MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2012 AND 2011 (AS RESTATED)

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Years Ended September 30, 2012 and 2011
Table of Contents

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Islands Marine Resources Authority:

We have audited the accompanying statements of net assets of the Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands (RepMar), as of September 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of MIMRA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 MIMRA'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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of MIMRA as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the financial statements, the accompanying 2011 financial statements have been restated for the correction of an error.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2013, on our consideration of MIMRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte + Touche LLP

October 7, 2013

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Management's Discussion and Analysis
September 30, 2012 and 2011

This section of the Marshall Islands Marine Resources Authority (MIMRA) annual financial report presents our discussion and analysis of MIMRA's financial performance for the fiscal year ending September 30, 2012. Please read it and verify any clarification to the financial statements, which follow this section. The below table summarizes the financial condition and operations of MIMRA for fiscal years 2012, 2011 and 2010.

	2012	2011 (Restated)	% Change	2010
ASSETS:				
Current and other assets	$ 7,968,672	$ 5,145,531	55%	$ 3,119,533
Capital assets	194,231	101,599	91%	110,652
Investment in JV	4,195,986	5,259,874	(20%)	3,395,490
Total assets	$ 12,358,889	$ 10,507,004		$ 6,625,675
LIABILITIES:				
Current liabilities	246,525	551,170	(55%)	1,268,945
Total liabilities	246,525	551,170		1,268,945
NET ASSETS:				
Investment in capital assets	194,231	101,599	91%	110,652
Unrestricted	11,918,133	9,854,235	21%	5,246,078
	12,112,364	9,955,834		5,356,730
Total liabilities and net assets	$ 12,358,889	$ 10,507,004		$ 6,625,675

Revenue, Expenses and Changes in Net Assets:

	2012	2011 (Restated)	% Change	2010
Operating revenues	$ 8,385,782	$ 7,865,925	7%	$ 2,232,183
Operating expenses	2,185,428	2,007,390	9%	1,865,868
Operating income	6,200,354	5,858,535		366,315
Non-operating revenues	2,121,176	1,990,569	7%	1,146,394
Non-operating expenses	6,165,000	3,250,000	90%	203,574
Net non-operating revenues (expenses)	(4,043,824)	(1,259,431)		942,820
Changes in net assets	2,156,530	4,599,104	(53%)	1,309,135
Net assets at beginning of year	9,955,834	5,356,730	86%	4,047,595
Net assets at end of year	$ 12,112,364	$ 9,955,834		$ 5,356,730

Overall Analysis

In FY 2012, operating revenues increased by $519,857 or (7%) compared with FY2011; however, for FY2011, operating revenues increased by $5.634M (or 252%) compared to FY2010. For FY2012, licensing and registration fees and transshipment fees decreased by $5,716 (or 0.4%) and $39,500 (or 13%), respectively, compared with FY2011 while observers fees increased by $27,148 (or 7%) compared with FY2011.

On the other hand, MIMRA was able to collect fishing fines during FY2012 for violations in the access agreement signed by both parties amounting to $335,000 compared with $10,000 in FY2011. Fishing day sales (VDS) boosted total revenue generated by MIMRA during the current year in the amount of $2,865,099 but compared to FY2011 it is lower by $771,401 or 21%. Included also in the revenue is the fishing rights, which are income from Japan Bilateral, US Treaty & FSM arrangement share amounting to $3,071,879, which is a significant boast to the current year FY2012 revenue. The FY2011 Financial Statement is restated due to some timing difference on the take up of revenue from VDS amounting to $2,572,500 and the inclusion of revenue from the Fishing Rights amounting to $2,116,371. Total fishing vessels (purse seiners, carriers and bunker vessels) transshipped in the RMI port is 285 boats short by 22 boats in FY2011 (307 boats) but still higher than the average of 200 boats per year for the previous years.

For the current year, Korea and Taiwan did not register any vessels, but they're buying fishing days from MIMRA. Korea and Taiwan bought 220 and 270 fishing days, respectively, amounting to $2,450,000. Domestic companies like Koo's Fishing-***4 boats***, Marshall Islands Fishing Corporation (MIFCO)-***1 boat***, Central Pacific Fishing-***2 boats*** and Pan Pacific-***3 boats*** registered the same number of boats as in prior year. Domestic-based companies had no significant impact on the overall revenue picture of MIMRA for the current year as there was no increase of their license rates, including the long liners of Marshall Islands Fishing Venture (MIFV). Overall, operating revenue for FY2012 increased by 7% ($8,385,782) compared to FY2011 ($7,872,932) and exceeded estimated revenues by $3,222,382 against the budgeted collection of $5,163,400 for FY2012.

Although VDS revenue, licensing and registration fees and transshipment revenue fees are lower compared to last fiscal year, earnings from all other revenue sources went up such as Fishing Rights, Observers Fees, Fishing violations and other fees. As discussed above, fishing day sales and fishing rights boosted total revenues of MIMRA for the current fiscal year, thus, positively impacted the overall picture of MIMRA's financial condition during FY2012.

For FY2012, operating expenses increased by $178,038 (or 9%) compared with FY2011. Highest increase in the Operating expenses is the miscellaneous-78% (due to Fish Market Insurance). Communication-49%, Repairs-45%, Salaries & Wages-24% (due to the inclusion of payroll for the Fish Market employees this year but not in FY2011), Utilities-51% (Fish Market consumption has exceeded what is budgeted for their monthly consumption) and lastly Travel-13% compared to FY2011 expenses.

Overall, the effect of the increase in expenses resulted in the operating income for FY2012 of $6.2M, an increase of $0.342M (or 6%) compared with FY2011. Net non-operating expenses of $4.044M further decreased the results of operations of MIMRA for FY2012. These included the recognition of $1.826M in joint venture equity earnings from MIFCO, offset by the distribution made to RepMar of $6.100M and a $65,000 contribution to the Micronesian Challenge Treaty.

MIMRA's financial condition as shown on the Changes in Net Assets shows an overall 22% increase compared to FY 2011, which is 22% lower compared to FY2010.

Management's Discussion and Analysis for the year ended September 30, 2011 is set forth in MIMRA's report on the audit of financial statements, which is dated July 3, 2012. That Management Discussion and Analysis explains the major factors impacting the 2011 financial statements and can be obtained from MIMRA's Administrator via the contact information in page 9.

Fund Analysis

At the end of FY2012, MIMRA's combined fund (Savings and Current Account) amounting to $7,260,716, which was an increase of $4,890,478 compared to at the end of FY2011. The major reason for the increase is the increase in collection of revenues deposited in FY2012. Though transfer to RepMar is $6.100M compared to the $3.000M in FY2011, the Cash in Bank is still higher because of the higher collection during the year. Contribution to RepMar is higher compared to FY2011, but due to income in the Equity Earning from joint venture & interest income, it covers half of the contribution thus, the higher bank balances as of the current year.

Budget Variances

Actual operating revenues is on the favorable by as much as $3.222M compared to the final budget (***budgeted revenue includes that of Japan bilateral, FSM arrangement and US Treaty which has a total budget of $1,520,000 during the year***). For the current year, earnings from the aforementioned groups is part of the total revenue in MIMRA's financial statements. Actual expenses of $2.185M compared to the budgeted amount of the current year of $2.563M million is favorable by 15%.

Capital Assets

At the end of the FY2012, MIMRA has a net investment in capital assets of $194,231. Due to the total additions of $139,172 in capital assets in FY2012, the net effect is an increase in the balance of capital assets. The increase which is equivalent to 91% compared to the previous years is a good indication. The capital assets owned by MIMRA right now are in good standing. (See table below).

MIMRA Capital Assets

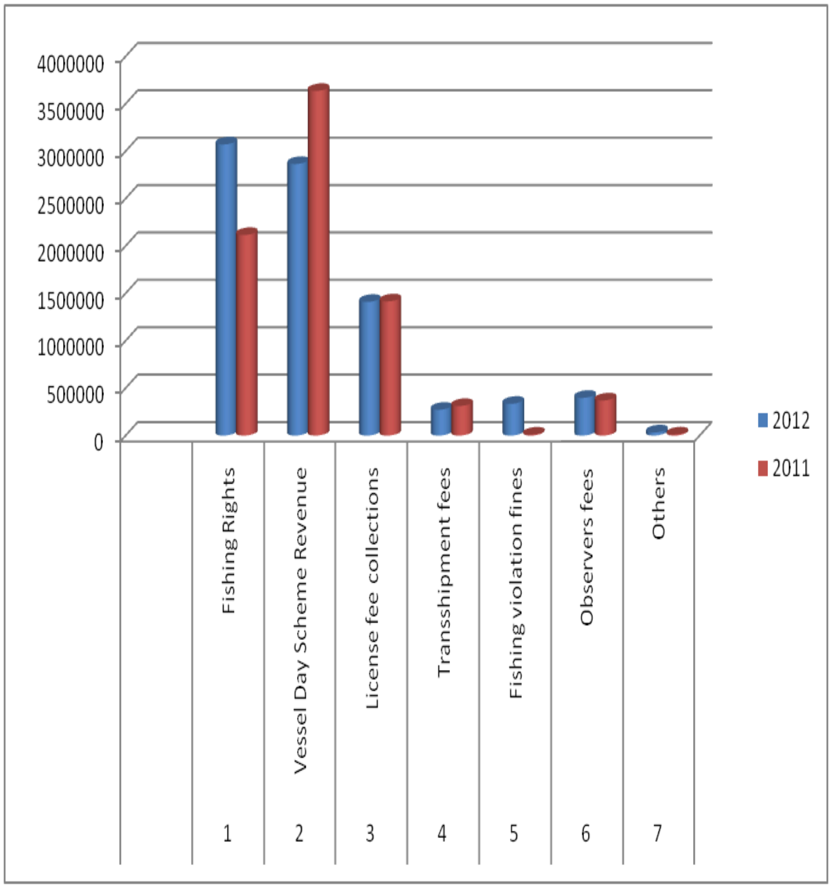
	2012	2011	2010
Buildings and improvements	$ 176,367	$ 176,367	$ 176,367
Equipment improvements	23,446	16,210	16,210
Vehicles	211,585	146,595	146,595
Equipment	310,374	267,320	250,036
Furniture and fixtures	31,754	25,828	25,828
Motorboats	90,617	90,617	90,617
Grand total	844,143	722,937	705,653
Less: accumulated depreciation	649,912	621,338	595,001
Net	$ 194,231	$ 101,599	$ 110,652

Fiscal Year 2012 major capital asset additions include:

1.	Equipment and improvement	$ 61,020
2.	Vehicles	$ 64,990
3.	Furniture & Fixtures	$ 5,926

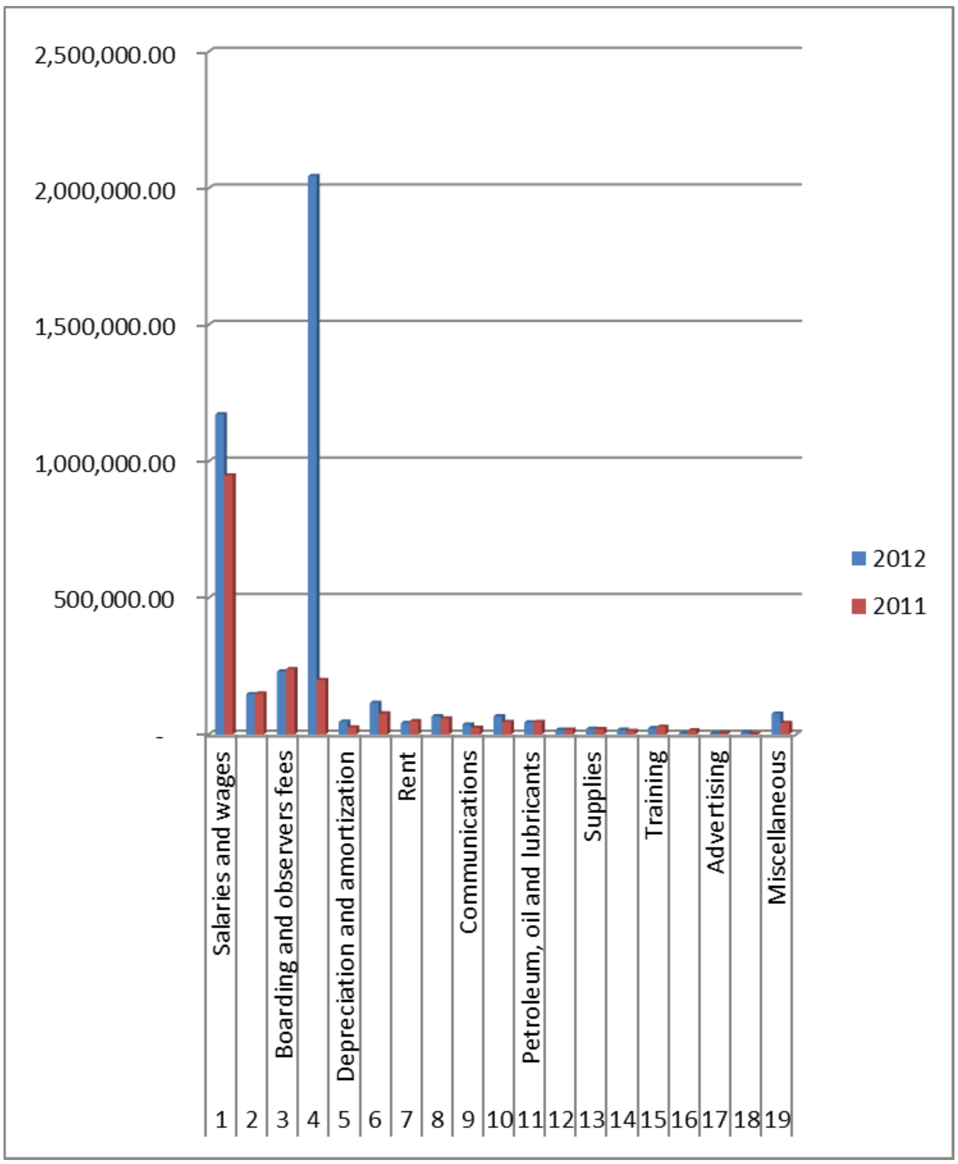
For additional information concerning capital assets, please see note 5 to the financial statements.

COMPARATIVE REVENUE - FY 2012 VS FY 2011



	2012	2011	2010
Fishing rights	$ 3,071,879	$ 2,116,371	$ 2,000,011
Vessel day scheme revenue	2,865,099	3,636,500	-
License fee collections	1,410,236	1,415,952	1,344,866
Transshipment fees	272,500	312,000	411,000
Fishing violation fines	335,000	10,000	325,000
Observers fees	397,749	370,601	120,868
Others	33,319	11,508	30,449
Total revenues	$ 8,385,782	$ 7,872,932	$ 4,232,194
Overall change in 2012 compared to 2011	$ 512,850	7%	

COMPARATIVE OPERATING EXPENSES (2012-2011)



	2012	2011	2010
Salaries and wages	$ 1,172,247	$ 948,833	$ 940,040
Membership dues and subscription	147,866	149,542	167,093
Boarding and observers fees	230,962	239,201	122,160
Bad debts expense	44,595	199,639	35,512
Depreciation and amortization	46,540	26,337	54,073
Utilities	115,901	76,859	72,784
Rent	41,659	48,799	62,198
Travel	67,008	59,109	79,384
Communications	36,905	24,726	39,791
Repairs and maintenance	66,561	45,941	37,164
Petroleum, oil and lubricants	44,269	45,448	42,910
Professional fees	17,000	17,050	17,000
Supplies	21,077	19,743	18,042
Contributions	17,718	12,686	71,724
Training	22,977	28,024	25,037
Entertainment	4,671	15,633	8,626
Advertising	4,178	5,348	6,133
Freight	7,355	1,912	8,237
Miscellaneous	75,939	42,560	57,960
Total operating expenses	$ 2,185,428	$ 2,007,390	$ 1,865,868
Overall change in OPEX (FY2012 vs FY 2011)	$ 178,038	9%	

Economic Factors and Next year Budgets and Rates

Budget has been formulated for FY2013. A 20% to 30% percent increase in the operating expenses is provided (net of both increase and decrease of budget on some line items) due to high prices in the Marshall Islands. In addition, an approved Board minute during the second half of the year-FY2013, approved a 15% across the board increase on salaries and wages. There will be an effect in the FY2013 operating expenses on the approval. Travel expenses, both international and domestic, will depend on how it will be funded, but those unfunded trips, MIMRA will shoulder the expenses. Some domestic travel is covered by grants that was approved and released to MIMRA in previous years, will be used during FY2013. For international travel, internal agreement by the management for such shall be limited to externally funded travel unless, in certain cases, where MIMRA shall match the travel expenses and, in cases, where it is necessary that MIMRA must fund the travel.

The continuing up and down prices of fuel in the world market also affected the Marshall Islands. Marshall Islands still has the highest fuel prices in Micronesia by at least a little over 30% of the pump prices. Price ranges from $5 to $6 per gallon and reach as high as $6.50 per gallon. Thus, commodities in the island continue to have high prices compared to that in the previous years, including the cost of utilities. MIMRA's cost saving and conservation measures adopted in the FY2012 will continue to be adopted in the formulation for the FY2013 budget. As mentioned above, Salaries and wages has an approved increase of 15% across the board, by the MIMRA Board of Directors. Some positions are still to be filled up. So that budget for new hires is also provided.

Though climate change is continuing, FAD closure is also an aspect that affects the revenue collection of the Agency, especially on the transshipment revenue. Because of FAD closure, such means fewer boats berthing in the Marshall Islands. New Bilateral Agreement between Japan and MIMRA has been signed and would definitely help in the increase of revenue for FY2013. Fishing Days sales is also one factor that boast the revenue for MIMRA.

Contacting MIMRA's financial management

This financial report is designed to provide our beneficiaries and others a general overview of MIMRA's finances and to demonstrate its accountability for the money it collects. If you have questions about this report or need additional financial information, contact the Administrator, P.O. Box 175, Majuro, MH 96960 or via e-mail at mimra.@ntamar.net

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Net Assets
September 30, 2012 and 2011

ASSETS	2012	2011 (As Restated)
Current assets:		
Cash	$ 457,460	$ 564,117
Time certificates of deposit	6,803,256	1,806,121
Receivables:		
Affiliates	502,410	428,860
Trade	242,886	166,370
Due from PNA Office	307,099	2,572,000
Due from joint venture	-	89,225
Accrued interest	68,363	-
Other	967,790	879,009
	2,088,548	4,135,464
Less allowance for doubtful accounts	(1,380,592)	(1,360,171)
	707,956	2,775,293
Total current assets	7,968,672	5,145,531
Improvements and equipment, net	194,231	101,599
Investment in joint venture	4,195,986	5,259,874
	$ 12,358,889	$ 10,507,004
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 43,640	$ 256,837
Payable to affiliates	80,523	66,334
Deferred revenue	-	125,888
Other liabilities and accruals	122,362	102,111
Total liabilities	246,525	551,170
Commitments		
Net assets:		
Invested in capital assets	194,231	101,599
Unrestricted	11,918,133	9,854,235
Total net assets	12,112,364	9,955,834
	$ 12,358,889	$ 10,507,004

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2012 and 2011

	2012	2011 (As Restated)
Operating revenues:		
Fishing Rights	$ 3,071,879	$ 2,116,371
Vessel Day Scheme revenue	2,865,099	3,636,500
Licensing and registration fees	1,410,236	1,415,952
Observers fees	397,749	370,601
Fishing violation fines	335,000	10,000
Transshipment fees	272,500	312,000
Other	33,319	11,508
	8,385,782	7,872,932
Less allowance for uncollectible accounts	-	(7,007)
Total operating revenues	8,385,782	7,865,925
Operating expenses:		
Salaries and wages	1,172,247	948,833
Boarding and observer fees	230,962	239,201
Membership dues and subscriptions	147,866	149,542
Utilities	115,901	76,859
Travel	67,008	59,109
Repairs and maintenance	66,561	45,941
Depreciation and amortization	46,540	26,337
Bad debt expense	44,595	199,639
Petroleum, oil and lubricants	44,269	45,448
Rent	41,659	48,799
Communications	36,905	24,726
Training	22,977	28,024
Supplies	21,077	19,743
Contributions	17,718	12,686
Professional fees	17,000	17,050
Freight	7,355	1,912
Entertainment	4,671	15,633
Advertising	4,178	5,348
Miscellaneous	75,939	42,560
Total operating expenses	2,185,428	2,007,390
Operating income	6,200,354	5,858,535
Nonoperating revenues (expenses), net:		
Equity in earnings of joint venture	1,826,838	1,877,894
Grants	102,485	39,029
Interest income	191,853	73,646
Contribution to College of Marshall Islands	-	(250,000)
Contributions to Micronesian Challenge	(65,000)	-
Transfer out to RepMar	(6,100,000)	(3,000,000)
Total nonoperating revenues (expenses), net	(4,043,824)	(1,259,431)
Change in net assets	2,156,530	4,599,104
Net assets at beginning of year	9,955,834	5,356,730
Net assets at end of year	$ 12,112,364	$ 9,955,834

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	2012	2011 (As Restated)
Cash flows from operating activities:		
Cash received from customers	$ 10,261,774	$ 4,812,751
Cash payments to suppliers for goods and services	(1,121,054)	(990,649)
Cash payments to employees for services	(1,151,996)	(943,909)
Net cash provided by operating activities	7,988,724	2,878,193
Cash flows from noncapital financing activities:		
Operating grants received	102,485	39,029
Payments made to RepMar and affiliates	(6,100,000)	(3,250,000)
Contributions to Micronesian Challenge	(65,000)	-
Net cash used for noncapital financing activities	(6,062,515)	(3,210,971)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(139,172)	(17,284)
Cash flows from investing activities:		
Net additions (withdrawals) time certificates of deposit	(4,997,135)	14,021
Dividend received from joint venture	2,979,951	-
Interest received on time certificates of deposit	123,490	93,965
Net cash provided by (used for) investing activities	(1,893,694)	107,986
Net change in cash	(106,657)	(242,076)
Cash at beginning of year	564,117	806,193
Cash at end of year	$ 457,460	$ 564,117
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 6,200,354	$ 5,858,535
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	46,540	26,337
Bad debts	44,595	206,646
Decrease (increase) in assets:		
Receivables:		
Affiliates	(73,550)	-
Trade	(100,690)	91,041
Due from PNA Office	2,264,901	(2,572,000)
Other	(88,781)	(14,591)
Increase (decrease) in liabilities:		
Accounts payable	(213,197)	3,657
Payable to affiliates	14,189	(161,725)
Deferred revenue	(125,888)	(564,631)
Other liabilities and accruals	20,251	4,924
Net cash provided by operating activities	$ 7,988,724	$ 2,878,193
Summary of noncash financing activities:		
Income from equity share investment:		
Decrease (increase) in investment in joint venture	$ 1,063,888	$ (1,864,384)
Decrease (increase) in receivable from joint venture	89,225	(13,510)
Dividend income from joint venture	(2,979,951)	-
Equity in earnings of joint venture	1,826,838	1,877,894
	$ -	$ -

See accompanying notes to financial statements.

(1) Organization

The Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands (RepMar), was created under Public Law 1997-60, the Marshall Islands Marine Resources Act of 1997. This legislation repealed Public Law 1988-12, the Marshall Islands Marine Resources Authority Act, 1988, and transferred all assets, liabilities, rights and obligations of the former Marshall Islands Marine Resources Authority (established under Public Law 1988-12) to MIMRA, effective October 2, 1997. MIMRA's principal line of business is to facilitate the sustainable and responsible use of the marine resources in the Marshall Islands. Access to the fishery waters of the Marshall Islands, including transshipment related activities, is granted by MIMRA to foreign and domestic-based fishing vessels through an access agreement, for which certain fees and licenses are levied.

MIMRA is governed by a seven-member Board of Directors, including three members consisting of the Minister of Resources and Development, the Secretary of Foreign Affairs and the Attorney General and four members appointed by the President of RepMar.

MIMRA's financial statements are incorporated into the financial statements of RepMar as a component unit.

(2) Summary of Significant Accounting Policies

The accounting policies of MIMRA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. MIMRA has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which was subsequently amended by Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and modified by Statement No. 38, *Certain Financial Statement Note Disclosures*, establishes financial reporting standards for governmental entities which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to the requirements of GASB 34, equity is presented in the following net asset categories:

- Invested in capital assets; capital assets, net of accumulated depreciation, plus construction or improvement of those assets.

- Unrestricted; net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statements of net assets. Proprietary fund operating statements present increases and decreases in net total assets. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. MIMRA considers operating revenues to include activities that have the characteristics of exchange transactions, such as (1) fishing rights, Vessel Day Scheme revenues, licensing, transshipment, and other fees, and (2) other local revenues. Revenues and expenses related to other activities are considered to be nonoperating.

Cash and Time Certificates of Deposit

Custodial credit risk is the risk that in the event of a bank failure, MIMRA'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. MIMRA does not have a deposit policy for custodial credit risk.

For purposes of the statements of net assets and cash flows, cash is defined as cash on hand and cash held in demand accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified. As of September 30, 2012 and 2011, the carrying amount of cash and time certificates of deposit were $7,260,716 and $2,370,238, respectively, and the corresponding bank balances were $7,274,813 and $2,641,978, respectively. Of the bank balances, $352,351 and $463,180, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of $6,922,462 and $2,178,798, respectively, were maintained in a non-FDIC insured financial institution. As of September 30, 2012 and 2011, bank deposits in the amount of $250,000 were FDIC insured. MIMRA 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.

Receivables

All receivables are uncollateralized and are due from customers, both governmental agencies and businesses, located within the Republic of the Marshall Islands and the Pacific region, including Japan, Korea and Taiwan. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluation of the collectibility of these accounts and prior collection experience. The allowance is established through a provision for losses on accounts receivable charged to expense.

Improvements and Equipment

MIMRA has not adopted a formal capitalization policy for improvements and equipment; however, items with a cost that equals or exceeds $1,000 are generally capitalized. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets as follows:

(2) Summary of Significant Accounting Policies, Continued

Improvements and Equipment, Continued

Building improvements	10 years
Equipment improvements	10 years
Vehicles	3 years
Equipment	4 years
Furniture	4 years
Motor boats	6 years

Deferred Revenue

Deferred revenue includes amounts received for fishing licenses prior to the end of the fiscal year but related to the subsequent accounting period.

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. MIMRA is specifically exempt from this tax.

Revenue Recognition

Fees with respect to services are recognized as the right to consideration accrues through the provision of the service to the customer. Licensing and other fees are recognized as revenue when paid based on the licensing period they pertain to. The Vessel Day Scheme (VDS) is a scheme where vessel owners can purchase and trade days fishing at sea in places subject to the Parties to the Nauru Agreement (PNA). Revenues from the VDS are recognized upon issuance of fishing days transfer notification.

Non-operating revenues and expenses primarily consist of equity earnings in joint venture, investment earnings, grants, and contributions to RepMar.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. As of September 30, 2012 and 2011, the accumulated vacation leave liability totals $57,380 and $51,808, respectively, and is included within the statements of net assets as other liabilities and accruals.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Summary of Significant Accounting Policies, Continued

Reclassifications

Certain balances in the 2011 presentation have been reclassified to conform to the 2012 presentation.

New Accounting Standards

During the year ended September 30, 2012, MIMRA implemented the following pronouncements:

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management has not yet determined the effect of implementation of this statement on the financial statements of MIMRA.

In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of MIMRA.

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of MIMRA.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of MIMRA.

(3) Risk Management

MIMRA 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. MIMRA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

(4) Investment in Joint Venture

On May 1, 2005, MIMRA entered into a joint venture agreement with Koo's Fishing Company, Ltd. (KFC) to form the Marshall Islands Fishing Company (MIFCO), an ongoing association for the purpose of engaging in the purse seine fishing business. The association was formally organized during fiscal year 2006 with the purchase of the vessel, RMI201. MIMRA and KFC's contributed capital at the time was $2,940,000 and $3,060,000, respectively, which represented a 49% and 51% interest, respectively, of the vessel's value of $6,000,000.

The parties agreed that the joint venture will be operated by KFC and MIMRA will not be liable to the joint venture.

(4) Investment in Joint Venture, Continued

A summary of financial information as of and for the years ended December 31, 2012 and 2011, for investees accounted for using the equity method of accounting for investments, are as follows:

	2012	2011
Assets	$ 13,761,157	$ 16,447,303
Liabilities	$ 4,344,979	$ 4,547,859
Net earnings	$ 3,416,178	$ 4,660,014

During the years ended September 30, 2012 and 2011, MIMRA received distributions of $2,979,951 and $0, respectively, from the joint venture.

(5) Improvements and Equipment

Capital assets activity during the years ended September 30, 2012 and 2011 is as follows:

	2012			
	October 1, 2011	Additions	Disposal	September 30, 2012
Building improvements	$ 176,367	$ -	$ -	$ 176,367
Equipment	267,320	61,020	(17,966)	310,374
Equipment improvements	16,210	7,236	-	23,446
Vehicles	146,595	64,990	-	211,585
Furniture and fixtures	25,828	5,926	-	31,754
Motor boats	90,617	-	-	90,617
	722,937	139,172	(17,966)	844,143
Less accumulated depreciation	(621,338)	(46,540)	17,966	(649,912)
	$ 101,599	$ 92,632	$ -	$ 194,231

	2011			
	October 1, 2010	Additions	Disposal	September 30, 2011
Building improvements	$ 176,367	$ -	$ -	$ 176,367
Equipment	250,036	17,284	-	267,320
Equipment improvements	16,210	-	-	16,210
Vehicles	146,595	-	-	146,595
Furniture and fixtures	25,828	-	-	25,828
Motor boats	90,617	-	-	90,617
	705,653	17,284	-	722,937
Less accumulated depreciation	(595,001)	(26,337)	-	(621,338)
	$ 110,652	$ (9,053)	$ -	$ 101,599

(6) Related Party Transactions

MIMRA was created by the Nitijela of RepMar under Public Law 1997-60 and is thus considered a component unit of RepMar. Accordingly, MIMRA is affiliated with all RepMar-owned and affiliated entities, including the Marshall Islands Social Security Administration (MISSA), the College of Marshall Islands, and Air Marshall Islands, Inc.

(6) Related Party Transactions, Continued

On September 20, 2000, the Cabinet of RepMar approved the disbursement of funds from MIMRA, totaling $300,000, to MISSA and approved the subsequent reimbursement to MIMRA from RepMar's General Fund. The promissory note issued by RepMar states that payment is due on September 20, 2001 and that 16% and 24%, interest and penalty, respectively, shall apply in the event of nonpayment on the due date. As of September 30, 2012 and 2011, MIMRA has not been reimbursed for this amount. As a result, $123,288 of interest and penalties has been accrued at September 30, 2012 and 2011 and $423,288 has been included in the allowance for doubtful accounts at September 30, 2012 and 2011.

During the year ended September 30, 2012, MIMRA advanced $2,000,000 to the Marshalls Energy Company, Inc. (MEC), to be repaid one year from August 2, 2012 at no interest. In the memorandum of agreement between MIMRA and MEC, future utility billing collections received by MEC from RepMar will be used to repay the advance. On January 29, 2013, MIMRA's Board of Directors approved the forgiveness of the advance to MEC for the purposes of satisfying budgetary requirements of RepMar through contributions from MIMRA for the funding of RepMar's utility billings. Accordingly, this advance is considered a cash contribution to RepMar's General Fund of $2,000,000 during the year ended September 30, 2012.

MIMRA utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions for the years ended September 30, 2012 and 2011 is as follows:

	2012		
	Expenses	Payables	Receivables
Marshall Islands Social Security Administration	$ 65,424	$ 51,713	$ -
Marshall Islands National Telecommunications Authority	37,353	-	-
Marshalls Energy Company, Inc.	109,222	8,726	-
RepMar	39,003	20,084	423,288
Others	9,474	-	79,122
	$ 260,476	$ 80,523	$ 502,410

	2011		
	Expenses	Payables	Receivables
Marshall Islands Social Security Administration	$ 68,833	$ 39,571	$ -
Marshall Islands National Telecommunications Authority	26,210	3,708	-
Marshalls Energy Company, Inc.	69,035	9,090	-
RepMar	26,410	13,965	423,288
Others	24,266	-	5,572
	$ 214,754	$ 66,334	$ 428,860

(6) Related Party Transactions, Continued

MIMRA acts as an agent of RepMar for the purposes of collecting and remitting income received from sovereign nations in accordance with various international fishing rights treaties. During the years ended September 30, 2012 and 2011, MIMRA collected $3,071,879, and $2,116,371, respectively, under these treaties, of which $0 and $196,687, respectively, remained outstanding and receivable as of September 30, 2012 and 2011.

MIMRA provided cash contributions to RepMar's General Fund of $4,100,000 and $3,000,000, respectively, during the years ended September 30, 2012 and 2011.

MIMRA occupies certain office space and uses properties belonging to RepMar at no cost. No lease agreements have been executed to formalize these arrangements and no rental payments are anticipated. The fair value of these contributions is presently not determinable. Accordingly, the contributed use of facilities has not been recognized as revenue and expenses in the accompanying financial statements.

(7) Commitments

MIMRA has assumed payment obligations under certain ground leases, which were previously obligations of RepMar's Ministry of Internal Affairs. In addition, MIMRA has assumed the payment obligation under a ground lease, which was previously the obligation of an unrelated party. These ground leases have original terms ranging from five to twenty-five years, expiring in 2010 through 2034.

Total future minimum lease payments for subsequent years ending September 30, are as follows:

Year ending September 30,	
2013	$ 21,166
2014	20,833
2015	20,833
2016	19,825
2017	19,490
2018 - 2022	94,943
2023 - 2027	55,911
2028 - 2032	9,314
2033 - 2034	4,657
	$ 266,972

(8) Restatement

Subsequent to the issuance of MIMRA's 2011 financial statements, MIMRA management determined that receivables were understated by $2,572,000. As a result of this determination, receivables and related Vessel Day Scheme revenue have been restated from the amounts previously reported as follows:

	As Previously Reported	As Restated
At September 30:		
Current assets:		
Receivables:		
Due from PNA Office	$ -	$ 2,572,000
Net assets - Unrestricted	$ 7,282,235	$ 9,854,235
Total net assets	$ 7,383,834	$ 9,955,834
For the year ended September 30:		
Operating revenues:		
Vessel Day Scheme revenue	$ 1,064,500	$ 3,636,500
Change in net assets	$ 2,027,104	$ 4,599,104
Net assets at end of year	$ 7,383,834	$ 9,955,834

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Marshall Islands Marine Resources Authority:

We have audited the financial statements of the Marshall Islands Marine Resources Authority (MIMRA) as of and for the year ended September 30, 2012, and have issued our report thereon dated October 7, 2013. Our report includes an explanatory paragraph concerning the correction of an error. 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.

Internal Control Over Financial Reporting

Management of MIMRA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered MIMRA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MIMRA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MIMRA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MIMRA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MIMRA in a separate letter dated October 7, 2013.

This report is intended solely for the information and use of the Board of Directors, management, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

October 7, 2013

Unresolved Prior Year Findings
Year Ended September 30, 2012

There were no unresolved audit findings from prior year audits of MIMRA.