$ 93,177,696
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,688,218	\$ 489,083	\$ 1,030,462	\$ -	\$ 2,315,493	\$ 5,523,256
Other liabilities and accruals	1,678,383	-	-	-	583,689	2,262,072
Payable to federal agencies	-	-	1,385,690	-	-	1,385,690
Retention payable	-	-	1,214,912	-	410,810	1,625,722
Contracts payable	-	-	1,227,514	-	-	1,227,514
Deferred revenue	150,097	-	-	-	-	150,097
Due to component units	729,738	-	-	-	-	729,738
Due to other funds	24,018,297	594,044	-	-	1,026,502	25,638,843
Total liabilities	28,264,733	1,083,127	4,858,578	-	4,336,494	38,542,932
Fund balances (deficits):						
Reserved for:						
Related assets	4,271,619	-	-	46,655,771	318,630	51,246,020
Encumbrances	309,330	666,617	3,903,944	-	2,610,566	7,490,457
Continuing appropriations	-	-	15,505,070	-	4,755,474	20,260,544
Unreserved:						
General fund	(2,536,681)	-	-	-	-	(2,536,681)
Special revenue funds	-	(668,889)	(16,794,878)	-	(4,381,385)	(21,845,152)
Capital projects funds	-	-	-	-	19,576	19,576
Total fund balances (deficits)	2,044,268	(2,272)	2,614,136	46,655,771	3,322,861	54,634,764
Total liabilities and fund balances	\$ 30,309,001	\$ 1,080,855	\$ 7,472,714	\$ 46,655,771	\$ 7,659,355	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds						86,992,722
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds						122,144
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds. The liabilities include:						
Accrued interest payable					(84,474)	
Loans payable					(61,698,830)	
Compensated absences payable					(2,853,400)	
						(64,636,704)
Net assets of governmental activities						\$ 77,112,926

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
 Governmental Funds
 Year Ended September 30, 2007

	Special Revenue			Permanent	Other Governmental Funds	Total
	General	U.S Federal Grants	Compact Sector	Compact Trust		
Revenues:						
Compact funding	\$ -	\$ -	\$ 44,363,150	\$ -	\$ 183,758	\$ 44,546,908
Taxes	27,078,657	-	-	-	-	27,078,657
Federal and other grants	4,000,000	9,589,513	-	-	11,678,817	25,268,330
Sales	-	-	-	-	148,508	148,508
Ship registry	1,750,000	-	-	-	-	1,750,000
Fishing rights	1,250,000	-	-	-	-	1,250,000
Net increase in the fair value of investments	-	-	-	7,743,287	-	7,743,287
Interest and dividends	232,796	-	-	256,286	153,758	642,840
Fees and charges	27,386	-	-	-	7,549,484	7,576,870
Other	214,501	-	-	-	308,651	523,152
Total revenues	34,553,340	9,589,513	44,363,150	7,999,573	20,022,976	116,528,552
Expenditures:						
Current:						
President and Cabinet	1,863,157	-	-	-	225,000	2,088,157
Office of the Chief Secretary	612,750	154,015	-	-	470,089	1,236,854
Special appropriations	4,131,914	-	-	-	3,129,274	7,261,188
Council of Iroij	425,325	-	-	-	-	425,325
Nitijela	1,835,082	-	-	-	267,910	2,102,992
Office of the Auditor-General	440,712	11,604	-	-	183,758	636,074
Public Service Commission	493,625	-	-	-	147,993	641,618
Judiciary	-	-	-	-	855,029	855,029
Office of the Attorney General	577,817	-	-	-	13,733	591,550
Ministries:						
Education	3,844,147	3,913,258	15,648,266	-	1,734,141	25,139,812
Health and Environment	2,953,091	4,694,996	7,010,940	-	7,643,517	22,302,544
Transportation and Communication	1,745,731	-	-	-	623,593	2,369,324
Resources and Development	671,927	53,966	-	-	398,361	1,124,254
Internal Affairs	1,818,932	131,981	-	-	1,161,351	3,112,264
Justice	2,756,008	-	-	-	202,755	2,958,763
Finance	4,377,322	580,231	3,347,333	-	946,945	9,251,831
Foreign Affairs and Trade	2,265,102	39,928	-	-	48,024	2,353,054
Public Works	1,267,373	-	-	-	5,218,681	6,486,054
Environmental Protection Authority	164,202	9,534	201,982	-	-	375,718
Nuclear claims related	-	-	-	-	642,266	642,266
Debt service:						
Principal repayment	863,200	-	-	-	-	863,200
Interest	900,086	-	-	-	-	900,086
Capital outlays	-	-	16,414,442	-	-	16,414,442
Other	-	-	-	69,913	584	70,497
Total expenditures	34,007,503	9,589,513	42,622,963	69,913	23,913,004	110,202,896
Excess (deficiency) of revenues over (under) expenditures	545,837	-	1,740,187	7,929,660	(3,890,028)	6,325,656
Other financing sources (uses):						
Loan proceeds	-	-	-	-	58,612	58,612
Operating transfers in	7,765,038	-	994,442	-	5,022,980	13,782,460
Operating transfers out	(355,592)	-	(968,700)	-	(11,927,918)	(13,252,210)
Total other financing sources (uses), net	7,409,446	-	25,742	-	(6,846,326)	588,862
Net change in fund balances (deficits)	7,955,283	-	1,765,929	7,929,660	(10,736,354)	6,914,518
Fund balances (deficits) at the beginning of the year, as restated	(5,911,015)	(2,272)	848,207	38,726,111	14,059,215	47,720,246
Fund balances (deficits) at the end of the year	\$ 2,044,268	\$ (2,272)	\$ 2,614,136	\$ 46,655,771	\$ 3,322,861	\$ 54,634,764

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, 2007

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

Net change in fund balances - total governmental funds	\$ 6,914,518
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, including increases to construction in progress	10,166,727
Amounts presented in the statement of activities, but not in the change in governmental fund fund balances due to difference in revenue and expense recognition under different bases of accounting	(33,372)
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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items	804,588
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. These expenses include accrued annual leave and interest payable that are reported in the statement of activities, but not in funds	<u>(33,606)</u>
Change in net assets of governmental activities	\$ <u>17,818,855</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2007

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,623,181	\$ -
Time certificates of deposit	4,284,756	-
Receivables, net:		
Contributions	2,072,535	-
Other	578,927	-
Investments	61,757,004	
Due from other funds	15,745,489	155,203
Capital assets, net of accumulated depreciation	83,454	-
Total assets	<u>86,145,346</u>	<u>\$ 155,203</u>
<u>LIABILITIES</u>		
Accounts payable	115,748	\$ -
Other liabilities and accruals	399,014	155,203
Total liabilities	<u>514,762</u>	<u>\$ 155,203</u>
<u>NET ASSETS</u>		
Held in trust for:		
Social security benefits	69,028,202	
Nuclear claims	856,893	
Land use distributions	15,745,489	
Total net assets	<u>\$ 85,630,584</u>	

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 Year Ended September 30, 2007

	<u>Private Purpose Trust</u>
Additions:	
Contributions:	
Private employees	\$ 8,118,383
Government employees	4,008,304
Penalties and interest	381,807
Total contributions	<u>12,508,494</u>
Investment earnings:	
Net increase in the fair value of investments	6,013,337
Interest and dividends	1,974,794
Total investment earnings	7,988,131
Less investment expense	132,299
Net investment earnings	<u>7,855,832</u>
Other	<u>16,177,713</u>
Total additions	<u>36,542,039</u>
Deductions:	
Land use distributions	12,847,157
Benefits	11,653,271
Administrative expenses	1,034,496
Transfers out	530,250
Total deductions	<u>26,065,174</u>
Change in net assets	10,476,865
Net assets at the beginning of the year	<u>75,153,719</u>
Net assets at the end of the year	<u>\$ 85,630,584</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Statement of Net Assets
Component Units
September 30, 2007

	Kwajalein Atoll Joint Utilities Resources Inc.	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands National Telecom. Authority	RMI Ports Authority	Nonmajor Component Units	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 444,619	\$ 4,186,044	\$ 31,468	\$ 1,146,743	\$ 918,813	\$ 2,434,925	\$ 9,162,612
Cash and cash equivalents - restricted	-	-	1,992,354	-	-	-	1,992,354
Time certificates of deposit	-	-	-	1,380,368	950,531	728,019	3,058,918
Investments	-	-	423,748	2,894,105	-	-	3,317,853
Receivables, net:							
General	503,495	2,330,167	-	557,087	727,557	1,696,946	5,815,252
Federal agencies	-	-	-	-	3,178,434	1,853,280	5,031,714
Loans	-	-	12,833,880	-	-	-	12,833,880
Other	211,395	298,205	354,558	253,066	572,062	88,112	1,777,398
Inventories	440,282	3,867,933	-	206,579	-	2,866,614	7,381,408
Due from primary government	-	-	-	-	-	233,524	233,524
Other current assets	384,365	7,361	-	19,672	43,754	272,089	727,241
Total current assets	<u>1,984,156</u>	<u>10,689,710</u>	<u>15,636,008</u>	<u>6,457,620</u>	<u>6,391,151</u>	<u>10,173,509</u>	<u>51,332,154</u>
Noncurrent assets:							
Time certificates of deposit - restricted	-	-	-	-	750,000	-	750,000
Investments	-	-	-	-	-	538,596	538,596
Capital assets, net of accumulated depreciation	6,711,534	9,925,415	1,584,215	15,772,034	29,176,320	14,438,199	77,607,717
Other noncurrent assets	-	-	242,491	1,297,364	-	-	1,539,855
Total noncurrent assets	<u>6,711,534</u>	<u>9,925,415</u>	<u>1,826,706</u>	<u>17,069,398</u>	<u>29,926,320</u>	<u>14,976,795</u>	<u>80,436,168</u>
Total assets	<u>\$ 8,695,690</u>	<u>\$ 20,615,125</u>	<u>\$ 17,462,714</u>	<u>\$ 23,527,018</u>	<u>\$ 36,317,471</u>	<u>\$ 25,150,304</u>	<u>\$ 131,768,322</u>
LIABILITIES							
Current liabilities:							
Current portion of long-term debt	\$ -	\$ 1,743,841	\$ 400,000	\$ 818,616	\$ 253,806	\$ 887,155	\$ 4,103,418
Accounts payable	488,289	3,159,940	62,944	476,248	249,184	2,268,385	6,704,990
Customer deposits	-	-	663,244	232,447	-	-	895,691
Other liabilities and accruals	1,250,938	3,835,547	405,936	60,969	88,224	1,944,837	7,586,451
Retention payable	-	-	-	-	-	101,505	101,505
Contracts payable	-	-	-	-	3,982,761	635,430	4,618,191
Due to primary government	-	563,669	-	-	-	-	563,669
Due to component units	-	-	-	-	-	968,939	968,939
Deferred revenue	128,492	-	-	-	292,176	679,504	1,100,172
Total current liabilities	<u>1,867,719</u>	<u>9,302,997</u>	<u>1,532,124</u>	<u>1,588,280</u>	<u>4,866,151</u>	<u>7,485,755</u>	<u>26,643,026</u>
Noncurrent liabilities:							
Noncurrent portion of long-term debt	-	18,194,956	2,400,000	13,249,163	314,512	762,845	34,921,476
Due to primary government	-	-	3,736,619	-	-	2,000,000	5,736,619
Total noncurrent liabilities	<u>-</u>	<u>18,194,956</u>	<u>6,136,619</u>	<u>13,249,163</u>	<u>314,512</u>	<u>2,762,845</u>	<u>40,658,095</u>
Total liabilities	<u>1,867,719</u>	<u>27,497,953</u>	<u>7,668,743</u>	<u>14,837,443</u>	<u>5,180,663</u>	<u>10,248,600</u>	<u>67,301,121</u>
NET ASSETS							
Invested in capital assets, net of related debt	6,711,534	1,631,202	1,584,215	3,001,619	28,608,002	14,437,199	55,973,771
Restricted	-	373,056	273,336	-	-	538,796	1,185,188
Unrestricted	116,437	(8,887,086)	7,936,420	5,687,956	2,528,806	(74,291)	7,308,242
Total net assets	<u>6,827,971</u>	<u>(6,882,828)</u>	<u>9,793,971</u>	<u>8,689,575</u>	<u>31,136,808</u>	<u>14,901,704</u>	<u>64,467,201</u>
	<u>\$ 8,695,690</u>	<u>\$ 20,615,125</u>	<u>\$ 17,462,714</u>	<u>\$ 23,527,018</u>	<u>\$ 36,317,471</u>	<u>\$ 25,150,304</u>	<u>\$ 131,768,322</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
Year Ended September 30, 2007

	Kwajalein Atoll Joint Utilities Resources Inc.	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands National Telecom. Authority	RM1 Ports Authority	Nonmajor Component Units	Total
Operating revenues:							
Charges for services	\$ 2,536,141	\$ 14,056,275	\$ 2,200,870	\$ 7,885,471	\$ 2,100,730	\$ 8,695,402	\$ 37,474,889
Sales	-	8,363,152	-	288,185	-	2,902,706	11,554,043
Other	138,390	-	519,518	22,739	108,982	4,016,470	4,806,099
Total operating revenues	<u>2,674,531</u>	<u>22,419,427</u>	<u>2,720,388</u>	<u>8,196,395</u>	<u>2,209,712</u>	<u>15,614,578</u>	<u>53,835,031</u>
Operating expenses:							
Cost of services	4,877,643	22,814,800	238,111	3,842,045	2,144,688	19,705,364	53,622,651
Administration costs	-	1,494,544	1,559,397	781,506	-	2,287,289	6,122,736
Depreciation and amortization	768,830	1,005,621	252,474	2,044,555	1,591,435	1,085,105	6,748,020
Total operating expenses	<u>5,646,473</u>	<u>25,314,965</u>	<u>2,049,982</u>	<u>6,668,106</u>	<u>3,736,123</u>	<u>23,077,758</u>	<u>66,493,407</u>
Operating income (loss)	<u>(2,971,942)</u>	<u>(2,895,538)</u>	<u>670,406</u>	<u>1,528,289</u>	<u>(1,526,411)</u>	<u>(7,463,180)</u>	<u>(12,658,376)</u>
Nonoperating revenues (expenses):							
Contributions from the primary government	3,541,821	874,250	248,500	-	-	8,344,381	13,008,952
Net increase in the fair value of investments	-	-	136,304	449,982	-	-	586,286
Interest income	-	-	-	-	97,916	86,747	184,663
Interest expense	(162,900)	(1,611,293)	-	(723,835)	(34,318)	(192,933)	(2,725,279)
Other	314,053	-	(340,572)	(210,687)	11,588	(280,770)	(506,388)
Total nonoperating revenues (expenses), net	<u>3,692,974</u>	<u>(737,043)</u>	<u>44,232</u>	<u>(484,540)</u>	<u>75,186</u>	<u>7,957,425</u>	<u>10,548,234</u>
Capital contributions	306,844	-	-	-	5,168,081	5,669,664	11,144,589
Net income (loss)	1,027,876	(3,632,581)	714,638	1,043,749	3,716,856	6,163,909	9,034,447
Net assets at the beginning of the year, as restated	5,800,095	(3,250,247)	9,079,333	7,645,826	27,419,952	8,737,795	55,432,754
Net assets at the end of the year	<u>\$ 6,827,971</u>	<u>\$ (6,882,828)</u>	<u>\$ 9,793,971</u>	<u>\$ 8,689,575</u>	<u>\$ 31,136,808</u>	<u>\$ 14,901,704</u>	<u>\$ 64,467,201</u>

See accompanying notes to basic financial statements.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements September 30, 2007

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Republic of the Marshall Islands (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.

Once financial accountability has been determined for a potential component unit, that component unit is either blended into the primary government or discretely presented from the primary government. Potential component units that do not meet the financial accountability criteria, but where a voting majority of the governing board is appointed by RepMar, are deemed to be related organizations. The nature and relationship of RepMar's component units and related organizations are disclosed in the following section.

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 assets and results of operations of the following legally separate entities are presented as part of RepMar's operations:

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

i. Blended Component Units

The following Component Units are blended within the Primary Government:

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.

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.

Nuclear Claims Tribunal, a Governmental Fund Type - Special Revenue Fund. This fund was established to render final determination upon claims arising as a result of the Nuclear Testing Program, and disputes arising from distributions made under the (Compact of Free Association) Section 177 Agreement.

Marshall Islands Social Security Administration, a Fiduciary Fund Type - Private Purpose Trust Fund. This fund was established to provide a financially sound social security system with pension benefits and early retirement.

ii. Discretely Presented Component Units

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:

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.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

ii. Discretely Presented Component Units, Continued

Marshall Islands Development Bank (MIDB): MIDB was established under Public Law No. 1988-1 to promote the development and expansion of the economy of the Marshall Islands 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.

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 a seven-member Board of Directors elected by a majority vote of its shareholders.

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.

In addition, the component units' column of the basic financial statements includes the financial data of the following nonmajor component units: Air Marshall Islands, Inc., College of the Marshall Islands, Majuro Resort, Inc., Majuro Water and Sewer Company, Inc., Marshall Islands Marine Resources Authority, Marshall Islands Shipping Corporation, Marshall Islands Visitors Authority, RMI Environmental Protection Authority, and Tobolar Copra Processing Plant, Inc.

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

iii. Related Organizations

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

iv. Omitted Governmental Funds

The following funds are considered to be nonmajor governmental funds of RepMar but are not included in the accompanying basic financial statements due to absence of account balances and financial activities. Accordingly, the omission of these funds is not considered material to either the nonmajor governmental funds or the governmental activities reporting units:

Rehabilitation Revolving Fund: This fund was established under Public Law No. 1984-8 to account for all monies received for the rehabilitation of patients at the Majuro Hospital Rehabilitation Center.

Outer Islands Copra Boat Building Fund: This fund was established under Public Law No. 1992-34 to account for all monies received for the construction and maintenance of outer island copra boats.

Government Maintenance Fund: This fund was established under Public Law No. 1988-34 to account for all monies received from renting and maintenance services performed by the Ministry of Public Works Central Government Maintenance Agency.

Seaport Trust Fund: This fund was established under Public Law No. 1983-11 to account for all monies received for the development and improvement of seaport facilities and navigational aids.

Communication Regulation Fund: This fund was established under Public Law No. 1993-42 to account for all monies received for the specific purpose of regulating radio communication activities in the Marshall Islands.

Historic Preservation Fund: This fund was established under Public Law No. 1991-111 to account for all monies received by the Historic Preservation Office.

Council of Churches Fund: This fund was established under Public Law No. 1991-124 to account for all monies received for the specific purpose of providing educational, spiritual, health and recreational needs of the children of the Marshall Islands.

Marshallese Language Trust Fund: This fund was established under Public Law No. 1983-34 to account for all monies received for the specific purpose of encouraging the preservation, development and use of the Marshallese language.

B. Government-Wide Financial Statements

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements, Continued

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

The Statement of Net Assets presents all of the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- Invested in capital assets, net of related debt 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 assets - nonexpendable consists of permanent funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal.
- Restricted net assets - expendable consists of resources in which RepMar is legally or contractually obligated to spend resources in accordance with restrictions either externally imposed by creditors, grantors, contributors, and the like, or imposed by law.
- Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, (for example, internally restricted), to indicate that management does not consider them to be available for general operations.

The government-wide Statement of Net Assets reports \$52,588,074 of restricted net assets, of which \$2,689,756 is restricted by enabling legislation.

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

C. Fund Financial Statements

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

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

D. Measurement Focus and Basis of Accounting

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.

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.

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(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.

RepMar reports the following fund types:

1. Governmental Fund Types

i. 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.

ii. Special Revenue Funds

These funds account for specific revenue sources that have been aggregated according to enabling legislation to support specific governmental activities.

iii. Capital Projects Funds

These funds account for the acquisition or construction of major RepMar capital facilities financed primarily from loans and federal reimbursements.

iv. Permanent Funds

This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used to support programs for the benefit of the government.

2. Fiduciary Fund Types

i. Private Purpose 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

2. Fiduciary Fund Types, Continued

ii. Agency Funds

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

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. RepMar elected to add certain other major funds that had specific public interest. 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:

U.S. Federal Grants Fund, a Governmental Fund Type - Special Revenue 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.

Compact Sector Grants Fund, a Governmental Fund Type - Special Revenue 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.

Compact Trust Fund, a Governmental Fund Type - Permanent Fund. This 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.

E. Reporting Standards

As allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, RepMar's discretely presented component units follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

F. 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 assets/balance sheet.

G. Investments

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.

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.

H. 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 uncollectibles primarily represents estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

I. Inventories and Prepaid Items

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

Certain payments made to vendors or persons for services reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

J. 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

J. Interfund Receivables/Payables, Continued

These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

K. Restricted Assets

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

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. Interfund/Intrafund Transactions

As a general rule, the effect of interfund activity has been eliminated in the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

N. Deferred Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, deferred 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. The deferred revenue in the governmental fund types has primarily resulted as federal funds are received in advance of eligible expenditures.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

O. 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.

P. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The unreserved fund balances for the governmental funds represent the amount available for budgeting future operations. The reserve for related assets as of September 30, 2007, is represented by the following assets:

	General	U.S. Federal Grants	Compact Sector	Compact Trust	Other Governmental Funds	Totals
Investments	\$ -	\$ -	\$ -	\$ -	\$ 318,630	318,630
Due from component units	3,736,619	-	-	-	-	3,736,619
Receivables:						
Other	-	-	-	10,605	-	10,605
Restricted assets:						
Cash and cash equivalents	480,000	-	-	-	-	480,000
Time certificates of deposit	55,000	-	-	-	-	55,000
Investments	-	-	-	46,645,166	-	46,645,166
	<u>\$ 4,271,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,655,771</u>	<u>\$ 318,630</u>	<u>\$ 51,246,020</u>

The reserve for continuing appropriations within the Compact Sector Fund of \$15,505,070 represent grant awards approved by the U.S. Department of the Interior under the Public Infrastructure Sector grant and the Infrastructure Maintenance Fund grant for projects that have not yet commenced. The reserve for continuing appropriations within the other governmental funds of \$4,755,474 represent Nitijela appropriations within the Republic of China Projects Fund for projects that have not yet commenced.

Q. Risk Financing

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

R. New Accounting Standards

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 43 establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The provisions of this statement are effective for periods beginning after December 15, 2006. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other post-employment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. The provisions of this statement are effective for periods beginning after December 15, 2006. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation. The provisions of this statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The provisions of this statement are effective for periods beginning after June 15, 2007. Management does not believe the implementation of this statement will have a material effect on the financial statements of RepMar.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of RepMar.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(1) Summary of Significant Accounting Policies, Continued

S. 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 liabilities 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.

T. 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, 2006 from which summarized information was derived.

(2) Deposits and Investments

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

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, provided however that:

- (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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(2) Deposits and Investments, Continued

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

- (a) Are funds that have not been appropriated by 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.

A. Deposits

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

- Category 1 Deposits that are federally insured or collateralized with securities held by RepMar or its agent in RepMar's name;
- Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in RepMar's name; or
- Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in RepMar's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. 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, 2007, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit were \$24,301,152 and the corresponding bank balances were \$27,143,310. Of the bank balances, \$26,293,673 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2007, bank deposits in the amount of \$649,465 were FDIC insured. 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(2) Deposits and Investments, Continued

A. Deposits, Continued

As of September 30, 2007, the carrying amount of the fiduciary fund's total cash and cash equivalents and time certificates of deposit was \$5,907,937 and the corresponding bank balances were \$6,375,411. Of the bank balances, \$52,284 is maintained in financial institutions subject to FDIC 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, 2007, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit were \$14,963,884 and the corresponding bank balances were \$15,296,981. Of the bank balances, \$8,868,750 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2007, bank deposits in the amount of \$952,756 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

B. Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by RepMar or its agent in RepMar's name;
- Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in RepMar's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in RepMar's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

Investments of the primary government as of September 30, 2007, are as follows:

Compact Trust Fund:	
Money market funds	\$ 457,382
Common equity securities	3,004,801
Equity mutual funds	42,823,411
Fixed income mutual funds	<u>359,572</u>
	\$ <u>46,645,166</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(2) Deposits and Investments, Continued

B. Investments, Continued

Additionally, as of September 30, 2007, the MIDA Fund holds approximately 4% of the shares of Pacific Forum Lines in the amount of \$318,630. As the fair market value of this investment is not readily available, such has been recorded at cost.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, RepMar will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. RepMar's 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 RepMar's name by RepMar's custodial financial institutions at September 30, 2007.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. RepMar 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.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for RepMar. As of September 30, 2007, there were no investments in any one issuer that exceeded 5% of total investments.

Investments of the fiduciary funds as of September 30, 2007, are as follows:

Marshall Islands Social Security Administration (MISSA):

Money market funds	\$ 67,157
Common equity securities	9,086,545
Mutual funds	<u>44,826,098</u>
	\$ <u>53,949,800</u>

Additionally, as of September 30, 2007, MISSA holds approximately 10% of the shares of Marshall Islands Service Corporation, totaling \$30,000, which is accounted for at cost, and approximately 31% of the shares of Bank of Marshall Islands (BOMI), totaling \$6,920,311, which is accounted for under the equity method.

A summary of unaudited financial information as of and for the nine months ended September 30, 2007, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	\$ <u>58,457,148</u>
Liabilities	\$ <u>36,854,399</u>
Net earnings	\$ <u>2,207,785</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(2) Deposits and Investments, Continued

B. Investments, Continued

As of September 30, 2007, net increase in fair value of investments included equity in net earnings of BOMI amounting to \$905,987.

Nuclear Claims Trust Fund (NCTF):	
U.S. Treasury obligations	\$ 179,980
U.S. Government agencies	44,315
Corporate notes and bonds	<u>57,367</u>
Total fixed income securities	281,662
Common equity securities	541,013
Money market funds	<u>34,218</u>
	<u>\$ 856,893</u>

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

- (i) Government obligations - Obligations issued or guaranteed as to principal and interest by RepMar or by the Government of the United States, provided that the total market value of the investments in obligations guaranteed by RepMar shall at the time of purchase not exceed twenty-five percent (25%) of the total market value of all investments of MISSA, and further provided that the principal and interest on each obligation are payable in the currency of the United States.
- (ii) Corporate obligations and mortgage-backed securities - Obligations of any public or private entity or corporation created or existing under the laws of RepMar or of the United States or any state, territory or commonwealth thereof, or obligations of any other government or economic community which are payable in United States dollars, or pass through and other mortgage-backed securities provided that the obligation is 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%) percent 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%) percent of the market value of the Fund shall be invested in any one industry group.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(2) Deposits and Investments, Continued

B. Investments, Continued

(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.

The deposit and investment policies of the NCTF are governed by an agreement between the Government of the United States and RepMar for the implementation of Section 177 of the Compact of Free Association. Generally, the Fund shall be invested in bonds, notes and other instruments of investment grade and of United States nationality, including both debt and equity issues, common or preferred stocks, money market funds, certificates of indebtedness and mutual funds.

MISSA and NCTF 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 respectively in the name of MISSA and NCTF by their custodial financial institutions at September 30, 2007.

As of September 30, 2007, the NCTF's investments in debt securities were as follows:

	Moody's Credit Rating	Investment Maturities (In Years)				Fair Value
		Less Than 1	1 to 5	6 to 10	Greater Than 10	
U.S. Treasury obligations	Aaa	\$ -	\$ 138,216	\$ 41,764	\$ -	\$ 179,980
U.S. Government agencies	Aaa	-	24,157	-	-	24,157
U.S. Government agencies	Aa2	-	20,158	-	-	20,158
Corporate notes	Aaa	-	15,883	-	-	15,883
Corporate notes	Aa2	-	5,956	-	-	5,956
Corporate notes	A2	-	12,397	-	-	12,397
Corporate notes	A1	-	-	5,880	-	5,880
Corporate notes	Baa3	-	-	4,014	-	4,014
Corporate notes	Baa1	-	13,237	-	-	13,237
		\$ -	\$ 230,004	\$ 51,658	\$ -	\$ 281,662

MISSA and NCTF do 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, 2007, there were no investments in any one issuer that exceeded 5% of total investments.

Investments of the discretely presented component units as of September 30, 2007, are as follows:

Marshall Islands Development Bank:

Common equity securities \$ 423,748

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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(2) Deposits and Investments, Continued

B. Investments, Continued

Marshall Islands National Telecommunications Authority (MINTA):

Common equity securities	\$ 2,741,649
Money market funds	<u>152,456</u>
	<u>\$ 2,894,105</u>

The deposit and investment policies of MINTA are governed by MINTA's Board of Directors. As such, the Board of Directors 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, MINTA can invest in bonds and other indebtedness of the U.S. and in preferred or common stock of any corporation created or existing under the laws of the U.S. or any U.S. state, territory, or commonwealth. Additionally, a maximum of 25% of the total portfolio may be invested in non-U.S. equities.

College of the Marshall Islands (CMI):

Mutual funds	\$ 435,580
Common equity securities	99,907
Money market funds	<u>3,109</u>
	<u>\$ 538,596</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, Real Estate Investment Trusts, and commodities.

(3) Receivables

Receivables as of September 30, 2007, for the primary government's individual major governmental funds, nonmajor governmental funds in the aggregate, and fiduciary funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>U.S. Federal Grants</u>	<u>Compact Sector</u>	<u>Compact Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
Receivables:							
Taxes	\$ 2,513,259	\$ -	\$ -	\$ -	\$ 36,672	\$ -	\$ 2,549,931
Federal agencies	15,901	980,804	1,743,137	-	293,168	-	3,033,010
General	372,254	-	-	-	1,515,656	2,072,535	3,960,445
Loans	-	-	-	-	16,811,710	-	16,811,710
Other	<u>536,313</u>	<u>-</u>	<u>-</u>	<u>10,605</u>	<u>341,210</u>	<u>4,864,897</u>	<u>5,753,025</u>
	3,437,727	980,804	1,743,137	10,605	18,998,416	6,937,432	32,108,121
Less: allowance for uncollectibles	<u>(329,564)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,247,354)</u>	<u>(4,285,970)</u>	<u>(21,862,888)</u>
Net receivables	<u>\$ 3,108,163</u>	<u>\$ 980,804</u>	<u>\$ 1,743,137</u>	<u>\$ 10,605</u>	<u>\$ 1,751,062</u>	<u>\$ 2,651,462</u>	<u>\$ 10,245,233</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(3) Receivables, Continued

Loans receivable of the primary government are recorded by the Marshall Islands Scholarship, Grant and Loan Board, the Marshall Islands Development Authority, and the ADB Development Projects Fund. The details of these loans are as follows:

Marshall Islands Scholarship, Grant and Loan Board

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 uncollectibles. During the year ended September 30, 2007, loans in the amount of \$446,800 were converted to grants as the recipients met the criteria for conversion. \$ 12,442,923

Marshall Islands Development Authority

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 uncollectibles. 1,780,000

ADB Development Projects Fund

Loan to 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 uncollectibles. 2,588,787

\$ 16,811,710

Discretely Presented Component Units

Receivables as of September 30, 2007, for the discretely presented component units, including applicable allowances for uncollectible accounts, are as follows:

	Kwajalein Atoll Joint Utilities Resources, Inc.	Marshalls Energy Company, Inc.	Marshall Islands Development Bank	Marshall Islands National Telecom. Authority	RMI Ports Authority	Non-major Component Units	Totals
Receivables:							
Federal agencies	\$ -	\$ -	\$ -	\$ -	3,178,434	\$ 1,853,280	\$ 5,031,714
General	4,495,992	4,794,512	-	1,156,670	1,864,671	4,220,090	16,531,935
Loans	-	-	27,800,565	-	-	-	27,800,565
Other	<u>211,395</u>	<u>298,205</u>	<u>354,558</u>	<u>253,066</u>	<u>572,062</u>	<u>584,532</u>	<u>2,273,818</u>
	4,707,387	5,092,717	28,155,123	1,409,736	5,615,167	6,657,902	51,638,032
Less: allowance for uncollectibles	<u>(3,992,497)</u>	<u>(2,464,345)</u>	<u>(14,966,685)</u>	<u>(599,583)</u>	<u>(1,137,114)</u>	<u>(3,019,564)</u>	<u>(26,179,788)</u>
Net receivables	<u>\$ 714,890</u>	<u>\$ 2,628,372</u>	<u>\$ 13,188,438</u>	<u>\$ 810,153</u>	<u>\$ 4,478,053</u>	<u>\$ 3,638,338</u>	<u>\$ 25,458,244</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(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. Majority of the loan portfolio is unsecured, while remaining portion is secured by various forms of collateral. Additionally, these loans are cosigned by third parties. The basis for expected repayment of a majority of the consumer loans and housing loans is the continued employment of the borrower and allotment agreements between MIDB and the borrower's employer. Details of these loans by funding source are as follows:

Investment Development Fund	\$ 4,213,648
Compact Section 211	1,126,903
Republic of the Marshall Islands	22,445,955
Housing Preservation Grant	<u>14,059</u>
	<u>\$ 27,800,565</u>

All loans are at fixed rates ranging from 5.5% - 6.5% for Investment Development Fund loans, 4% - 6.5% for Compact Section 211 loans, 4% - 12% for Republic of Marshall Islands loans, and 2% - 6% for Housing Preservation Grant loans.

(4) Interfund Receivables and Payables

Receivables and payables between funds reflected as due to/from other funds in the combined balance sheet at September 30, 2007, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	U.S. Federal Grants	\$ 594,044
General	Nonmajor governmental funds	363,621
Compact Sector Grants	General	5,723,730
Nonmajor governmental funds	General	2,393,875
Nonmajor governmental funds	Nonmajor governmental funds	662,881
Fiduciary Funds - Private Purpose Trust	General	15,745,489
Fiduciary Funds - Agency	General	<u>155,203</u>
		<u>\$ 25,638,843</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(4) Interfund Receivables and Payables, Continued

Receivables and payables between funds reflected as due to/from component units in the statement of net assets at September 30, 2007, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
<u>Primary Government</u>		
General Fund:		
Marshalls Energy Company, Inc.	\$ 563,669	\$ -
Marshall Islands Development Bank	3,736,619	-
RMI Ports Authority	-	174,152
Nonmajor component units	<u>-</u>	<u>555,586</u>
	<u>\$ 4,300,288</u>	<u>\$ 729,738</u>
 <u>Discretely Presented Component Units</u>		
Marshalls Energy Company, Inc:		
Nonmajor component units	\$ -	\$ 918,939
RMI Ports Authority:		
Nonmajor component units	<u>-</u>	<u>50,000</u>
	<u>\$ -</u>	<u>\$ 968,939</u>

The amount recorded as due from component units of the primary government of \$4,300,288 does not equal the corresponding due to primary government of the discretely presented component units of \$6,300,288 due to an allowance for doubtful accounts recorded by the General Fund and the nonmajor governmental funds of \$400,000 and \$1,600,000, respectively.

The amount recorded as due from component units of the discretely presented component units of \$-0- does not equal the corresponding due to component units of the discretely presented component units of \$968,939 due to an allowance for doubtful accounts recorded by the Marshalls Energy Company, Inc. and the RMI Ports Authority of \$918,939 and \$50,000, respectively.

The amount recorded by the General Fund due from the Marshall Islands Development Bank (MIDB) of \$3,736,619 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. Due to the long term nature of this receivable, such has been included within the reserve for related assets at the governmental fund level and as a long-term receivable at the government-wide level.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(4) Interfund Receivables and Payables, Continued

Receivables and payables between funds reflected as due to/from primary government in the statement of net assets at September 30, 2007, are summarized as follows:

<u>Discretely Presented Component Units</u>	<u>Due From</u>	<u>Due To</u>
Marshalls Energy Company, Inc.:		
General Fund	\$ -	\$ 563,669
Marshall Islands Development Bank:		
General Fund	-	3,736,619
Nonmajor component units:		
General Fund	233,524	400,000
Nonmajor governmental funds	<u>-</u>	<u>1,600,000</u>
	<u>\$ 233,524</u>	<u>\$ 6,300,288</u>

The amount recorded as due from primary government of the discretely presented component units of \$233,524 does not equal the corresponding due to component units of the primary government of \$729,738 due to an allowance for doubtful accounts of \$174,152 recorded by the RMI Ports Authority and \$322,062 recorded by the nonmajor component units.

(5) Capital Assets

Capital asset activities of the primary government's governmental activities for the year ended September 30, 2007, are as follows:

	Estimated Useful Lives	Balance October 1, 2006	Additions	Retirements	Balance September 30, 2007
Depreciable capital assets:					
Electrical distribution	30 yrs	\$ 30,540,465	\$ -	\$ -	\$ 30,540,465
Buildings	30 – 40 yrs	63,056,066	13,122,488	-	76,178,554
Water infrastructure system	25 yrs	9,616,908	-	-	9,616,908
Docks, roads and bridges	25 – 30 yrs	14,486,813	-	-	14,486,813
Ships	25 yrs	13,567,254	-	-	13,567,254
Software	10 yrs	1,479,708	-	-	1,479,708
Heavy equipment	3 – 10 yrs	2,148,544	190,121	-	2,338,665
Dry-dock	15 yrs	2,907,282	-	-	2,907,282
		<u>137,803,040</u>	<u>13,312,609</u>	<u>-</u>	<u>151,115,649</u>
Less accumulated depreciation:					
Electrical distribution		(22,661,663)	(1,018,015)	-	(23,679,678)
Buildings		(28,416,738)	(1,993,373)	-	(30,410,111)
Water infrastructure system		(3,886,726)	(384,676)	-	(4,271,402)
Docks, roads and bridges		(5,354,973)	(568,036)	-	(5,923,009)
Ships		(4,774,751)	(542,690)	-	(5,317,441)
Software		(591,883)	(147,971)	-	(739,854)
Heavy equipment		(1,214,777)	(224,004)	-	(1,438,781)
Dry-dock		(2,325,826)	(193,819)	-	(2,519,645)
		<u>(69,227,337)</u>	<u>(5,072,584)</u>	<u>-</u>	<u>(74,299,921)</u>
Total depreciable capital assets, net		68,575,703	8,240,025	-	76,815,728
Construction in progress		8,250,292	15,049,190	(13,122,488)	10,176,994
		<u>\$ 76,825,995</u>	<u>\$ 23,289,215</u>	<u>\$(13,122,488)</u>	<u>\$ 86,992,722</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(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
Office of the Chief Secretary	73,890
Public Service Commission	15,000
Education	626,721
Health and Environment	304,213
Transportation and Communication	521,658
Resources and Development	80,225
Internal Affairs	52,913
Justice	246,542
Finance	150,296
Foreign Affairs and Trade	30,906
Public Works	2,965,731
Nitijela	<u>1,303</u>
	<u>\$ 5,072,584</u>

(6) Short-term Debt

Discretely Presented Component Units

As of September 30, 2007, the discretely presented component units had the following short-term debt outstanding:

Tobolar Copra Processing Plant, Inc. (TCPPI)

Bank credit line of \$1,000,000, with various terms, due on various dates, interest at the bank's reference rate plus 2.5% (10.75% at September 30, 2007), collateralized by a general security agreement over all assets of TCPPI and a guarantee from RepMar. \$ 650,000

Short-term debt activity for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
Bank credit line	\$ <u>800,000</u>	\$ <u>650,000</u>	\$ <u>(800,000)</u>	\$ <u>650,000</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(7) Long-term Obligations

Primary Government

Under the Government Borrowing Act of 1985, RepMar may borrow money for such purposes as approved by the Nitijela of RepMar. As of September 30, 2007, the primary government had the following long-term debt outstanding:

Asian Development Bank (ADB) Loans

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. Semiannual loan payments commenced January 1, 2002 in an amount of SDR 24,300, increasing to SDR 48,600 on January 1, 2012.	\$ 3,099,560
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. Semiannual loan payments commenced May 15, 2003 in an amount of SDR 3,600, increasing to SDR 7,300 on May 15, 2013.	462,645
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. Semiannual loan payments commenced April 15, 2004 in an amount of SDR 57,200, increasing to SDR 114,300 on April 15, 2014.	7,252,028
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. Semiannual loan payments commenced November 15, 2003 in an amount of SDR 4,800, increasing to SDR 9,600 on November 15, 2013.	664,201
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. Semiannual loan payments commenced January 1, 2005 in an amount of SDR 38,600, increasing to SDR 77,200 on January 1, 2015.	4,909,566
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. Semiannual loan payments commenced March 1, 2006 in an amount of SDR 60,700, increasing to SDR 121,200 on March 1, 2016.	7,971,483

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(7) Long-term Obligations, Continued

Primary Government, Continued

Asian Development Bank (ADB) Loans, Continued

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. Semiannual loan payments commenced June 1, 2007 in an amount of SDR 82,400, increasing to SDR 164,800 on June 1, 2017.	11,177,293
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. Semiannual loan payments commence February 1, 2008 in an amount of SDR 144,127.	8,953,626
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% per annum on the amount of the loan withdrawn from the Loan Account. Semiannual loan payments commence May 15, 2009 in an amount of SDR 72,566, at which time the service charge increases to 1.5% per annum.	4,923,345
Loan Number 1828 RMI - Fiscal and Financial Management Program Loan No. 1 (\$4,000,000), interest at the ADB's pool-based variable lending rate system for U.S. dollar loans (6.34% at September 30, 2007), a front-end fee of 1%, and a commitment charge of 0.75% per annum on the amount of the loan unwithdrawn from the Loan Account. Semiannual loan payments commenced November 15, 2004 in an initial amount of \$89,900 with graduated increases of 5% to \$276,100 through May 15, 2016.	3,388,600
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. Semiannual 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.	8,388,966
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. On September 15, 2006, the ADB closed the Loan Account and reduced the loan amount to SDR 297,775. Semiannual 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.	<u>507,517</u>
	<u>\$ 61,698,830</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(7) Long-term Obligations, Continued

Primary Government, Continued

Asian Development Bank (ADB) Loans, Continued

Annual debt service requirements to maturity for principal and interest (excluding service charges) are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,367,578	\$ 235,980	\$ 1,603,558
2009	1,495,347	218,032	1,713,379
2010	2,150,127	198,251	2,348,378
2011	2,202,073	176,442	2,378,515
2012	2,306,432	152,392	2,458,824
2013 – 2017	12,988,686	315,842	13,304,528
2018 – 2022	13,090,713	-	13,090,713
2023 – 2027	12,042,092	-	12,042,092
2028 – 2032	9,959,167	-	9,959,167
2033 – 2037	<u>4,096,615</u>	<u>-</u>	<u>4,096,615</u>
	<u>\$ 61,698,830</u>	<u>\$ 1,296,939</u>	<u>\$ 62,995,769</u>

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2007, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net assets:

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2007</u>	<u>Due Within One Year</u>
Loans payable:					
ADB loans	\$ 63,044,771	\$ 58,612	\$ (1,404,553)	\$ 61,698,830	\$ 1,367,578
Other:					
Compensated absences	<u>2,709,558</u>	<u>619,114</u>	<u>(475,272)</u>	<u>2,853,400</u>	<u>1,091,841</u>
	<u>\$ 65,754,329</u>	<u>\$ 677,726</u>	<u>\$ (1,879,825)</u>	<u>\$ 64,552,230</u>	<u>\$ 2,459,419</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(7) Long-term Obligations, Continued

Discretely Presented Component Units

As of September 30, 2007, the discretely presented component units had the following long-term debt outstanding:

Marshalls Energy Company, Inc. (MEC)

Loan with the Federal Financing Bank (FFB), dated November 17, 1997, with interest based on the FFB rates at the date of the loan advances and range from 5.49% to 7.25% per annum. Principal and interest are payable in quarterly installments of \$273,770 through January 2, 2018, with loan repayments guaranteed by the Rural Utilities Service (RUS). 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 not in compliance with these ratio requirements as of September 30, 2007. \$ 8,214,607

Loan with a bank, dated May 25, 2007, with interest at 1.75% per annum over the bank's reference rate with a minimum rate of 6.5% (7.5% at September 30, 2007). Principal and interest are payable in monthly installments of \$160,000 through May 1, 2010. Loan proceeds of \$12,000,000 were used to refinance debts to a fuel supplier and loan payable to a commercial bank, and to finance working capital requirements. The loan has been unconditionally guaranteed by RepMar, under which the bank shall exercise lien upon and right of set-off against money, securities, deposits and property of RepMar in possession of the bank in the event of default by MEC, and have been collateralized by a savings account of RepMar of \$480,000, General Fund tax revenues, accounts receivable and a security agreement over the assets of MEC. 11,724,190

\$ 19,938,797

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>
2008	\$ 1,743,841	\$ 1,415,974	\$ 3,159,815
2009	1,793,031	1,222,062	3,015,093
2010	1,924,057	1,091,041	3,015,098
2011	2,064,930	950,163	3,015,093
2012	2,019,421	721,901	2,741,322
2013 – 2017	9,850,548	1,623,241	11,473,789
2018	542,969	13,015	555,984
	<u>\$ 19,938,797</u>	<u>\$ 7,037,397</u>	<u>\$ 26,976,194</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

Marshall Islands Development Bank (MIDB)

Loan payable to the International Commercial Bank of China, due August 6, 2014, payable semi-annually in installments of \$200,000 plus interest at 5% per annum, uncollateralized. \$ 2,800,000

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>
2008	\$ 400,000	\$ 137,278	\$ 537,278
2009	400,000	116,639	516,639
2010	400,000	96,361	496,361
2011	400,000	69,044	469,044
2012	400,000	55,944	455,944
2013 – 2014	<u>800,000</u>	<u>50,291</u>	<u>850,291</u>
	<u>\$ 2,800,000</u>	<u>\$ 525,557</u>	<u>\$ 3,325,557</u>

Marshall Islands National Telecommunications Authority (MINTA)

Loan with the RUS (formerly the Rural Electrification Administration) from the Rural Electrification and Telephone Revolving Fund, dated August 17, 1989 of \$18.8 million, and increased by \$3.999 million on April 23, 1993, with interest at 5% per annum. The \$18.8 million loan has been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS in the event of default by MINTA. Mortgages over specific MINTA ground leases and essentially all assets of MINTA have collateralized both loans. \$ 14,067,779

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>
2008	\$ 818,616	\$ 684,738	\$ 1,503,354
2009	860,642	642,712	1,503,354
2010	803,079	599,106	1,402,185
2011	553,064	566,583	1,119,647
2012	581,360	538,287	1,119,647
2013 – 2017	3,384,578	2,213,658	5,598,236
2018 – 2022	4,343,628	1,254,608	5,598,236
2023 – 2027	<u>2,722,812</u>	<u>194,770</u>	<u>2,917,582</u>
	<u>\$ 14,067,779</u>	<u>\$ 6,694,462</u>	<u>\$ 20,762,241</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(7) Long-term Obligations, Continued

Discretely Presented Component Units, Continued

RMI Ports Authority (RMIPA)

Loan with a bank, dated January 11, 2007, with interest at 7.5% per annum. Principal and interest are payable in monthly installments of \$24,000 through November 28, 2009. The loan has been collateralized by a TCD of RMIPA of \$750,000. \$ 568,318

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>
2008	\$ 253,806	\$ 34,194	\$ 288,000
2009	273,734	14,266	288,000
2010	<u>40,778</u>	<u>358</u>	<u>41,136</u>
	<u>\$ 568,318</u>	<u>\$ 48,818</u>	<u>\$ 617,136</u>

Air Marshall Islands, Inc. (AMI)

Loan with a bank, dated August 24, 2007, with interest at 8.5% per annum. Principal and interest are payable in monthly installments of \$24,700 through August 28, 2011. The loan has been collateralized by a TCD of the Marshall Islands Development Bank of \$1,000,845 and a guarantee by RepMar. \$ 1,000,000

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>
2008	\$ 237,155	\$ 83,945	\$ 321,100
2009	240,827	55,573	296,400
2010	262,113	34,287	296,400
2011	<u>259,905</u>	<u>11,120</u>	<u>271,025</u>
	<u>\$ 1,000,000</u>	<u>\$ 184,925</u>	<u>\$ 1,184,925</u>

Changes in long-term liabilities of discretely presented component units for the year ended September 30, 2007, are as follows:

	Balance October 1, 2006	Additions	Reductions	Balance September 30, 2007	Due Within One Year
Loans payable:					
MEC	\$ 15,640,202	\$ 12,000,000	\$ (7,701,405)	\$ 19,938,797	\$ 1,743,841
MIDB	3,200,000	-	(400,000)	2,800,000	400,000
MINTA	14,847,297	-	(779,518)	14,067,779	818,616
RMIPA	-	750,000	(181,682)	568,318	253,806
AMI	<u>748,826</u>	<u>1,074,145</u>	<u>(822,971)</u>	<u>1,000,000</u>	<u>237,155</u>
	34,436,325	13,824,145	(9,885,576)	38,374,894	3,453,418
Due to primary government	<u>7,669,213</u>	-	(1,932,594)	5,736,619	-
	<u>\$ 42,105,538</u>	<u>\$ 13,824,145</u>	<u>\$ (11,818,170)</u>	<u>\$ 44,111,513</u>	<u>\$ 3,453,418</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(8) Restricted Assets

Primary Government

Restricted assets 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.	\$ 46,645,166
Escrow account established in accordance with Section 103(l) of the Compact of Free Association, as amended, for the benefit of landowners of Kwajalein Atoll to be distributed upon conclusion of an agreement amending or superseding the Kwajalein Atoll land use agreement.	15,246,758
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.	2,211,873
Deposit account established for the purpose of receiving payments pursuant to the Compact of Free Association, as amended.	2,390,370
Escrow account established for the benefit of landowners of Kwajalein Atoll.	650,489
Savings account pledged as collateral for a \$12,000,000 loan payable by the Marshalls Energy Company, Inc.	480,000
Savings account established for the purpose of accounting for funds held by RepMar in a custodial capacity relating to unclaimed property.	61,466
Time certificate of deposit collateralizing a credit card facility.	<u>55,000</u>
	<u>\$ 67,741,122</u>

Discretely Presented Component Units

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

Marshall Islands Development Bank (MIDB):

Time certificates of deposit collateralizing loans funded by Rural Housing Service (RHS).	\$ 501,065
Time certificate of deposit collateralizing outstanding loans of Air Marshall Islands, Inc.	1,000,845
Time certificate of deposit collateralizing outstanding loans issued by an affiliate bank.	<u>490,444</u>
	<u>\$ 1,992,354</u>

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(8) Restricted Assets, Continued

Discretely Presented Component Units, Continued

RMI Ports Authority:

Time certificate of deposit collateralizing loan payable to a bank. \$ 750,000

(9) 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, 2007, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Nonmajor governmental funds	\$ <u>355,592</u>	\$ <u>7,765,038</u>
Compact Sector Fund:		
Nonmajor governmental funds	<u>968,700</u>	<u>994,442</u>
Nonmajor governmental funds:		
General Fund	7,765,038	355,592
Compact Sector Funds	994,442	968,700
Fiduciary funds	-	530,250
Nonmajor governmental funds	<u>3,168,438</u>	<u>3,168,438</u>
	<u>11,927,918</u>	<u>5,022,980</u>
Fiduciary funds:		
Nonmajor governmental funds	<u>530,250</u>	<u>-</u>
	\$ <u>13,782,460</u>	\$ <u>13,782,460</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.

During the year ended September 30, 2007, RepMar made a one-time transfer of \$5,925,460 from the Intergenerational Trust Fund to the General Fund as a result of the Nitijela of RepMar, in accordance with Public Law 2006-73, enacting legislation repealing the Marshall Islands Intergenerational Trust Fund Act of 1999. In addition, RepMar made a one-time transfer of \$195,074 from the Republic of China Fund and \$321,594 from the Ministry of Justice Fund representing budgetary support for General Fund operations.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(10) 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 million on October 1, 2003, \$2.5 million prior to October 1, 2004, and a final \$2.5 million prior to October 1, 2005. As of September 30, 2007, 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.

On May 2, 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".

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 as well as associated undistributed income.

At September 30, 2007, 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, is as follows:

United States - "A Account"	\$ 36,562,755
Republic of China - "A Account"	<u>6,026,199</u>
	\$ <u>42,588,954</u>

(11) Contingencies and Commitments

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, 2007 is \$8,570,143.

Insurance Coverage

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

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(11) 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. Cumulative questioned costs of \$1,395,477 relating to fiscal years 2005 through 2007 have been set forth in RepMar's Single Audit Report for the year ended September 30, 2007. 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. 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.

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. During the year ended September 30, 2007, NCT received \$530,250 from the NCTF, which included funds to fund partial payment of monetary awards. As of September 30, 2007, NCT has committed to the distribution of monetary awards for personal injury claims of \$20,356,725 and of property damage claims of \$1,083,472,335, which will be paid out against the reserved fund balance and future sums that NCT expects to receive from the NCTF. The reserved fund balance of the NCTF is \$856,893 as of September 30, 2007. Accordingly, additional funds will have to be made available through future earnings of the funds invested in the NCTF after the end of the Compact or from a renegotiated financial settlement of damages with the United States.

Marshalls Energy Company, Inc. (MEC)

MEC is currently in noncompliance with certain coverage ratio requirements relating to a loan agreement with the 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.

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 fiscal year 2007, RepMar appropriated \$848,160 to fund such leases.

The 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(11) Contingencies and Commitments, Continued

Leases, Continued

Future minimum annual lease payments under these leases are as follows:

<u>Year ending September 30</u>	<u>Total</u>
2008	\$ 462,236
2009	443,426
2010	436,481
2011	330,841
2012	220,230
2013-2017	577,434
2018-2022	30,517
2023-2027	<u>13,874</u>
	\$ <u>2,515,039</u>

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. On October 28, 1998, the Cabinet of RepMar directed the Minister of Finance to terminate the contract.

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. On August 1, 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. During the year ended September, 30, 2007, RepMar received \$1,750,000 under this Joint Venture Agreement.

Marshall Islands Social Security Administration (MISSA)

In September 2007, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2006. The valuation reported actuarial accrued liabilities for the Retirement Fund of \$207,653,000. As of September 30, 2007, MISSA recorded total fund equity of \$69,033,933 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.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(11) Contingencies and Commitments, Continued

Other Commitments

Significant commitments of the primary government as of September 30, 2007, are as follows:

- a) Guaranteed a bank debt of Tobolar Copra Processing Plant, Inc. (TCPPI) with a letter of guarantee. At September 30, 2007, TCPPI had guaranteed bank debt totaling \$650,000.
- b) Guaranteed a debt of Marshall Islands National Telecommunications Authority (MINTA) in respect of a loan from the United States Rural Utilities Service (RUS, formerly Rural Electrification Administration) with a letter of guarantee. At September 30, 2007, MINTA had guaranteed debt totaling \$14,067,779.
- c) Guaranteed a debt of Marshalls Energy Company, Inc. (MEC) in respect to a loan from the United States Rural Utilities Service (RUS) with a letter of guarantee. At September 30, 2007, MEC had guaranteed debt totaling \$8,214,607.
- d) RepMar has entered into lease agreements with certain landowners for the use of land situated at the Majuro international airport. The terms of the lease agreements are for a 25-year period commencing September 1, 1996. Annual lease rental commitments are \$305,613 per year.
- e) RepMar has issued a letter of guarantee in the amount of \$178,000 plus interest for the benefit of the Delap Assembly of God Church for a loan issued by Marshall Islands Development Bank.
- f) In accordance with Cabinet Minute C.M. 121 (2003), the Cabinet of RepMar has issued a government guarantee in the amount of \$5,000,000 for a loan obtained by the Marshall Islands Development Bank. At September 30, 2007, MIDB had guaranteed debt totaling \$2,800,000.
- g) On February 19, 2004, the Cabinet of RepMar approved a joint venture Memorandum of Agreement with a local private corporation whereby RepMar granted and conveyed controlling ownership interest to the corporation of the hotel facility owned by Majuro Resort, Inc. On September 9, 2004, the Cabinet of RepMar approved the appointment of a Committee to re-visit the privatization of the hotel facility including obtaining an independent valuation of the property. As of September 30, 2007, no transfer in ownership has occurred.
- h) In accordance with Cabinet Minute C.M. 057 (2004), the Cabinet of RepMar has guaranteed a credit card facility with a time certificate of deposit totaling \$55,000.
- i) In accordance with Cabinet Minute C.M. 139 (2004), the Cabinet of RepMar has issued a government guarantee in the amount of \$800,000 for a loan obtained by Air Marshall Islands, Inc. (AMI). In accordance with Cabinet Minute C.M. 145 (2005), the government guarantee was increased by \$200,000. At September 30, 2007, AMI had guaranteed debt totaling \$1,000,000.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(11) Contingencies and Commitments, Continued

- j) In accordance with Cabinet Minute C.M. 055 (2007), the Cabinet of RepMar has issued a government guarantee for and on behalf of MEC to a fuel supplier for amounts owing by MEC relating to the purchase of fuel products. At September 30, 2007, MEC had guaranteed debt to a fuel supplier totaling \$2,867,741.
- k) In accordance with Cabinet Minute C.M. 048 (2007), the Cabinet of RepMar has authorized the collateralization of General Fund tax revenues for a \$12,000,000 loan obtained by the Marshalls Energy Company, Inc. At September 30, 2007, MEC had guaranteed debt totaling \$11,724,190.

Significant commitments of the discretely presented component units as of September 30, 2007, are as follows:

RMI Ports Authority (RMIPA)

On March 31, 2006, RMIPA was awarded 95% or \$13,000,000 by the U.S. Department of Transportation Federal Aviation Administration to rehabilitate Runway 7/25-Phase I Project, with \$250,000 being appropriated as matching funds by the Nitijela of RepMar.

(12) Individual Deficit Fund Balances or Deficit Retained Earnings

Specific individual funds which had significant deficit fund balances or retained earnings as of September 30, 2007, are as follows:

Nonmajor Component Units

Majuro Water and Sewer Company, Inc. \$ 788,726

(13) Subsequent Events

On December 6, 2007, the Cabinet of RepMar, in accordance with Cabinet Minute C.M. 122 (2007), approved the extension of financial support for the College of the Marshall Islands in the annual amount of \$3,000,000 through fiscal year 2011.

On December 6, 2007, the Cabinet of RepMar, in accordance with Cabinet Minute C.M. 123 (2007), approved financial support for the Kwajalein Atoll Joint Utilities Resources, Inc. in the amount of \$1,800,000.

On December 20, 2007, a time certificate of deposit of the Marshall Islands Development Bank (MIDB) collateralizing outstanding loans of Air Marshall Islands, Inc. was utilized to pay off these loans due to loan foreclosure. In turn, MIDB effectuated the government guarantee as approved by the Cabinet of RepMar in accordance with Cabinet Minutes C.M. 139 (2004) and C.M. 145 (2005).

On January 18, 2008, the Cabinet of RepMar, in accordance with Cabinet Minute C.M. 009 (2008), approved financial support for Air Marshall Islands, Inc. in the amount of \$1,000,000.

On March 4, 2008, the Cabinet of RepMar, in accordance with Cabinet Minute C.M. 034 (2008), increased a government guarantee of \$6,500,000 for and on behalf of the Marshalls Energy Company, Inc. (MEC) to a fuel supplier for amounts owing in the event of any shortfall on MEC's obligation to the fuel supplier.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Financial Statements
September 30, 2007

(14) Restatement of Governmental Funds Fund Balance/Government-Wide Net Assets

Subsequent to the issuance of RepMar's 2006 financial statements, RepMar's management determined that investments of the Compact Trust Fund at September 30, 2006 were overstated by \$3,151,036 due to the contingent nature of the Republic of China's contributions to the "A Account". As a result, investment balances have been restated from the amounts previously reported as follows:

	<u>General</u>	<u>U.S. Federal Grants</u>	<u>Compact Sector</u>	<u>Compact Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Government Wide</u>
Fund balance (deficit)/ net assets previously reported at September 30, 2006	\$ (5,911,015)	\$ (2,272)	\$ 848,207	\$ 41,877,147	\$ 14,059,215	\$ 50,871,282	\$ 62,445,107
Overstatement of investments previously reported	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,151,036)</u>	<u>-</u>	<u>(3,151,036)</u>	<u>(3,151,036)</u>
Fund balance (deficit)/ net assets as restated at October 1, 2006	<u>\$ (5,911,015)</u>	<u>\$ (2,272)</u>	<u>\$ 848,207</u>	<u>\$ 38,726,111</u>	<u>\$ 14,059,215</u>	<u>\$ 47,720,246</u>	<u>\$ 59,294,071</u>

In addition, the beginning net assets of the discretely presented component units has been restated from the amounts previously reported as follows:

Net assets previously reported at September 30, 2006	\$ 49,632,659
Inclusion of Kwajalein Atoll Joint Utilities Resources, Inc. previously omitted	<u>5,800,095</u>
Net assets as restated at October 1, 2006	\$ <u>55,432,754</u>

REPUBLIC OF THE MARSHALL ISLANDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2007

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Deficit - Budget and Actual
General Fund
Year Ended September 30, 2007

	Budgeted Amounts		Actual - Budgetary Basis (see Note 1)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 27,051,640	\$ 27,051,640	\$ 27,078,657	\$ 27,017
Fishing rights	1,750,000	1,750,000	1,250,000	(500,000)
Fees and charges	553,463	553,463	27,386	(526,077)
Interest and dividends	75,875	75,875	232,796	156,921
Other	5,080,849	5,830,849	5,964,501	133,652
Total revenues	34,511,827	35,261,827	34,553,340	(708,487)
Expenditures:				
Current:				
General government:				
President and Cabinet	1,804,975	1,903,890	1,863,062	40,828
Office of the Chief Secretary	670,881	620,006	613,711	6,295
Special appropriations	5,381,251	5,979,310	5,895,550	83,760
Council of Iroij	406,692	422,192	425,325	(3,133)
Office of the Auditor-General	804,619	828,537	561,397	267,140
Public Service Commission	465,709	493,209	493,625	(416)
Office of the Attorney General	839,404	590,932	573,397	17,535
Ministries	21,097,910	22,610,034	21,612,563	997,471
Environmental Protection Authority	201,265	198,265	164,202	34,063
Nitijela	1,703,699	1,847,264	1,845,570	1,694
Total expenditures	33,376,405	35,493,639	34,048,402	1,445,237
Excess (deficiency) of revenues over (under) expenditures	1,135,422	(231,812)	504,938	736,750
Other financing sources:				
Operating transfers in	-	1,528,407	7,765,038	6,236,631
Other financing uses:				
Operating transfers out	(1,403,853)	(1,366,588)	(355,592)	1,010,996
Other changes in unreserved fund deficit:				
Increase in reserve for related assets	-	-	(4,199,224)	(4,199,224)
Net change in unreserved fund deficit	(268,431)	(69,993)	3,715,160	3,785,153
Unreserved fund deficit at the beginning of the year	(6,251,841)	(6,251,841)	(6,251,841)	-
Unreserved fund deficit at the end of the year	\$ (6,520,272)	\$ (6,321,834)	\$ (2,536,681)	\$ 3,785,153

See accompanying notes to required supplementary information - budgetary reporting.

REPUBLIC OF THE MARSHALL ISLANDS

Notes to Required Supplementary Information - Budgetary Reporting
September 30, 2007

(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.

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.

(2) Reconciliation - GAAP and Budgetary Bases of Accounting

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.

Accounting principles used in developing data on a budgetary basis differ from those used in preparing the financial statements in conformity with GAAP. Amounts included on the Statement of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund (which are presented on a non-GAAP budgetary basis) are reconciled to unreserved deficit of the Governmental Fund Balance Sheet within the other changes in unreserved deficit section of that statement. Furthermore, the net change in fund balance (deficit) to the net change in unreserved fund deficit for the General Fund is as follows:

Net change in fund balance (deficit)	\$ <u>7,955,283</u>
Increase in fund balance reservations:	
Related assets	(4,199,224)
Encumbrances	<u>(40,899)</u>
	(4,240,123)
Net change in unreserved fund deficit	\$ <u>3,715,160</u>

REPUBLIC OF THE MARSHALL ISLANDS
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2007

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Expenditures by Account
 Governmental Funds
 Year Ended September 30, 2007
 (with comparative totals for the year ended September 30, 2006)

	Special Revenue			Permanent	Other Governmental Funds	Totals	
	General	U.S Federal Grants	Compact Sector	Compact Trust		2007	2006
Expenditures:							
Salaries and wages	\$ 14,360,203	\$ 3,109,874	\$ 14,136,165	\$ -	\$ 2,369,559	\$ 33,975,801	\$ 34,522,943
Capital outlay	440,276	319,599	16,566,550	-	2,052,363	19,378,788	14,876,083
Grants and subsidies	6,393,028	25,238	4,856,378	-	5,274,150	16,548,794	12,975,014
Medical supplies	16,419	-	36,849	-	5,654,034	5,707,302	6,828,369
Contractual services	339,720	1,960,849	956,757	-	4,992,239	8,249,565	5,209,496
Travel	1,473,227	1,192,356	411,400	-	475,973	3,552,956	4,327,535
Utilities	2,732,700	-	965,930	-	112,486	3,811,116	2,856,147
Supplies and materials	431,567	447,750	1,721,076	-	303,808	2,904,201	2,709,488
Leased housing	1,161,161	-	629,191	-	112,358	1,902,710	1,825,988
POL	514,313	41,884	155,838	-	164,611	876,646	1,264,237
Rentals	929,998	905	58,563	-	149,697	1,139,163	1,259,956
Food stuffs	490,127	12,718	1,153,273	-	44,687	1,700,805	1,105,730
Professional services	375,025	-	-	69,913	786,703	1,231,641	1,070,161
Interest	900,086	-	-	-	-	900,086	917,713
Allowances	697,096	2,400	65,800	-	-	765,296	759,733
Principal repayment	863,200	-	-	-	-	863,200	726,966
Communications	650,870	57,061	118,008	-	156,341	982,280	712,719
Freight	23,085	24,316	69,716	-	111,936	229,053	135,159
Printing and reproduction	54,132	9,179	32,521	-	24,956	120,788	115,417
Insurance	93,474	-	2,412	-	6,395	102,281	110,449
Other	1,067,796	2,385,384	686,536	-	1,120,708	5,260,424	4,127,915
	<u>\$ 34,007,503</u>	<u>\$ 9,589,513</u>	<u>\$ 42,622,963</u>	<u>\$ 69,913</u>	<u>\$ 23,913,004</u>	<u>\$ 110,202,896</u>	<u>\$ 98,437,218</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
GENERAL FUND

September 30, 2007

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 (Deficit) - General Fund
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	2007	2006
Revenues:		
Taxes:		
Income	\$ 11,244,334	\$ 11,120,846
Import	8,455,053	7,823,578
Gross revenue	5,851,310	4,777,975
Fuel	899,228	777,634
Penalties and interest	116,071	112,570
Other	512,661	530,264
	<u>27,078,657</u>	<u>25,142,867</u>
Fishing rights	1,250,000	1,500,000
Fees and charges	27,386	114,162
Interest and dividends	232,796	143,565
Other:		
Taiwan grant	4,000,000	4,000,000
Ship registry	1,750,000	1,000,000
Other	214,501	301,184
	<u>5,964,501</u>	<u>5,301,184</u>
Total revenues	<u>34,553,340</u>	<u>32,201,778</u>
Expenditures:		
President and Cabinet:		
Office of the President	202,460	163,949
President and Ministers	574,608	582,760
Cabinet Operations	583,228	533,779
Customary Law Commission	156,611	142,450
RMI/USP Joint Secondary Education Project	222,656	272,880
National Band	123,594	128,725
	<u>1,863,157</u>	<u>1,824,543</u>
Office of the Chief Secretary:		
Administration	170,636	148,508
Deputy Chief Secretary - Ebeye	97,820	91,579
Economic Policy, Planning and Statistics Office	198,306	179,286
Office of Environmental Planning and Policy Coordination	85,884	83,253
Disaster Office	60,104	34,997
	<u>612,750</u>	<u>537,623</u>
Special appropriations:		
Jaluit Power Plant subsidy	124,250	225,000
Kwajalein Atoll Joint Utilities Resources subsidy - Ebeye	215,000	715,895
Wotje Power Plant subsidy	-	195,000
Land leases	723,295	858,081
Majuro Landowners electricity bills	756,345	-
Leased housing	258,862	247,057
Marshall Islands Visitors Authority	149,100	149,100
MWSC water subsidy	99,404	60,000
International subscriptions/membership fees	275,836	338,429
Disaster matching	48,953	18,237
Salary adjustment - Public Law 2003-72	132,699	-
Nitijela Prior Year Obligation	20,000	-
Copra price stabilization subsidy	1,192,800	894,600
ADB loan repayment	1,763,287	1,644,719
Micronesia Legal Services	-	73,000
General Election and Constitutional Convention	35,369	27,450
Past due USP Membership Fees	-	50,000
Air Marshall Islands	100,000	396,865
Past due travel	-	40,000
Past due Electoral Office overtime	-	9,945
Past due Grant-in-aid matching	-	57,058
Emergency payments	-	540,084
	<u>5,895,200</u>	<u>6,540,520</u>
Council of Iroij:		
Administration	81,318	86,163
Members	344,007	355,379
	<u>425,325</u>	<u>441,542</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures by Function, and Changes in
Fund Balance (Deficit) - General Fund, Continued
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	2007	2006
Expenditures, continued:		
Nitijela:		
Operations	555,764	542,321
General membership	1,108,426	992,202
Speaker's contingency	94,322	80,228
Committee	15,075	65,689
Legislative counsel	61,495	57,721
	<u>1,835,082</u>	<u>1,738,161</u>
Office of the Auditor-General:		
Auditor-General salary	42,660	42,660
Operations	223,294	208,216
Single audit - local match	174,758	197,295
	<u>440,712</u>	<u>448,171</u>
Public Service Commission:		
Members	91,719	106,921
Administration	401,906	373,751
	<u>493,625</u>	<u>480,672</u>
Office of the Attorney General	<u>577,817</u>	<u>630,579</u>
Ministries:		
Ministry of Education	3,844,147	4,249,940
Ministry of Health and Environment	2,953,091	2,666,974
Ministry of Transportation and Communication	1,745,731	2,016,406
Ministry of Resources and Development	671,927	380,193
Ministry of Internal Affairs	1,818,932	1,748,622
Ministry of Justice	2,756,008	2,615,226
Ministry of Finance	4,377,322	3,325,284
Ministry of Foreign Affairs and Trade	2,265,102	2,460,959
Ministry of Public Works	1,267,373	1,343,992
	<u>21,699,633</u>	<u>20,807,596</u>
Environmental Protection Authority	164,202	-
Total expenditures	<u>34,007,503</u>	<u>33,449,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>545,837</u>	<u>(1,247,629)</u>
Other financing sources:		
Operating transfers in:		
Intergenerational Trust Fund	5,925,460	1,901,987
Section 177 Administration Fund	68,828	-
Section 111 Investment Development Fund	472,253	-
National Environmental Protection Authority Fund	92,736	-
Resident Workers Training Account Fund	360,098	-
Republic of China Fund	195,074	-
Ministry of Justice Fund	650,589	-
Total other financing sources	<u>7,765,038</u>	<u>1,901,987</u>
Other financing uses:		
Operating transfers out:		
Judiciary Fund	218,323	908,992
Postal Services Fund	66,916	112,340
Marshall Islands Scholarship, Grant and Loan Board Fund	70,353	70,353
Local Government Fund	-	394,241
Total other financing uses	<u>355,592</u>	<u>1,485,926</u>
Net change in deficit	7,955,283	(831,568)
Deficit at the beginning of the year	(5,911,015)	(5,079,447)
Fund balance (deficit) at the end of the year	<u>\$ 2,044,268</u>	<u>\$ (5,911,015)</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Deficit
Budget and Actual - General Fund
Year Ended September 30, 2007

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Revenues:				
Taxes:				
Income	\$ 11,571,878	\$ 11,571,878	\$ 11,244,334	\$ (327,544)
Import	9,057,319	9,057,319	8,455,053	(602,266)
Gross revenue	4,429,453	4,429,453	5,851,310	1,421,857
Fuel	1,452,000	1,452,000	899,228	(552,772)
Penalties and interest	90,365	90,365	116,071	25,706
Other	450,625	450,625	512,661	62,036
	<u>27,051,640</u>	<u>27,051,640</u>	<u>27,078,657</u>	<u>27,017</u>
Fishing rights	1,750,000	1,750,000	1,250,000	(500,000)
Fees and charges	553,463	553,463	27,386	(526,077)
Interest and dividends	75,875	75,875	232,796	156,921
Taiwan grant	4,000,000	4,000,000	4,000,000	-
Ship registry	1,000,000	1,750,000	1,750,000	-
Other	80,849	80,849	214,501	133,652
	<u>5,080,849</u>	<u>5,830,849</u>	<u>5,964,501</u>	<u>133,652</u>
Total revenues	<u>34,511,827</u>	<u>35,261,827</u>	<u>34,553,340</u>	<u>(708,487)</u>
Expenditures:				
President and Cabinet:				
Office of the President	255,640	226,278	202,460	23,818
President and Ministers	574,990	574,887	574,608	279
Cabinet Operations	434,886	590,521	583,133	7,388
Customary Law Commission	174,679	165,324	156,611	8,713
RMI/USP Joint Secondary Education Project	222,656	222,656	222,656	-
National Band	142,124	124,224	123,594	630
	<u>1,804,975</u>	<u>1,903,890</u>	<u>1,863,062</u>	<u>40,828</u>
Office of the Chief Secretary:				
Administration	214,979	173,547	170,636	2,911
Deputy Chief Secretary - Ebeye	94,531	100,727	97,820	2,907
EPPSO	229,619	194,961	198,306	(3,345)
OEPPC	88,016	88,016	85,884	2,132
Disaster Office	43,736	62,755	61,065	1,690
	<u>670,881</u>	<u>620,006</u>	<u>613,711</u>	<u>6,295</u>
Special appropriations:				
Jaluit Power Plant subsidy	124,250	124,250	124,250	-
KAJUR subsidy - Ebeye	347,900	215,000	215,000	-
Land leases	358,834	848,160	723,295	124,865
Majuro landowners electricity subsidy	675,920	756,420	756,345	75
Leased housing	231,602	274,964	258,862	16,102
Marshall Islands Visitors Authority	149,100	149,100	149,100	-
MWSC water subsidy	99,404	99,404	99,404	-
International subscriptions/membership fees	275,835	275,835	275,836	(1)
Disaster matching	198,800	65,497	48,953	16,544
Salary adjustment - Public Law 2003-72	132,699	132,699	132,699	-
Nitijela prior year obligation	19,880	19,880	20,000	(120)
Copra price stabilization subsidy	1,192,800	1,192,800	1,192,800	-
ADB loan repayment	1,509,617	1,764,691	1,763,287	1,404
General Election and Constitutional Convention	39,760	35,760	35,719	41
RMI/USP MOU	24,850	24,850	-	24,850
Air Marshall Islands	-	-	100,000	(100,000)
	<u>5,381,251</u>	<u>5,979,310</u>	<u>5,895,550</u>	<u>83,760</u>
Council of Iroij:				
Administration	82,545	81,084	81,318	(234)
Members	324,147	341,108	344,007	(2,899)
	<u>406,692</u>	<u>422,192</u>	<u>425,325</u>	<u>(3,133)</u>
Office of the Auditor-General:				
Auditor-General salary	41,977	41,977	42,660	(683)
Operations	306,927	329,971	223,287	106,684
Single audit - local match	455,715	456,589	295,450	161,139
	<u>804,619</u>	<u>828,537</u>	<u>561,397</u>	<u>267,140</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Schedule of Revenues, Expenditures and Changes in Deficit, Continued
Budget and Actual - General Fund
Year Ended September 30, 2007

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
Expenditures, continued:				
Public Service Commission:				
Members	93,250	93,250	91,719	1,531
Administration	372,459	399,959	401,906	(1,947)
	<u>465,709</u>	<u>493,209</u>	<u>493,625</u>	<u>(416)</u>
Office of the Attorney General	839,404	590,932	573,397	17,535
Ministries:				
Ministry of Education	4,202,006	4,096,895	3,770,616	326,279
Ministry of Health and Environment	3,126,009	3,074,974	2,943,580	131,394
Ministry of Transportation and Communication	1,953,465	1,808,886	1,743,291	65,595
Ministry of Resources and Development	721,776	712,472	670,048	42,424
Ministry of Internal Affairs	2,009,042	1,986,753	1,823,832	162,921
Ministry of Justice	2,821,704	2,798,391	2,755,722	42,669
Ministry of Finance	2,382,707	4,442,609	4,378,003	64,606
Ministry of Foreign Affairs and Trade	2,459,596	2,246,092	2,262,253	(16,161)
Ministry of Public Works	1,421,605	1,442,962	1,265,218	177,744
	<u>21,097,910</u>	<u>22,610,034</u>	<u>21,612,563</u>	<u>997,471</u>
Environmental Protection Authority	201,265	198,265	164,202	34,063
Nitijela:				
Operations	561,753	546,849	555,764	(8,915)
General Membership	965,592	1,124,806	1,120,206	4,600
Speaker's Contingency	61,272	98,047	93,564	4,483
Committee	56,284	15,512	14,541	971
Legislative Counsel	58,798	62,050	61,495	555
	<u>1,703,699</u>	<u>1,847,264</u>	<u>1,845,570</u>	<u>1,694</u>
Total expenditures	<u>33,376,405</u>	<u>35,493,639</u>	<u>34,048,402</u>	<u>1,445,237</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,135,422</u>	<u>(231,812)</u>	<u>504,938</u>	<u>736,750</u>
Other financing sources:				
Operating transfers in:				
Intergenerational Trust Fund	-	1,333,333	5,925,460	4,592,127
Section 177 Administration Fund	-	-	68,828	68,828
Section 111 Investment Development Fund	-	-	472,253	472,253
National Environmental Protection Authority Fund	-	-	92,736	92,736
Resident Workers Training Account Fund	-	-	360,098	360,098
Republic of China Fund	-	195,074	195,074	-
Ministry of Justice Fund	-	-	650,589	650,589
	<u>-</u>	<u>1,528,407</u>	<u>7,765,038</u>	<u>6,236,631</u>
Other financing uses:				
Operating transfers out:				
Judiciary Fund	908,992	908,992	218,323	690,669
Postal Services Fund	30,267	30,267	66,916	(36,649)
Marshall Islands Scholarship, Grant and Loan Board Fund	70,353	70,353	70,353	-
Local Government Fund	394,241	356,976	-	356,976
	<u>1,403,853</u>	<u>1,366,588</u>	<u>355,592</u>	<u>1,010,996</u>
Other changes to unreserved fund deficit:				
Increase in reserve for related assets	-	-	(4,199,224)	(4,199,224)
Net change in unreserved fund deficit	(268,431)	(69,993)	3,715,160	3,785,153
Unreserved fund deficit at the beginning of the year	(6,251,841)	(6,251,841)	(6,251,841)	-
Unreserved fund deficit at the end of the year	<u>\$ (6,520,272)</u>	<u>\$ (6,321,834)</u>	<u>\$ (2,536,681)</u>	<u>\$ 3,785,153</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Combined Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2007
 (with comparative totals as of September 30, 2006)

	Other Special Revenue	Other Capital Projects	Other Permanent	Totals	
				2007	2006
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,839,121	\$ 22,268	\$ -	\$ 1,861,389	\$ 2,361,847
Time certificates of deposit	593,040	-	-	593,040	518,958
Investments	-	318,630	-	318,630	318,630
Receivables, net:					
Taxes	36,672	-	-	36,672	45,071
Federal agencies	293,168	-	-	293,168	364,023
General	1,165,776	-	-	1,165,776	1,137,228
Other	255,446	-	-	255,446	420,844
Due from other funds	3,056,756	-	-	3,056,756	6,698,756
Due from component units	-	-	-	-	5,669,213
Advances	78,478	-	-	78,478	18,022
Total assets	<u>\$ 7,318,457</u>	<u>\$ 340,898</u>	<u>\$ -</u>	<u>\$ 7,659,355</u>	<u>\$ 17,552,592</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 2,315,493	\$ -	\$ -	\$ 2,315,493	\$ 1,530,376
Other liabilities and accruals	583,689	-	-	583,689	431,296
Retention payable	410,810	-	-	410,810	-
Due to other funds	1,026,502	-	-	1,026,502	1,531,705
Total liabilities	<u>4,336,494</u>	<u>-</u>	<u>-</u>	<u>4,336,494</u>	<u>3,493,377</u>
Fund balances:					
Reserved for:					
Related assets	-	318,630	-	318,630	6,010,111
Encumbrances	2,607,874	2,692	-	2,610,566	2,070,857
Continuing appropriations	4,755,474	-	-	4,755,474	-
Unreserved:					
Special revenue funds	(4,381,385)	-	-	(4,381,385)	5,405,613
Capital projects funds	-	19,576	-	19,576	469,561
Permanent fund	-	-	-	-	103,073
Total fund balances	<u>2,981,963</u>	<u>340,898</u>	<u>-</u>	<u>3,322,861</u>	<u>14,059,215</u>
Total liabilities and fund balance	<u>\$ 7,318,457</u>	<u>\$ 340,898</u>	<u>\$ -</u>	<u>\$ 7,659,355</u>	<u>\$ 17,552,592</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Combined Schedule of Revenues, Expenditures by Function,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	Other Special Revenue	Other Capital Projects	Other Permanent	Totals	
				2007	2006
Revenues:					
Compact funding	\$ 183,758	\$ -	\$ -	\$ 183,758	\$ 197,294
Federal and other grants	11,678,817	-	-	11,678,817	8,206,685
Interest and dividends	-	-	153,758	153,758	279,315
Fees and charges	7,549,484	-	-	7,549,484	7,628,896
Sales	148,508	-	-	148,508	358,014
Other	308,651	-	-	308,651	169,851
Total revenues	<u>19,869,218</u>	<u>-</u>	<u>153,758</u>	<u>20,022,976</u>	<u>16,840,055</u>
Expenditures by Function:					
Current:					
General government:					
President and Cabinet	225,000	-	-	225,000	333,692
Office of the Chief Secretary	470,089	-	-	470,089	297,598
Special appropriations	3,129,274	-	-	3,129,274	400,000
Council of Iroij	-	-	-	-	425
Nitijela	267,910	-	-	267,910	187,389
Office of the Auditor-General	183,758	-	-	183,758	197,294
Public Service Commission	147,993	-	-	147,993	-
Judiciary	855,029	-	-	855,029	830,773
Office of the Attorney-General	13,733	-	-	13,733	17,059
Ministry of Education	1,734,141	-	-	1,734,141	1,247,063
Ministry of Health and Environment	7,643,517	-	-	7,643,517	7,965,086
Ministry of Transportation and Communication	564,981	58,612	-	623,593	437,842
Ministry of Resources and Development	398,361	-	-	398,361	1,015,860
Ministry of Internal Affairs	1,161,351	-	-	1,161,351	818,742
Ministry of Justice	202,755	-	-	202,755	810,629
Ministry of Finance	946,945	-	-	946,945	765,745
Ministry of Foreign Affairs and Trade	48,024	-	-	48,024	303,266
Ministry of Public Works	5,218,681	-	-	5,218,681	922,408
Nuclear claims related	642,266	-	-	642,266	3,552,465
Other	-	-	584	584	45,522
Total expenditures	<u>23,853,808</u>	<u>58,612</u>	<u>584</u>	<u>23,913,004</u>	<u>20,148,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,984,590)</u>	<u>(58,612)</u>	<u>153,174</u>	<u>(3,890,028)</u>	<u>(3,308,803)</u>
Other financing sources (uses):					
Loan proceeds	-	58,612	-	58,612	97,939
Operating transfers in	5,022,980	-	-	5,022,980	8,763,300
Operating transfers out	(5,530,205)	(472,253)	(5,925,460)	(11,927,918)	(5,296,464)
Total other financing sources (uses), net	<u>(507,225)</u>	<u>(413,641)</u>	<u>(5,925,460)</u>	<u>(6,846,326)</u>	<u>3,564,775</u>
Net change in fund balances	(4,491,815)	(472,253)	(5,772,286)	(10,736,354)	255,972
Fund balances at the beginning of the year	<u>7,473,778</u>	<u>813,151</u>	<u>5,772,286</u>	<u>14,059,215</u>	<u>13,803,243</u>
Fund balances at the end of the year	<u>\$ 2,981,963</u>	<u>\$ 340,898</u>	<u>\$ -</u>	<u>\$ 3,322,861</u>	<u>\$ 14,059,215</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Combined Schedule of Revenues, Expenditures by Account,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	Other	Other	Other	Totals	
	Special Revenue	Capital Projects	Permanent	2007	2006
Revenues:					
Compact funding	\$ 183,758	\$ -	\$ -	\$ 183,758	\$ 197,294
Federal and other grants	11,678,817	-	-	11,678,817	8,206,685
Interest and dividends	-	-	153,758	153,758	279,315
Fees and charges	7,549,484	-	-	7,549,484	7,628,896
Sales	148,508	-	-	148,508	358,014
Other	308,651	-	-	308,651	169,851
Total revenues	19,869,218	-	153,758	20,022,976	16,840,055
Expenditures by Account:					
Grants and subsidies	5,274,150	-	-	5,274,150	4,939,167
Salaries and wages	2,369,559	-	-	2,369,559	2,374,190
Medical supplies	5,654,034	-	-	5,654,034	6,798,211
Contractual services	4,933,627	58,612	-	4,992,239	2,116,729
Capital outlay	2,052,363	-	-	2,052,363	1,098,653
Travel	475,973	-	-	475,973	546,162
Food stuffs	44,687	-	-	44,687	125,009
Supplies and materials	303,808	-	-	303,808	218,242
POL	164,611	-	-	164,611	392,107
Rentals	149,697	-	-	149,697	134,554
Communications	156,341	-	-	156,341	124,707
Insurance	6,395	-	-	6,395	3,696
Utilities	112,486	-	-	112,486	83,463
Leased housing	112,358	-	-	112,358	73,500
Freight	111,936	-	-	111,936	16,883
Professional services	786,703	-	-	786,703	276,724
Printing and reproduction	24,956	-	-	24,956	7,855
Other	1,120,124	-	584	1,120,708	819,006
Total expenditures	23,853,808	58,612	584	23,913,004	20,148,858
Excess (deficiency) of revenues over (under) expenditures	(3,984,590)	(58,612)	153,174	(3,890,028)	(3,308,803)
Other financing sources (uses):					
Loan proceeds	-	58,612	-	58,612	97,939
Operating transfers in	5,022,980	-	-	5,022,980	8,763,300
Operating transfers out	(5,530,205)	(472,253)	(5,925,460)	(11,927,918)	(5,296,464)
Total other financing sources (uses), net	(507,225)	(413,641)	(5,925,460)	(6,846,326)	3,564,775
Net change in fund balances	(4,491,815)	(472,253)	(5,772,286)	(10,736,354)	255,972
Fund balances at the beginning of the year	7,473,778	813,151	5,772,286	14,059,215	13,803,243
Fund balances at the end of the year	\$ 2,981,963	\$ 340,898	\$ -	\$ 3,322,861	\$ 14,059,215

See Accompanying Independent Auditors' Report.

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

September 30, 2007

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, 2007, follows:

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.

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.

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.

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.

Judiciary Fund

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

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.

See Accompanying Independent Auditors' Report.

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

September 30, 2007

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.

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.

National Environmental Protection Authority Fund

This fund accounts for the operations of the National Environmental Protection Authority. This fund was established under Public Law No. 1984-31, as amended by Public Law No. 1987-2, for the protection and management of the environment.

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 1983 from employers who employ non-resident workers, and accounts for all financial transactions of the National Training Council.

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.

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.

See Accompanying Independent Auditors' Report.

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

September 30, 2007

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.

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.

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.

Section 177 Administration Fund

This fund accounts for transactions, prior to the establishment of the Nuclear Claims Tribunal, from the distribution of annual proceeds from the Nuclear Claims Trust Fund in accordance with Article II, Section 6(a) of the agreement between the Government of the United States and the Government of the Marshall Islands for the administration of Section 177 of the Compact of Free Association.

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 221(b) Education and Health Care Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title II, Article I, Section 221(b) 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.

See Accompanying Independent Auditors' Report.

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

September 30, 2007

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.

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.

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.

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, 2007
(with comparative totals as of September 30, 2006)

	Reimbursable	Public Works	Land Distribution Authority	Changed Circumstances	Labor (General)	Labor (Bond)	Judiciary	Ministry of Justice	Marshall Islands Revised Code	Alternative Energy	National Environmental Protection Authority
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Time certificates of deposit	-	-	-	-	-	-	-	-	-	-	-
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	-	-	-
Federal agencies	156,231	-	-	-	-	-	-	-	-	-	-
General	5,607	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	49,123	18,118	54,458	22,790	22,760	855	23,404	3,400	416	-
Advances	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 161,838</u>	<u>\$ 49,123</u>	<u>\$ 18,118</u>	<u>\$ 54,458</u>	<u>\$ 22,790</u>	<u>\$ 22,760</u>	<u>\$ 855</u>	<u>\$ 23,404</u>	<u>\$ 3,400</u>	<u>\$ 416</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES											
(DEFICITS)											
Liabilities:											
Accounts payable	\$ 4,301	\$ 3,253	\$ -	\$ -	\$ -	\$ -	\$ 855	\$ 22,950	\$ -	\$ -	\$ -
Other liabilities and accruals	1,676	-	-	-	-	22,760	-	454	-	-	-
Retention payable	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	137,002	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>142,979</u>	<u>3,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,760</u>	<u>855</u>	<u>23,404</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):											
Reserved for:											
Encumbrances	110	510	-	-	-	-	12,338	-	-	-	-
Continuing appropriations	-	-	-	-	-	-	-	-	-	-	-
Unreserved (deficit)	18,749	45,360	18,118	54,458	22,790	-	(12,338)	-	3,400	416	-
Total fund balances (deficits)	<u>18,859</u>	<u>45,870</u>	<u>18,118</u>	<u>54,458</u>	<u>22,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,400</u>	<u>416</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 161,838</u>	<u>\$ 49,123</u>	<u>\$ 18,118</u>	<u>\$ 54,458</u>	<u>\$ 22,790</u>	<u>\$ 22,760</u>	<u>\$ 855</u>	<u>\$ 23,404</u>	<u>\$ 3,400</u>	<u>\$ 416</u>	<u>\$ -</u>

Continued

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Balance Sheet, Continued
September 30, 2007
(with comparative totals as of September 30, 2006)

	Resident Workers Training Account	Postal Service	Sea Patrol	Transportation Services	Registrar General	Ministry of Internal Affairs	Local Government	Four-Atoll Medical	Section 177 Administration	Section 215(a)(1) Communi- cations	Section 216(a)(1) Surveillance and Enforcement
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Time certificates of deposit	-	-	-	-	-	-	-	-	-	-	-
Receivables, net:											
Taxes	36,672	-	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	48,289	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	368,024	753	5,793	9,822	391	47,607	43,845	97,635	-	40,380	690
Advances	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 404,696</u>	<u>\$ 753</u>	<u>\$ 5,793</u>	<u>\$ 9,822</u>	<u>\$ 391</u>	<u>\$ 47,607</u>	<u>\$ 43,845</u>	<u>\$ 145,924</u>	<u>\$ -</u>	<u>\$ 40,380</u>	<u>\$ 690</u>
LIABILITIES AND FUND BALANCES											
(DEFICITS)											
Liabilities:											
Accounts payable	\$ 8,032	\$ 43	\$ -	\$ -	\$ -	\$ 5,526	\$ 4,023	\$ -	\$ -	\$ -	\$ -
Other liabilities and accruals	114,120	710	-	-	-	-	-	-	-	-	-
Retention payable	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>122,152</u>	<u>753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,526</u>	<u>4,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):											
Reserved for:											
Encumbrances	-	700	-	4,070	-	-	-	-	-	40,380	-
Continuing appropriations	-	-	-	-	-	-	-	-	-	-	-
Unreserved (deficit)	<u>282,544</u>	<u>(700)</u>	<u>5,793</u>	<u>5,752</u>	<u>391</u>	<u>42,081</u>	<u>39,822</u>	<u>145,924</u>	<u>-</u>	<u>-</u>	<u>690</u>
Total fund balances (deficits)	<u>282,544</u>	<u>-</u>	<u>5,793</u>	<u>9,822</u>	<u>391</u>	<u>42,081</u>	<u>39,822</u>	<u>145,924</u>	<u>-</u>	<u>40,380</u>	<u>690</u>
Total liabilities and fund balances	<u>\$ 404,696</u>	<u>\$ 753</u>	<u>\$ 5,793</u>	<u>\$ 9,822</u>	<u>\$ 391</u>	<u>\$ 47,607</u>	<u>\$ 43,845</u>	<u>\$ 145,924</u>	<u>\$ -</u>	<u>\$ 40,380</u>	<u>\$ 690</u>

Continued

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Balance Sheet, Continued
September 30, 2007
(with comparative totals as of September 30, 2006)

	Section	Section	Other Direct	Republic of	Marshall	Health	Marshall	Nuclear	Totals		
	216(a)(3)	221(b)		213	China	Islands	Islands	Claims	2007	2006	
	Scholarship	Education and Health Care	Audit	Projects	Scholarship, Grant and Loan Board	Care Revenue	Health	Tribunal			
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 196,714	\$ 806,536	\$ 656,407	\$ 179,464	\$ 1,839,121	\$ 2,339,579	
Time certificates of deposit	-	-	-	-	50,000	-	530,379	12,661	593,040	518,958	
Receivables, net:											
Taxes	-	-	-	-	-	-	-	-	36,672	45,071	
Federal agencies	-	-	136,937	-	-	-	-	-	293,168	364,023	
General	-	-	-	-	-	37,300	1,074,580	-	1,165,776	1,137,228	
Other	-	-	-	-	-	4,422	235,364	15,660	255,446	317,875	
Due from other funds	1,593	-	-	1,582,018	-	662,881	-	-	3,056,756	6,226,399	
Advances	-	-	-	730	-	77,348	400	-	78,478	18,022	
Total assets	\$ 1,593	\$ -	\$ 136,937	\$ -	\$ 1,582,748	\$ 246,714	\$ 1,588,487	\$ 2,497,130	\$ 7,318,457	\$ 10,967,155	
LIABILITIES AND FUND BALANCES											
(DEFICITS)											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ 16,364	\$ 1,112,755	\$ -	\$ 392,242	\$ 691,272	\$ 53,877	\$ 2,315,493	\$ 1,530,376
Other liabilities and accruals	-	-	-	3,070	-	-	353,727	-	87,172	583,689	431,296
Retention payable	-	-	-	-	410,810	-	-	-	-	410,810	-
Due to other funds	-	4,280	136,937	85,402	-	-	662,881	-	1,026,502	1,531,705	
Total liabilities	-	4,280	136,937	104,836	1,523,565	-	745,969	1,354,153	141,049	4,336,494	3,493,377
Fund balances (deficits):											
Reserved for:											
Encumbrances	-	-	534,424	19,209	1,572,062	402,514	-	-	21,557	2,607,874	2,068,165
Continuing appropriations	-	-	-	-	4,755,474	-	-	-	-	4,755,474	-
Unreserved (deficit)	1,593	(4,280)	(534,424)	(124,045)	(6,268,353)	(155,800)	842,518	1,142,977	45,179	(4,381,385)	5,405,613
Total fund balances (deficits)	1,593	(4,280)	-	(104,836)	59,183	246,714	842,518	1,142,977	66,736	2,981,963	7,473,778
Total liabilities and fund balances	\$ 1,593	\$ -	\$ 136,937	\$ -	\$ 1,582,748	\$ 246,714	\$ 1,588,487	\$ 2,497,130	\$ 207,785	\$ 7,318,457	\$ 10,967,155

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures By Function,
and Changes in Fund Balances (Deficits)
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	Reimbursable	Public Works	Land Distribution Authority	Changed Circumstances	Labor (General)	Labor (Bond)	Judiciary	Ministry of Justice	Marshall Islands Revised Code	Alternative Energy	National Environmental Protection Authority
Revenues:											
Compact funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal and other grants	331,740	-	-	-	-	-	-	-	-	-	-
Fees and charges	86,124	37,610	-	-	22,790	-	572	577,769	3,400	-	-
Sales	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	11,554	-	-	-
Total revenues	417,864	37,610	-	-	22,790	-	572	589,323	3,400	-	-
Expenditures by Function:											
Current:											
General government:											
President and Cabinet	-	-	-	-	-	-	-	-	-	-	-
Office of the Chief Secretary	-	-	-	-	-	-	-	-	-	-	-
Special appropriations	-	-	-	-	-	-	-	-	-	-	-
Council of Iroij	-	-	-	-	-	-	-	-	-	-	-
Nitijela	-	-	-	-	-	-	-	-	-	-	-
Office of the Auditor-General	-	-	-	-	-	-	-	-	-	-	-
Public Service Commission	-	-	-	-	-	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-	855,029	-	-	-	-
Attorney-General	9,865	-	-	-	-	-	-	-	-	-	-
Ministry of Education	-	-	-	-	-	-	-	-	-	-	-
Ministry of Health and Environment	-	-	-	-	-	-	-	-	-	-	-
Ministry of Transportation and Communication	-	-	-	-	-	-	-	-	-	-	-
Ministry of Resources and Development	5,982	-	-	-	-	-	-	-	-	-	-
Ministry of Internal Affairs	-	-	-	-	-	-	-	-	-	-	-
Ministry of Justice	-	-	-	-	-	-	-	149,505	-	-	-
Ministry of Finance	403,733	-	-	-	-	-	-	-	-	-	-
Ministry of Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	-	-
Ministry of Public Works	-	23,686	-	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	419,580	23,686	-	-	-	-	855,029	149,505	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(1,716)	13,924	-	-	22,790	-	(854,457)	439,818	3,400	-	-
Other financing sources (uses):											
Operating transfers in	-	-	-	-	-	-	218,323	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	(650,589)	-	-	(92,736)
Total other financing sources (uses), net	-	-	-	-	-	-	218,323	(650,589)	-	-	(92,736)
Net change in fund balances (deficit)	(1,716)	13,924	-	-	22,790	-	(636,134)	(210,771)	3,400	-	(92,736)
Fund balances (deficits) at the beginning of the year	20,575	31,946	18,118	54,458	-	-	636,134	210,771	-	416	92,736
Fund balances (deficits) at the end of the year	\$ 18,859	\$ 45,870	\$ 18,118	\$ 54,458	\$ 22,790	\$ -	\$ -	\$ -	\$ 3,400	\$ 416	\$ -

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures By Function,
and Changes in Fund Balances (Deficits), Continued
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	Resident Workers Training Account	Postal Service	Sea Patrol	Transportation Services	Registrar General	Ministry of Internal Affairs	Local Government	Four-Atoll Medical	Section 177 Administration	Section 215(a)(1) Communi- cations	Section 216(a)(1) Surveillance and Enforcement
Revenues:											
Compact funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal and other grants	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	175,248	8,136	-	1,398	-	35,999	-	-	-	-	-
Sales	-	148,508	-	-	-	-	-	-	-	-	-
Other	-	85,540	-	25,649	-	14,870	-	-	-	-	-
Total revenues	175,248	242,184	-	27,047	-	50,869	-	-	-	-	-
Expenditures by Function:											
Current:											
General government:											
President and Cabinet	-	-	-	-	-	-	-	-	-	-	-
Office of the Chief Secretary	-	-	-	-	-	-	-	-	-	-	-
Special appropriations	-	-	-	-	-	-	-	-	-	-	-
Council of Iroij	-	-	-	-	-	-	-	-	-	-	-
Nitijela	-	-	-	-	-	-	-	-	-	-	-
Office of the Auditor-General	-	-	-	-	-	-	-	-	-	-	-
Public Service Commission	-	-	-	-	-	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-	-	-	-	-	-
Attorney-General	-	-	-	-	-	-	-	-	-	-	-
Ministry of Education	48,087	-	-	-	-	-	-	-	-	-	-
Ministry of Health and Environment	-	-	-	-	-	-	-	-	-	-	-
Ministry of Transportation and Communication	-	-	-	43,178	-	-	-	-	-	-	-
Ministry of Resources and Development	-	-	-	-	-	-	-	-	-	-	-
Ministry of Internal Affairs	-	-	-	-	-	44,856	260,070	-	-	-	-
Ministry of Justice	-	-	-	-	-	-	-	-	-	-	-
Ministry of Finance	-	309,100	-	-	-	-	-	-	-	-	-
Ministry of Foreign Affairs and Trade	-	-	-	-	-	-	-	-	-	-	-
Ministry of Public Works	-	-	-	-	-	-	-	-	-	-	-
Nuclear claims related	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	48,087	309,100	-	43,178	-	44,856	260,070	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	127,161	(66,916)	-	(16,131)	-	6,013	(260,070)	-	-	-	-
Other financing sources (uses):											
Operating transfers in	-	66,916	-	-	-	-	-	-	-	-	-
Operating transfers out	(360,098)	-	-	-	-	-	-	-	(68,828)	-	-
Total other financing sources (uses), net	(360,098)	66,916	-	-	-	-	-	-	(68,828)	-	-
Net change in fund balances (deficit)	(232,937)	-	-	(16,131)	-	6,013	(260,070)	-	(68,828)	-	-
Fund balances (deficits) at the beginning of the year	515,481	-	5,793	25,953	391	36,068	299,892	145,924	68,828	40,380	690
Fund balances (deficits) at the end of the year	\$ 282,544	\$ -	\$ 5,793	\$ 9,822	\$ 391	\$ 42,081	\$ 39,822	\$ 145,924	\$ -	\$ 40,380	\$ 690

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures By Function,
and Changes in Fund Balances (Deficits), Continued
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	Section	Section	Other Direct	Republic of	Marshall	Health	Marshall	Nuclear	Totals	
	216(a)(3)	221(b)		China	Islands		Islands		Claims	2007
	Scholarship	Education and Health Care	Assistance	Projects	Scholarship, Grant and Loan Board	Care Revenue	Health	Tribunal		
Revenues:										
Compact funding	\$ -	\$ -	\$ 183,758	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,758	\$ 197,294
Federal and other grants	-	-	-	2,447,908	8,657,362	10,000	231,807	-	11,678,817	8,206,685
Fees and charges	-	-	-	-	-	-	271,380	6,329,058	7,549,484	7,628,896
Sales	-	-	-	-	-	-	-	-	148,508	358,014
Other	-	-	-	-	-	13,684	114,130	23,868	308,651	169,851
Total revenues	-	-	183,758	2,447,908	8,657,362	23,684	617,317	19,356	19,869,218	16,560,740
Expenditures by Function:										
Current:										
General government:										
President and Cabinet	-	-	-	-	225,000	-	-	-	225,000	333,692
Office of the Chief Secretary	-	-	-	459,789	10,300	-	-	-	470,089	297,598
Special appropriations	-	-	-	2,000,000	1,129,274	-	-	-	3,129,274	400,000
Council of Iroij	-	-	-	-	-	-	-	-	-	425
Nitijela	-	-	-	93,410	174,500	-	-	-	267,910	187,389
Office of the Auditor-General	-	-	183,758	-	-	-	-	-	183,758	197,294
Public Service Commission	-	-	-	-	147,993	-	-	-	147,993	-
Judiciary	-	-	-	-	-	-	-	-	855,029	830,773
Attorney-General	-	-	-	-	3,868	-	-	-	13,733	17,059
Ministry of Education	-	-	-	-	697,847	988,207	-	-	1,734,141	1,198,307
Ministry of Health and Environment	-	-	-	-	205,154	-	3,570,342	3,868,021	7,643,517	7,965,086
Ministry of Transportation and Communication	-	-	-	-	521,803	-	-	-	564,981	339,903
Ministry of Resources and Development	-	-	-	143,879	248,500	-	-	-	398,361	1,015,860
Ministry of Internal Affairs	-	-	-	-	856,425	-	-	-	1,161,351	818,742
Ministry of Justice	-	-	-	-	53,250	-	-	-	202,755	810,629
Ministry of Finance	-	-	-	-	234,112	-	-	-	946,945	765,745
Ministry of Foreign Affairs and Trade	-	-	-	770	47,254	-	-	-	48,024	303,266
Ministry of Public Works	-	-	-	-	5,194,995	-	-	-	5,218,681	922,408
Nuclear claims related	-	-	-	-	-	-	-	642,266	642,266	3,552,465
Total expenditures	-	-	183,758	2,697,848	9,750,275	988,207	3,570,342	3,868,021	23,853,808	19,956,641
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(249,940)	(1,092,913)	(964,523)	(2,953,025)	2,484,905	(622,910)	(3,395,901)
Other financing sources (uses):										
Operating transfers in	-	-	-	-	-	1,039,053	3,168,438	-	5,022,980	8,763,300
Operating transfers out	-	-	-	-	(1,140,046)	-	(49,470)	(3,168,438)	(5,530,205)	(3,293,404)
Total other financing sources (uses), net	-	-	-	-	(1,140,046)	1,039,053	3,118,968	(3,168,438)	(507,225)	5,469,896
Net change in fund balances (deficit)	-	-	-	(249,940)	(2,232,959)	74,530	165,943	(683,533)	(92,660)	(4,491,815)
Fund balances (deficits) at the beginning of the year	1,593	(4,280)	-	145,104	2,292,142	172,184	676,575	159,396	7,473,778	5,399,783
Fund balances (deficits) at the end of the year	\$ 1,593	\$ (4,280)	\$ -	\$ (104,836)	\$ 59,183	\$ 246,714	\$ 842,518	\$ 1,142,977	\$ 66,736	\$ 2,981,963
									\$ 7,473,778	

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures By Account,
and Changes in Fund Balances (Deficits)
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	Reimbursable	Public Works	Land Distribution Authority	Changed Circumstances	Labor (General)	Labor (Bond)	Judiciary	Ministry of Justice	Marshall Islands Revised Code	Alternative Energy	National Environmental Protection Authority
Revenues:											
Compact funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal and other grants	331,740	-	-	-	-	-	-	-	-	-	-
Fees and charges	86,124	37,610	-	-	22,790	-	572	577,769	3,400	-	-
Sales	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	11,554	-	-	-
Total revenues	417,864	37,610	-	-	22,790	-	572	589,323	3,400	-	-
Expenditures by Account:											
Grants and subsidies	-	-	-	-	-	-	-	-	-	-	-
Salaries and wages	335,436	-	-	-	-	-	618,895	-	-	-	-
Medical supplies	-	-	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	7,257	-	-	-	-
Capital outlay	2,182	15,051	-	-	-	-	11,107	14,921	-	-	-
Travel	8,571	-	-	-	-	-	39,729	27,043	-	-	-
Food stuffs	-	-	-	-	-	-	605	7,594	-	-	-
Supplies and materials	1,402	8,777	-	-	-	-	(1,712)	17,974	-	-	-
POL	4,445	-	-	-	-	-	14,799	55,786	-	-	-
Rentals	-	-	-	-	-	-	2,278	1,060	-	-	-
Communications	30,683	-	-	-	-	-	21,189	8,656	-	-	-
Insurance	-	-	-	-	-	-	674	549	-	-	-
Utilities	26,894	-	-	-	-	-	17,027	-	-	-	-
Leased housing	-	-	-	-	-	-	71,250	-	-	-	-
Freight	-	(195)	-	-	-	-	-	1,361	-	-	-
Professional services	2,950	-	-	-	-	-	6,990	250	-	-	-
Printing and reproduction	-	-	-	-	-	-	2,772	2,616	-	-	-
Other	7,017	53	-	-	-	-	42,169	11,695	-	-	-
Total expenditures	419,580	23,686	-	-	-	-	855,029	149,505	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(1,716)	13,924	-	-	22,790	-	(854,457)	439,818	3,400	-	-
Other financing sources (uses):											
Operating transfers in	-	-	-	-	-	-	218,323	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	(650,589)	-	-	(92,736)
Total other financing sources (uses), net	-	-	-	-	-	-	218,323	(650,589)	-	-	(92,736)
Net change in fund balances (deficit)	(1,716)	13,924	-	-	22,790	-	(636,134)	(210,771)	3,400	-	(92,736)
Fund balances (deficits) at the beginning of the year	20,575	31,946	18,118	54,458	-	-	636,134	210,771	-	416	92,736
Fund balances (deficits) at the end of the year	\$ 18,859	\$ 45,870	\$ 18,118	\$ 54,458	\$ 22,790	\$ -	\$ -	\$ -	\$ 3,400	\$ 416	\$ -

Continued

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures By Account,
and Changes in Fund Balances (Deficits), Continued
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	Resident Workers Training Account	Postal Service	Sea Patrol	Transportation Services	Registrar General	Ministry of Internal Affairs	Local Government	Four-Atoll Medical	Section 177 Administration	Section 215(a)(1) Communi- cations	Section 216(a)(1) Surveillance and Enforcement
Revenues:											
Compact funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal and other grants	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	175,248	8,136	-	1,398	-	35,999	-	-	-	-	-
Sales	-	148,508	-	-	-	-	-	-	-	-	-
Other	-	85,540	-	25,649	-	14,870	-	-	-	-	-
Total revenues	175,248	242,184	-	27,047	-	50,869	-	-	-	-	-
Expenditures by Account:											
Grants and subsidies	-	-	-	-	-	-	260,070	-	-	-	-
Salaries and wages	-	238,308	-	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	860	1,095	-	1,550	-	11,140	-	-	-	-	-
Travel	11,712	6,614	-	-	-	9,362	-	-	-	-	-
Food stuffs	-	-	-	8,362	-	3,108	-	-	-	-	-
Supplies and materials	7,754	405	-	605	-	11,881	-	-	-	-	-
POL	-	1,970	-	31,602	-	2,488	-	-	-	-	-
Rentals	-	28,849	-	-	-	-	-	-	-	-	-
Communications	2,316	4,641	-	-	-	2,950	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	10,489	-	-	-	-	-	-	-	-	-
Leased housing	-	-	-	-	-	-	-	-	-	-	-
Freight	-	1,684	-	82	-	-	-	-	-	-	-
Professional services	-	15,000	-	-	-	-	-	-	-	-	-
Printing and reproduction	-	-	-	-	-	-	-	-	-	-	-
Other	25,445	45	-	977	-	3,927	-	-	-	-	-
Total expenditures	48,087	309,100	-	43,178	-	44,856	260,070	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	127,161	(66,916)	-	(16,131)	-	6,013	(260,070)	-	-	-	-
Other financing sources (uses):											
Operating transfers in	-	66,916	-	-	-	-	-	-	-	-	-
Operating transfers out	(360,098)	-	-	-	-	-	-	-	(68,828)	-	-
Total other financing sources (uses), net	(360,098)	66,916	-	-	-	-	-	-	(68,828)	-	-
Net change in fund balances (deficit)	(232,937)	-	-	(16,131)	-	6,013	(260,070)	-	(68,828)	-	-
Fund balances (deficits) at the beginning of the year	515,481	-	5,793	25,953	391	36,068	299,892	145,924	68,828	40,380	690
Fund balances (deficits) at the end of the year	\$ 282,544	\$ -	\$ 5,793	\$ 9,822	\$ 391	\$ 42,081	\$ 39,822	\$ 145,924	\$ -	\$ 40,380	\$ 690

Continued

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures By Account,
and Changes in Fund Balances (Deficits), Continued
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	Section	Section	Other Direct	Republic of	Marshall	Health	Marshall	Nuclear	Totals	
	216(a)(3)	221(b)		213	China	Islands	Care	Islands	Claims	2007
	Scholarship	Education and Health Care	Audit	Projects	Scholarship, Grant and Loan Board	Revenue	Health	Tribunal		
Revenues:										
Compact funding	\$ -	\$ -	\$ 183,758	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,758	\$ 197,294
Federal and other grants	-	-	-	2,447,908	8,657,362	10,000	231,807	-	11,678,817	8,206,685
Fees and charges	-	-	-	-	-	-	271,380	6,329,058	7,549,484	7,628,896
Sales	-	-	-	-	-	-	-	-	148,508	358,014
Other	-	-	-	-	-	13,684	114,130	19,356	308,651	169,851
Total revenues	-	-	183,758	2,447,908	8,657,362	23,684	617,317	6,352,926	19,356	19,869,218
Expenditures by Account:										
Grants and subsidies	-	-	-	2,000,000	1,890,399	951,494	-	172,187	5,274,150	4,939,167
Salaries and wages	-	-	-	64,146	337,781	-	30,718	410,154	2,369,559	2,374,190
Medical supplies	-	-	-	-	-	-	2,849,797	2,804,237	5,654,034	6,798,211
Contractual services	-	-	-	152,195	4,753,691	-	-	20,484	4,933,627	1,970,034
Capital outlay	-	-	-	17,780	1,899,522	-	77,155	-	2,052,363	1,098,653
Travel	-	-	-	168,030	5,390	8,499	59,284	6,884	475,973	546,162
Food stuffs	-	-	-	20,709	4,309	-	-	-	44,687	125,009
Supplies and materials	-	-	-	26,948	229,774	-	-	-	303,808	218,242
POL	-	-	-	3,741	49,780	-	-	-	164,611	392,107
Rentals	-	-	-	12,902	34,520	12,000	-	58,088	149,697	134,554
Communications	-	-	-	14,346	11,903	4,498	-	34,214	20,945	156,341
Insurance	-	-	-	221	4,951	-	-	-	6,395	3,696
Utilities	-	-	-	-	19,100	-	-	38,976	-	112,486
Leased housing	-	-	-	806	40,302	-	-	-	112,358	73,500
Freight	-	-	-	482	1,701	-	106,821	-	111,936	16,883
Professional services	-	-	183,758	110,936	10,000	-	346,819	110,000	786,703	276,724
Printing and reproduction	-	-	-	19,328	240	-	-	-	24,956	7,855
Other	-	-	-	85,278	456,912	11,716	99,748	345,585	29,557	1,120,124
Total expenditures	-	-	183,758	2,697,848	9,750,275	988,207	3,570,342	3,868,021	642,266	23,853,808
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(249,940)	(1,092,913)	(964,523)	(2,953,025)	2,484,905	(622,910)	(3,984,590)
Other financing sources (uses):										
Operating transfers in	-	-	-	-	-	1,039,053	3,168,438	-	530,250	5,022,980
Operating transfers out	-	-	-	-	(1,140,046)	-	(49,470)	(3,168,438)	-	(5,530,205)
Total other financing sources (uses), net	-	-	-	-	(1,140,046)	1,039,053	3,118,968	(3,168,438)	530,250	(507,225)
Net change in fund balances (deficit)	-	-	-	(249,940)	(2,232,959)	74,530	165,943	(683,533)	(92,660)	(4,491,815)
Fund balances (deficits) at the beginning of the year	1,593	(4,280)	-	145,104	2,292,142	172,184	676,575	1,826,510	159,396	7,473,778
Fund balances (deficits) at the end of the year	\$ 1,593	\$ (4,280)	\$ -	\$ (104,836)	\$ 59,183	\$ 246,714	\$ 842,518	\$ 1,142,977	\$ 66,736	\$ 2,981,963

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

September 30, 2007

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. A brief discussion of RepMar's Nonmajor Governmental Funds - Capital Projects Funds as of September 30, 2007, follows:

Section 211 Compact Capital Account

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Title II, Article I, Section 211(a)(1) and approved by Nitijela resolution 62. The aforementioned section requires no less than 40% of the total amounts appropriated by the United States Congress to be applied to the capital account.

Section 111 Investment Development Fund

This fund accounts for United States Congress appropriations under United States Public Law 99-239, Compact of Free Association, Section 111 and approved by Nitijela resolution 62. These funds were subsequently transferred to and vested in the Marshall Islands Development Bank under Public Law No. 1988-21.

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.

Asian Development Bank (ADB) Development Projects

This fund accounts for capital 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)), and the skills training and vocational education project (ADB Loan Number 1791 RMI (SF)).

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR CAPITAL PROJECTS FUNDS

Combining Balance Sheet
September 30, 2007
(with comparative totals as of September 30, 2006)

	Section 211 Capital Account	Section 111 Investment Development	MIDA	ADB Development Projects	Totals	
					2007	2006
<u>ASSETS</u>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 22,268	\$ 22,268	\$ 22,268
Investments	-	-	318,630	-	318,630	318,630
Due from other funds	-	-	-	-	-	472,253
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,630</u>	<u>\$ 22,268</u>	<u>\$ 340,898</u>	<u>\$ 813,151</u>
<u>FUND BALANCES</u>						
Fund balances:						
Reserved for:						
Related assets	\$ -	\$ -	\$ 318,630	\$ -	\$ 318,630	\$ 318,630
Encumbrances	2,692	-	-	-	2,692	2,692
Unreserved	(2,692)	-	-	22,268	19,576	491,829
Total fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,630</u>	<u>\$ 22,268</u>	<u>\$ 340,898</u>	<u>\$ 813,151</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR CAPITAL PROJECTS FUNDS

Combining Schedule of Expenditures by Function,
and Changes in Fund Balances
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	Section 211 Capital Account	Section 111 Investment Development	MIDA	ADB Development Projects	Totals	
					2007	2006
Expenditures by function:						
Ministry of Education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,756
Ministry of Transportation and Communication	-	-	-	58,612	58,612	97,939
Total expenditures	-	-	-	58,612	58,612	146,695
Other financing sources (uses):						
Loan proceeds	-	-	-	58,612	58,612	97,939
Operating transfers out	-	(472,253)	-	-	(472,253)	-
Other financing sources (uses), net	-	(472,253)	-	58,612	(413,641)	97,939
Net change in fund balances	-	(472,253)	-	-	(472,253)	(48,756)
Fund balances at the beginning of the year	-	472,253	318,630	22,268	813,151	861,907
Fund balances at the end of the year	\$ -	\$ -	\$ 318,630	\$ 22,268	\$ 340,898	\$ 813,151

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR CAPITAL PROJECTS FUNDS

Combining Schedule of Expenditures by Account,
and Changes in Fund Balances
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	Section 211 Capital Account	Section 111 Investment Development	MIDA	ADB Development Projects	Totals	
					2007	2006
Expenditures by account:						
Contractual services	\$ -	\$ -	\$ -	\$ 58,612	\$ 58,612	\$ 146,695
Total expenditures	-	-	-	58,612	58,612	146,695
Other financing sources (uses):						
Loan proceeds	-	-	-	58,612	58,612	97,939
Operating transfers out	-	(472,253)	-	-	(472,253)	-
Other financing sources (uses), net	-	(472,253)	-	58,612	(413,641)	97,939
Net change in fund balances	-	(472,253)	-	-	(472,253)	(48,756)
Fund balances at the beginning of the year	-	472,253	318,630	22,268	813,151	861,907
Fund balances at the end of the year	\$ -	\$ -	\$ 318,630	\$ 22,268	\$ 340,898	\$ 813,151

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS

September 30, 2007

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used to support programs for the benefit of the government. A brief discussion of RepMar's Permanent Funds as of September 30, 2007, follows:

Intergenerational Trust Fund

Intergenerational Trust Fund, a Governmental Fund Type - Permanent Fund. This fund was established under Public Law No. 1999-90 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. Earnings from funds invested would not be available for distribution until October 2023. During the year ended September 30, 2005, RepMar made a one-time transfer of \$33,861,929 from the Intergenerational Trust Fund to the Compact Trust Fund representing the establishment of the Trust Fund in accordance with Section 216 of the Compact of Free Association.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUSTS

September 30, 2007

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, 2007, 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 Assets
Fiduciary Funds - Private Purpose Trusts
September 30, 2007

(with comparative totals as of September 30, 2006)

	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Nuclear Claims Trust	Totals	
					2007	2006
<u>ASSETS</u>						
Cash and cash equivalents	\$ 1,623,181	\$ -	\$ -	\$ -	\$ 1,623,181	\$ 1,474,481
Time certificates of deposit	4,284,756	-	-	-	4,284,756	4,060,743
Receivables, net:						
Contributions	2,072,535	-	-	-	2,072,535	2,088,814
Other	578,927	-	-	-	578,927	637,182
Investments	60,900,111	-	-	856,893	61,757,004	54,750,258
Due from other funds	-	421,658	15,323,831	-	15,745,489	12,754,144
Capital assets, net of accumulated depreciation	83,454	-	-	-	83,454	104,279
Total assets	<u>69,542,964</u>	<u>421,658</u>	<u>15,323,831</u>	<u>856,893</u>	<u>86,145,346</u>	<u>75,869,901</u>
<u>LIABILITIES</u>						
Accounts payable	115,748	-	-	-	115,748	123,479
Other liabilities and accruals	399,014	-	-	-	399,014	592,703
Total liabilities	<u>514,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>514,762</u>	<u>716,182</u>
<u>NET ASSETS</u>						
Held in trust for:						
Social security benefits	69,028,202	-	-	-	69,028,202	61,179,319
Nuclear claims	-	-	-	856,893	856,893	1,244,135
Land use distributions	-	421,658	15,323,831	-	15,745,489	12,730,265
Total net assets	<u>\$ 69,028,202</u>	<u>\$ 421,658</u>	<u>\$ 15,323,831</u>	<u>\$ 856,893</u>	<u>\$ 85,630,584</u>	<u>\$ 75,153,719</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS

Combining Schedule of Changes in Fiduciary Net Assets
 Fiduciary Funds - Private Purpose Trusts
 Year Ended September 30, 2007
 (with comparative totals for the year ended September 30, 2006)

	Marshall Islands Social Security Admin.	Kwajalein Atoll Trust	Section 212 Kwajalein Landowners	Nuclear Claims Trust	Totals	
					2007	2006
Additions:						
Contributions:						
Private employees	\$ 8,118,383	\$ -	\$ -	\$ -	\$ 8,118,383	\$ 7,487,349
Government employees	4,008,304	-	-	-	4,008,304	3,642,155
Penalties and interest	381,807	-	-	-	381,807	314,022
Total contributions	<u>12,508,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,508,494</u>	<u>11,443,526</u>
Investment earnings:						
Net increase in the fair value of investments	5,883,151	-	-	130,186	6,013,337	4,049,646
Interest and dividends	1,876,731	-	68,984	29,079	1,974,794	1,544,682
Total investment earnings	<u>7,759,882</u>	<u>-</u>	<u>68,984</u>	<u>159,265</u>	<u>7,988,131</u>	<u>5,594,328</u>
Less investment expense	<u>132,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,299</u>	<u>139,718</u>
Net investment earnings	<u>7,627,583</u>	<u>-</u>	<u>68,984</u>	<u>159,265</u>	<u>7,855,832</u>	<u>5,454,610</u>
Other:						
Compact funding	-	-	15,793,397	-	15,793,397	15,414,200
Other	384,316	-	-	-	384,316	409,031
	<u>384,316</u>	<u>-</u>	<u>15,793,397</u>	<u>-</u>	<u>16,177,713</u>	<u>15,823,231</u>
Total additions	<u>20,520,393</u>	<u>-</u>	<u>15,862,381</u>	<u>159,265</u>	<u>36,542,039</u>	<u>32,721,367</u>
Deductions:						
Land use distributions	-	453,565	12,393,592	-	12,847,157	11,489,373
Benefits	11,653,271	-	-	-	11,653,271	11,018,951
Administrative expenses	1,018,239	-	-	16,257	1,034,496	896,473
Transfers out	-	-	-	530,250	530,250	2,015,800
Total deductions	<u>12,671,510</u>	<u>453,565</u>	<u>12,393,592</u>	<u>546,507</u>	<u>26,065,174</u>	<u>25,420,597</u>
Change in net assets	7,848,883	(453,565)	3,468,789	(387,242)	10,476,865	7,300,770
Net assets at the beginning of the year	<u>61,179,319</u>	<u>875,223</u>	<u>11,855,042</u>	<u>1,244,135</u>	<u>75,153,719</u>	<u>67,852,949</u>
Net assets at the end of the year	<u>\$ 69,028,202</u>	<u>\$ 421,658</u>	<u>\$ 15,323,831</u>	<u>\$ 856,893</u>	<u>\$ 85,630,584</u>	<u>\$ 75,153,719</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR COMPONENT UNITS

September 30, 2007

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, 2007, follows:

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.

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.

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.

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.

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.

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR COMPONENT UNITS

September 30, 2007

Marshall Islands Visitors Authority (MIVA)

MIVA was established as a body corporate pursuant to the Tourism Act of 1991 (Public Law No. 1991-109) to develop and promote the natural, scenic, cultural, historical and recreation attractions of the Marshall Islands. MIVA is governed by a six-member Board of Directors (with the General Manager serving ex officio and without vote), including the Secretary of Resources and Development, the Secretary of Internal Affairs (or designee), three members from the private sector appointed by the Minister of Resources and Development upon approval of the Cabinet of RepMar.

RMI Environmental Protection Authority (EPA)

EPA was established for the protection and management of the environment. EPA is governed by a five-member Board of Directors appointed by the President in consultation with the Minister of Resources and Development.

Tobolar Copra Processing Plant, Inc. (TCPPI)

TCPPI 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. TCPPI 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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR COMPONENT UNITS

Combining Schedule of Net Assets
September 30, 2007
(with comparative totals as of September 30, 2006)

	Air Marshall	College of the	Majuro	Majuro Water	Marshall Islands	Marshall	Marshall	RMI	Tobolar	Totals	
	Islands, Inc.	Marshall Islands	Resort, Inc.	and Sewer Company, Inc.	Marine Resources Authority	Islands Shipping Corporation	Islands Visitors Authority	Environmental Protection Authority	Copra Processing Plant, Inc.	2007	2006
ASSETS											
Current assets:											
Cash and cash equivalents	\$ 6,526	\$ 1,619,838	\$ 48,104	\$ 24,999	\$ 265,566	\$ 230,641	\$ 208,177	\$ 11,479	\$ 19,595	\$ 2,434,925	\$ 2,538,067
Time certificates of deposit	-	-	-	-	728,019	-	-	-	-	728,019	1,301,271
Receivables, net:											
General	179,308	766,021	263,229	99,044	86,753	10,288	14,269	124,483	153,551	1,696,946	1,912,168
Federal agencies	-	1,853,280	-	-	-	-	-	-	-	1,853,280	-
Other	-	-	38,569	4,447	38,497	6,599	-	-	-	88,112	828,034
Inventories	535,399	283,258	68,353	122,204	-	-	-	-	1,857,400	2,866,614	2,333,768
Due from primary government	233,524	-	-	-	-	-	-	-	-	233,524	353,457
Other current assets	141,284	38,484	28,922	8,233	1,474	-	1,351	13,168	39,173	272,089	448,203
Total current assets	1,096,041	4,560,881	447,177	258,927	1,120,309	247,528	223,797	149,130	2,069,719	10,173,509	9,714,968
Noncurrent assets:											
Investments	-	538,596	-	-	-	-	-	-	-	538,596	198,085
Capital assets, net of accumulated depreciation	3,583,790	7,524,627	1,989,658	31,324	233,272	166,493	28,806	61,566	818,663	14,438,199	7,480,012
Total noncurrent assets	3,583,790	8,063,223	1,989,658	31,324	233,272	166,493	28,806	61,566	818,663	14,976,795	7,678,097
Total assets	\$ 4,679,831	\$ 12,624,104	\$ 2,436,835	\$ 290,251	\$ 1,353,581	\$ 414,021	\$ 252,603	\$ 210,696	\$ 2,888,382	\$ 25,150,304	\$ 17,393,065
LIABILITIES											
Current liabilities:											
Current portion of long-term debt	\$ 237,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650,000	\$ 887,155	\$ 860,044
Accounts payable	820,918	175,798	484,138	24,360	246,996	33,080	8,307	1,029	473,759	2,268,385	1,827,642
Other liabilities and accruals	406,776	648,765	301,092	192,010	90,248	172,226	9,901	4,608	119,211	1,944,837	2,523,647
Retention payable	-	101,505	-	-	-	-	-	-	-	101,505	-
Contracts payable	-	635,430	-	-	-	-	-	-	-	635,430	-
Due to component units	-	-	143,350	775,589	-	-	-	-	50,000	968,939	100,000
Deferred revenue	187,011	492,493	-	-	-	-	-	-	-	679,504	807,935
Total current liabilities	1,651,860	2,053,991	928,580	991,959	337,244	205,306	18,208	5,637	1,292,970	7,485,755	6,119,268
Noncurrent liabilities:											
Noncurrent portion of long-term debt	762,845	-	-	-	-	-	-	-	-	762,845	536,002
Due to primary government	2,000,000	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Other noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	-
Total noncurrent liabilities	2,762,845	-	-	-	-	-	-	-	-	2,762,845	2,536,002
Total liabilities	4,414,705	2,053,991	928,580	991,959	337,244	205,306	18,208	5,637	1,292,970	10,248,600	8,655,270
NET ASSETS											
Invested in capital assets, net of related debt	3,583,790	7,524,627	1,989,658	31,324	232,272	166,493	28,806	61,566	818,663	14,437,199	7,476,012
Restricted	-	538,796	-	-	-	-	-	-	-	538,796	248,285
Unrestricted	(3,318,664)	2,506,690	(481,403)	(733,032)	784,065	42,222	205,589	143,493	776,749	(74,291)	1,013,498
Total net assets	265,126	10,570,113	1,508,255	(701,708)	1,016,337	208,715	234,395	205,059	1,595,412	14,901,704	8,737,795
	\$ 4,679,831	\$ 12,624,104	\$ 2,436,835	\$ 290,251	\$ 1,353,581	\$ 414,021	\$ 252,603	\$ 210,696	\$ 2,888,382	\$ 25,150,304	\$ 17,393,065

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
NONMAJOR COMPONENT UNITS

Combining Schedule of Revenues, Expenses,
and Changes in Net Assets
Year Ended September 30, 2007
(with comparative totals for the year ended September 30, 2006)

	Air Marshall	College of the	Majuro	Majuro Water	Marshall Islands	Marshall	Marshall	RMI	Tobolar	Totals	
	Islands, Inc.	Marshall Islands	Resort, Inc.	and Sewer Company, Inc.	Marine Resources Authority	Islands Shipping Corporation	Islands Visitors Authority	Environmental Protection Authority	Copra Processing Plant, Inc.	2007	2006
Operating revenues:											
Charges for services	\$ 3,040,165	\$ 184,536	\$ 2,554,871	\$ 981,010	\$ 988,351	\$ 902,389	\$ -	\$ 44,080	\$ -	\$ 8,695,402	\$ 11,605,303
Sales	-	336,855	-	-	-	36,925	-	129,335	2,399,591	2,902,706	658,230
Other	342,784	3,388,918	-	29,125	216,817	30,343	257	8,226	-	4,016,470	800,786
Total operating revenues	3,382,949	3,910,309	2,554,871	1,010,135	1,205,168	969,657	257	181,641	2,399,591	15,614,578	13,064,319
Operating expenses:											
Cost of services	3,017,848	7,569,612	1,432,467	1,245,474	1,662,460	2,116,020	-	-	2,661,483	19,705,364	13,908,816
Administration costs	459,440	-	1,106,483	-	-	-	269,663	165,525	286,178	2,287,289	2,937,707
Depreciation and amortization	491,564	263,855	204,094	27,047	98,545	-	-	-	-	1,085,105	1,368,171
Total operating expenses	3,968,852	7,833,467	2,743,044	1,272,521	1,761,005	2,116,020	269,663	165,525	2,947,661	23,077,758	18,214,694
Operating income (loss)	(585,903)	(3,923,158)	(188,173)	(262,386)	(555,837)	(1,146,363)	(269,406)	16,116	(548,070)	(7,463,180)	(5,150,375)
Nonoperating revenues (expenses):											
Contributions from the primary government	2,100,000	3,237,237	-	349,404	-	1,192,448	265,292	-	1,200,000	8,344,381	4,349,198
Interest income	207	30,511	-	-	56,029	-	-	-	-	86,747	56,993
Interest expense	(74,575)	-	-	-	-	-	-	-	(118,358)	(192,933)	(115,301)
Other	(342,100)	(19,324)	(2,058)	-	12,670	-	(1,516)	60,301	11,257	(280,770)	(86,491)
Total nonoperating revenues (expenses), net	1,683,532	3,248,424	(2,058)	349,404	68,699	1,192,448	263,776	60,301	1,092,899	7,957,425	4,204,399
Capital contributions	-	5,507,034	-	-	-	162,630	-	-	-	5,669,664	1,000,000
Net income (loss)	1,097,629	4,832,300	(190,231)	87,018	(487,138)	208,715	(5,630)	76,417	544,829	6,163,909	54,024
Net assets at the beginning of the year	(832,503)	5,737,813	1,698,486	(788,726)	1,503,475	-	240,025	128,642	1,050,583	8,737,795	8,683,771
Net assets at the end of the year	\$ 265,126	\$ 10,570,113	\$ 1,508,255	\$ (701,708)	\$ 1,016,337	\$ 208,715	\$ 234,395	\$ 205,059	\$ 1,595,412	\$ 14,901,704	\$ 8,737,795

See Accompanying Independent Auditors' Report.

REPUBLIC OF THE MARSHALL ISLANDS
COMPACT OF FREE ASSOCIATION SECTOR GRANTS

Combining Balance Sheet
September 30, 2007
(with comparative totals as of September 30, 2006)

	Section 211(a)(1) Education	Section 211(a)(2) Health	Section 211(a)(3) Private Sector Development	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	Supplemental Education	Totals	
												2007	2006
ASSETS													
Receivables:													
Federal agencies	\$ 158,721	\$ 15,806	\$ -	\$ -	\$ -	\$ -	\$ 117,539	\$ -	\$ 1,421,135	\$ 29,936	\$ -	\$ 1,743,137	\$ 3,314
Due from other funds	1,039,244	435,622	-	-	-	948,372	202,324	18,637	1,120,059	1,372,080	587,392	5,723,730	2,242,074
Advances	-	-	-	-	-	-	-	-	-	-	5,847	5,847	62,051
Total assets	<u>\$ 1,197,965</u>	<u>\$ 451,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 948,372</u>	<u>\$ 319,863</u>	<u>\$ 18,637</u>	<u>\$ 2,541,194</u>	<u>\$ 1,402,016</u>	<u>\$ 593,239</u>	<u>\$ 7,472,714</u>	<u>\$ 2,307,439</u>
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	\$ 122,233	\$ 34,493	\$ -	\$ -	\$ -	\$ 136,991	\$ 319,863	\$ 10,023	\$ 176,239	\$ 12,419	\$ 218,201	\$ 1,030,462	\$ 762,182
Payable to federal agencies	228,853	364,380	-	-	-	783,860	-	8,597	-	-	-	1,385,690	-
Retention payable	-	-	-	-	-	-	-	-	1,199,652	15,260	-	1,214,912	645,747
Contracts payable	-	-	-	-	-	-	-	-	1,165,303	62,211	-	1,227,514	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	51,303
Total liabilities	<u>351,086</u>	<u>398,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>920,851</u>	<u>319,863</u>	<u>18,620</u>	<u>2,541,194</u>	<u>89,890</u>	<u>218,201</u>	<u>4,858,578</u>	<u>1,459,232</u>
Fund balances:													
Reserved for:													
Encumbrances	308,064	36,749	-	-	-	27,521	-	-	3,422,912	13,142	95,556	3,903,944	7,058,963
Continuing appropriations	-	-	-	-	-	-	-	-	13,967,623	1,537,447	-	15,505,070	-
Unreserved (deficit)	538,815	15,806	-	-	-	-	-	17	(17,390,535)	(238,463)	279,482	(16,794,878)	(6,210,756)
Total fund balances	<u>846,879</u>	<u>52,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,521</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>1,312,126</u>	<u>375,038</u>	<u>2,614,136</u>	<u>848,207</u>
Total liabilities and fund balances	<u>\$ 1,197,965</u>	<u>\$ 451,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 948,372</u>	<u>\$ 319,863</u>	<u>\$ 18,637</u>	<u>\$ 2,541,194</u>	<u>\$ 1,402,016</u>	<u>\$ 593,239</u>	<u>\$ 7,472,714</u>	<u>\$ 2,307,439</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, 2007
(with comparative totals for the year ended September 30, 2006)

	Section 211(a)(1) Education	Section 211(a)(2) Health	Section 211(a)(3) Private Sector Development	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	Supplemental Education	Totals	
												2007	2006
Revenues:													
Compact funding	\$ 11,251,642	\$ 5,364,922	\$ (7,206)	\$ 36,159	\$ (34,763)	\$ 2,480,111	\$ 3,295,329	\$ 234,894	\$ 16,582,664	\$ 974,908	\$ 4,184,490	\$ 44,363,150	\$ 35,312,542
Expenditures by Function:													
Current:													
General government:													
Special appropriations	-	-	-	-	-	-	-	-	-	-	-	-	100,000
Ministry of Education	10,509,579	-	-	-	-	820,905	-	-	-	-	4,317,782	15,648,266	14,272,953
Ministry of Health and Environment	-	5,479,255	-	-	-	1,531,685	-	-	-	-	-	7,010,940	6,564,097
Ministry of Resources and Development	-	-	-	-	-	-	-	-	-	-	-	-	254,734
Ministry of Finance	-	-	-	8	-	-	3,347,325	-	-	-	-	3,347,333	1,688,306
Environmental Protection Authority	-	-	-	-	-	-	-	201,982	-	-	-	201,982	425,814
Capital outlay	-	-	-	-	-	-	-	-	15,890,087	524,355	-	16,414,442	11,997,657
Total expenditures	10,509,579	5,479,255	-	8	-	2,352,590	3,347,325	201,982	15,890,087	524,355	4,317,782	42,622,963	35,303,561
Excess (deficiency) of revenues over (under) expenditures	742,063	(114,333)	(7,206)	36,151	(34,763)	127,521	(51,996)	32,912	692,577	450,553	(133,292)	1,740,187	8,981
Other financing sources (uses):													
Operating transfers in	-	49,470	-	-	-	-	-	-	-	944,972	-	994,442	490,244
Operating transfers out	(642,875)	-	-	-	-	(100,000)	-	-	-	-	(225,825)	(968,700)	(980,126)
Total other financing sources (uses), net	(642,875)	49,470	-	-	-	(100,000)	-	-	-	944,972	(225,825)	25,742	(489,882)
Net change in fund balances (deficits)	99,188	(64,863)	(7,206)	36,151	(34,763)	27,521	(51,996)	32,912	692,577	1,395,525	(359,117)	1,765,929	(480,901)
Fund balances (deficits) at the beginning of the year	747,691	117,418	7,206	(36,151)	34,763	-	51,996	(32,895)	(692,577)	(83,399)	734,155	848,207	1,329,108
Fund balances at the end of the year	\$ 846,879	\$ 52,555	\$ -	\$ -	\$ -	\$ 27,521	\$ -	\$ 17	\$ -	\$ 1,312,126	\$ 375,038	\$ 2,614,136	\$ 848,207

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, 2007
(with comparative totals for the year ended September 30, 2006)

	Section	Section	Section	Section	Section	Section	Section	Section	Section	Section	Supplemental	Totals	
	211(a)(1)	211(a)(2)	211(a)(3)	211(a)(4)	211(a)(5)	211(b)(1)	211(b)(2)	211(b)(3)	211(d)(1)	211(d)(2)		Education	2007
	Education	Health	Private Sector Development	Capacity Building	Environment	Special Needs	Special Needs	Environment	Public Infrastructure	Maintenance			
Revenues:													
Compact funding	\$ 11,251,642	\$ 5,364,922	\$ (7,206)	\$ 36,159	\$ (34,763)	\$ 2,480,111	\$ 3,295,329	\$ 234,894	\$ 16,582,664	\$ 974,908	\$ 4,184,490	\$ 44,363,150	\$ 35,312,542
Expenditures by Account:													
Salaries and wages	7,096,598	3,778,904	-	-	-	1,692,912	-	143,438	102,310	-	1,322,003	14,136,165	14,373,182
Capital outlay	76,002	62,866	-	-	-	95,108	-	10,565	15,775,304	524,355	22,350	16,566,550	12,437,116
Grants and subsidies	1,346,173	-	-	-	-	-	3,326,805	-	-	-	183,400	4,856,378	2,084,611
Utilities	392,292	448,526	-	-	-	44,261	20,520	9,909	-	-	50,422	965,930	881,625
Leased housing	318,581	310,610	-	-	-	-	-	-	-	-	-	629,191	385,810
Supplies and materials	218,708	148,857	-	-	-	126,572	-	-	-	-	1,226,939	1,721,076	1,405,988
Contractual services	142,240	39,533	-	8	-	61,226	-	10,000	-	-	703,750	956,757	1,309,173
Travel	136,858	180,148	-	-	-	18,652	-	10,009	1,473	-	64,260	411,400	628,272
Food stuffs	350,865	213,629	-	-	-	177,292	-	-	-	-	411,487	1,153,273	401,764
Allowances	64,800	-	-	-	-	1,000	-	-	-	-	-	65,800	42,950
Professional services	-	-	-	-	-	-	-	-	-	-	-	-	21,340
Medical supplies	-	36,849	-	-	-	-	-	-	-	-	-	36,849	23,217
Communications	41,551	35,430	-	-	-	19,336	-	10,000	-	-	11,691	118,008	93,742
POL	61,302	56,084	-	-	-	14,547	-	4,971	-	-	18,934	155,838	138,808
Rentals	23,145	29,078	-	-	-	3,340	-	-	-	-	3,000	58,563	83,678
Freight	23,708	32,027	-	-	-	786	-	-	11,000	-	2,195	69,716	53,794
Printing and reproduction	23,256	7,178	-	-	-	1,100	-	-	-	-	987	32,521	28,022
Insurance	149	2,263	-	-	-	-	-	-	-	-	-	2,412	12,895
Other	193,351	97,273	-	-	-	96,458	-	3,090	-	-	296,364	686,536	897,574
Total expenditures	10,509,579	5,479,255	-	8	-	2,352,590	3,347,325	201,982	15,890,087	524,355	4,317,782	42,622,963	35,303,561
Excess (deficiency) of revenues over (under) expenditures	742,063	(114,333)	(7,206)	36,151	(34,763)	127,521	(51,996)	32,912	692,577	450,553	(133,292)	1,740,187	8,981
Other financing sources (uses):													
Operating transfers in	-	49,470	-	-	-	-	-	-	-	944,972	-	994,442	490,244
Operating transfers out	(642,875)	-	-	-	-	(100,000)	-	-	-	-	(225,825)	(968,700)	(980,126)
Total other financing sources (uses), net	(642,875)	49,470	-	-	-	(100,000)	-	-	-	944,972	(225,825)	25,742	(489,882)
Net change in fund balances (deficits)	99,188	(64,863)	(7,206)	36,151	(34,763)	27,521	(51,996)	32,912	692,577	1,395,525	(359,117)	1,765,929	(480,901)
Fund balances (deficits) at the beginning of the year	747,691	117,418	7,206	(36,151)	34,763	-	51,996	(32,895)	(692,577)	(83,399)	734,155	848,207	1,329,108
Fund balances at the end of the year	\$ 846,879	\$ 52,555	\$ -	\$ -	\$ -	\$ 27,521	\$ -	\$ 17	\$ -	\$ 1,312,126	\$ 375,038	\$ 2,614,136	\$ 848,207

See Accompanying Independent Auditors' Report.