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, 2008 AND 2007

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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, 2008 and 2007, 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, 2008 and 2007, 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 10 to the financial statements, beginning net assets have been restated to correct a misstatement.

The Management's Discussion and Analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of MIMRA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2009, on our consideration of 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.

Deloitte & Touche LLP

June 10, 2009

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Management's Discussion and Analysis
September 30, 2008

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, 2008. 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 2008 and 2007.

	2008	As Restated 2007	% Change	2006
ASSETS:				
Current and other assets	$ 1,713,840	$ 1,120,309	53%	$ 1,489,120
Capital assets	175,471	233,272	(25)%	351,799
Investment in JV	4,192,609	3,872,761	8%	-
Total Assets	$ 6,081,920	$ 5,226,342		$ 1,840,919
LIABILITIES:				
Current liabilities	$ 338,670	$ 396,570	(15)%	$ 337,444
Long-term liabilities	2,526,813	2,800,717	(10)%	-
Total Liabilities	2,865,483	3,197,287		337,444
NET ASSETS:				
Invested in capital assets	175,471	233,272	(25)%	351,799
Unrestricted	3,040,966	1,795,783	69%	1,151,676
Total net assets	$ 3,216,437	$ 2,029,055		$ 1,503,475
Revenue, Expenses and Changes in Net Assets:				
Operating revenue	$ 2,131,989	$ 1,205,168	77%	$ 2,074,042
Operating expenses	1,603,786	1,761,005	(9)%	1,578,158
Operating income (loss)	528,203	(555,837)		495,884
Non-operating revenues	1,182,923	1,201,914	(39)%	38,947
Non-operating expenses	(523,744)	(120,497)	(51)%	-
Net non-operating revenue (expenses)	659,179	1,081,417		38,947
Changes in net assets	1,187,382	525,580	126%	534,831
Net assets at beginning of year	2,029,055	1,503,475	35%	968,644
Net assets at end of year	$ 3,216,437	$ 2,029,055		$ 1,503,475

Overall Analysis

Compared to FY 2007 results of operations, there was a 77% increase in FY 2008 operating revenue as compared to FY 2007 which had a 42% decline when compared to FY2006. The reason for this was that both Korea and Taiwan registered 26 and 24 boats, respectively, during the current year. Though these are a lesser number of boats compared to previous years' high in 2005 of 27 and 34, respectively, since the access fees increased, that's why there is an increase in total revenues. Though the locally registered boat has maintained registration, the non-increase of their registration payments has no effect on the overall revenue picture of the current year. Licensing fee collections increased by 130% and follows all other revenue generation, which has also increased by 46%. Compared to FY2007 over FY 2006, this has a 33% effect. Overall, the revenue operation in FY2008 resulted in an increase in collection of 77%, which is short by $146,000 against the budgeted collection of $ 2.278M during the year. Budgeted amounts of collections here in the MD&A do not include Japan bilateral, FSM and US Treaty and interest and other income.

As a result of an increase in collections of license fees and other related fees, comes the increase in the boats calling in port at Majuro, the overall picture of MIMRA financial condition is better compared to the negative operating results during FY2007. Operating expenses for FY 2008 has a favorable condition against FY 2007. MIMRA has saved at least $170,000 during FY2008 compared to FY2007. This is more due to lower expenses than during FY2007, which had a 12% increase compared to FY2006. The biggest expense increase so far during the current year is training-55%, utilities-36% and petroleum, oil & lubricants at 14%. Almost all other expenses decreased though there are increases with high percentages but with lower amounts. There is also a savings during the year, which comes from salaries and wages of $14,143, which is equivalent to 2% over FY2007. The increase in revenue collection and the savings in operating expenses resulted in an operating income for MIMRA for the current year of $.528M.

MIMRA's financial condition as shown on the Changes in Net Assets shows an overall 126% increase compared to FY 2007.

The financial statements, as discussed above, for 2007 have been restated due to the correction of a misstatement. Refer to note 10 to the financial statements for additional discussion.

Fund Analysis

As MIMRA completed the year, the agency's combined fund (Savings and Current Account) has a total balance of $ 1,539,514, which was $ 545,929 higher compared to FY 2007. The reason for the increase is due to the increase in revenue generated during the current fiscal year and a savings in operating expenses. Even though interest earned is lesser by almost $ 3,000 over FY 2007, there is really almost no effect on the overall picture of MIMRA financial condition. Transfers out to REPMAR of $450,000 comes from earned dividends from the Joint Venture with Koos' Fishing Ltd. Said amount was deducted from MIMRA's profit share, the details of which are discussed in note 4 to financial statements.

Budget Variances

Actual operating revenues are unfavorable by as much as $ 1,334,411 compared to the final budget (***budget income includes that of Japan bilateral, FSM arrangement and US Treaty***). But since the payment from the mentioned group is not included in MIMRA financial statements, the unfavorable amount is only around $146,000. Actual expenses of $1.592M compared to those budgeted for the current year of $1.832M are less favorable by 13%.

Capital Asset

At the end the current year FY 2008, MIMRA has net assets invested in capital assets of $175,471. Though there was a total addition of $ 17,700 of capital assets, the net effect is a reduced balance. The decrease, which is equivalent to 24% compared to the previous years, is not a good indication. The capital assets of MIMRA right now are not in good standing; thus, management needs to look at it carefully. (See table below).

MIMRA Capital Assets

	2008	2007	2006
Buildings and improvements	$ 176,367	$ 176,367	$ 341,367
Equipment improvements	86,070	78,920	76,320
Vehicles	146,595	146,595	123,595
Equipment	206,354	198,665	184,230
Furniture and fixtures	24,654	23,792	19,734
Motorboats	63,316	63,316	60,016
Grand total	703,356	687,655	805,262
Less: accumulated depreciation	527,885	454,383	453,463
	$ 175,471	$ 233,272	$ 351,799

Fiscal Year 2008 major capital asset additions include:

1. EQUIPMENT:

a.) Computers and printer	$ 7,689
b.) Woja Hatchery Equipment	-
c.) Others	911
d.) New air condition unit (FNTC)	1,950
TOTAL	$ 10,550

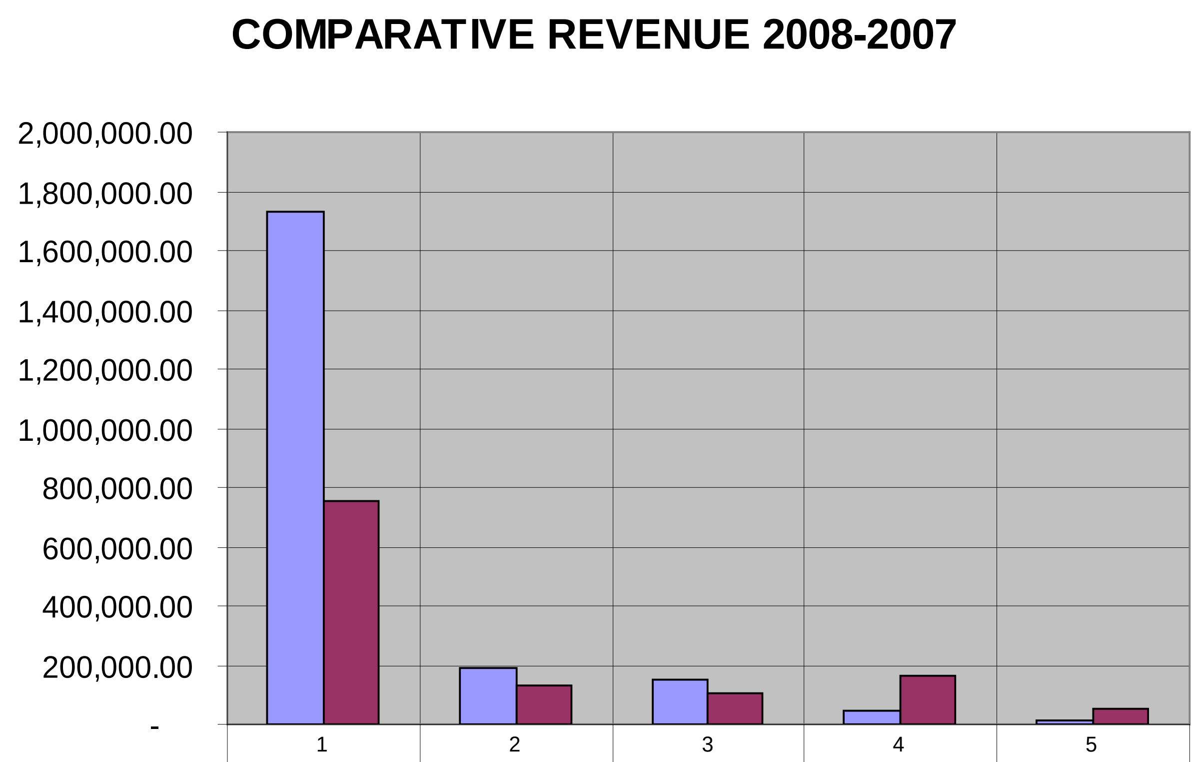
2. MOTORBOATS – Coastal $ 7,150

3. VEHICLES $ -

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

Long-Term Debt

Long term debt shown in the financial statements is the cost of the boat for the Joint venture with Koo's Fishing Ltd., which represents a 49% ownership of the Joint Venture. MIMRA will be charged interest at 3% per annum for the share of the joint venture which the capital contribution is provided for MIMRA by Koo's. As per the agreement, MIMRA's share for the first two years will be 100% applied to the liability and 50% thereafter. For additional information concerning MIMRA's long-term debt, please see notes 4 and 8 to the financial statements.



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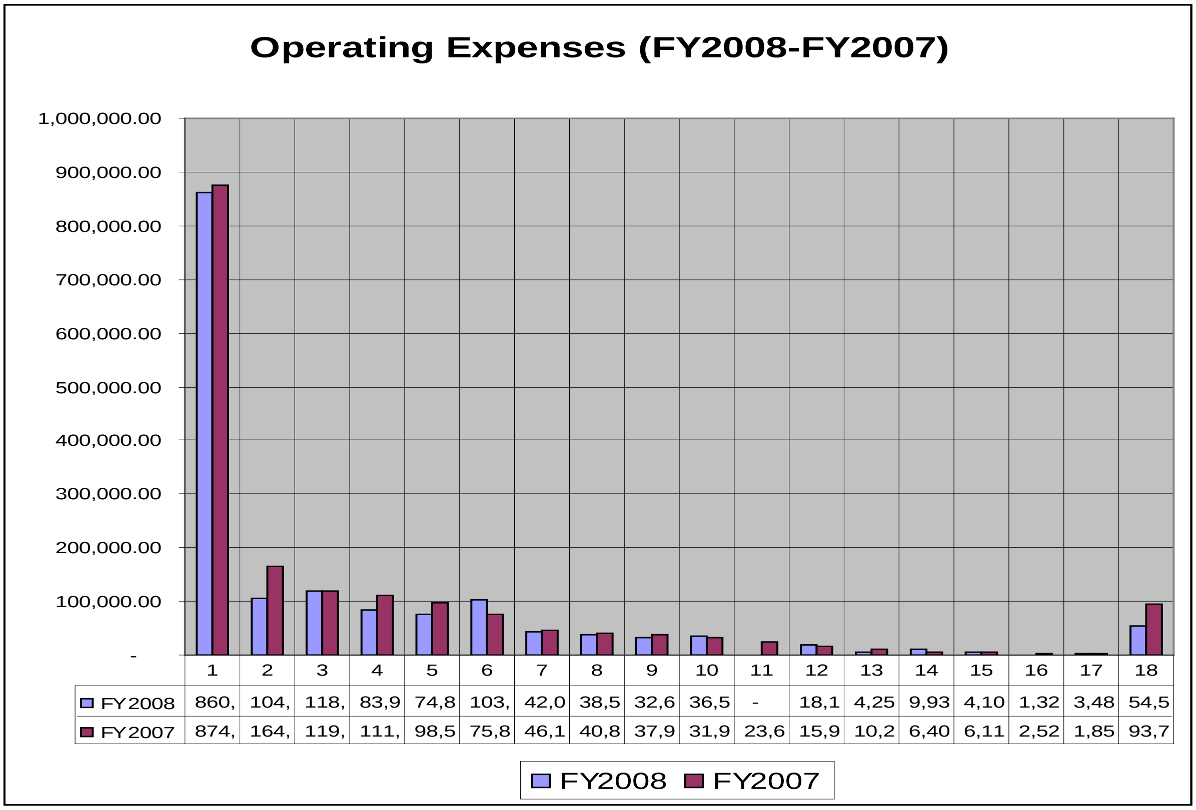
FY2008	1,730,986.00	190,837.00	153,600.00	44,301.00	12,265.00
FY2007	751,799.00	130,952.00	105,600.00	166,153.00	50,664.00

SUMMARY OF REVENUES	2008	2007	2006
1. License Fee Collection	$ 1,730,986	$ 751,799	$ 1,614,222
2. Other Fees and Charges	190,837	130,952	214,422
3. Transshipment Fees	153,600	105,600	140,400
4. Grants	44,301	166,153	29,312
5. Others	12,265	50,664	75,686
GRAND TOTAL	$ 2,131,989	$ 1,205,168	$ 2,074,042
OVERALL CHANGE IN 2008 VS 2007	$ 926,821	77%	



	2008	2007	2006
Salaries and wages	$ 860,469	$ 874,612	$ 865,629
Bad debts	116,961	164,189	38,142
Membership dues and subscriptions	118,877	119,162	53,564
Boarding and observers fees	83,937	111,245	78,596
Depreciation and amortization	74,877	98,545	101,137
Utilities	103,041	75,857	64,059
Travel	42,050	46,145	108,711
Communications	38,567	40,862	41,382
Repairs and maintenance	32,669	37,960	34,915
Petroleum, oil and lubricants	36,554	31,976	38,090
Professional fees	-	23,633	20,768
Supplies	18,162	15,924	16,548
Contributions	4,255	10,296	8,449
Training	9,938	6,400	6,060
Entertainment	4,102	6,113	4,912
Advertising	1,325	2,528	1,612
Freight	3,489	1,858	10,248
Miscellaneous	54,513	93,700	85,336
Total operating expenses	$ 1,603,786	$ 1,761,005	$ 1,578,158
Overall change in expenses (FY2008 vs FY2007)	$ (157,215)	(0.09)%	

Economic Factors and Next year Budgets and Rates

Budgeted expenditures are reduced by 1% in FY 2009. The highest increase budgeted is utilities which has a 30% increase. The continuing up and down prices of fuel in the world market also affected the Marshall Islands. In fact, Marshall Islands has the highest fuel prices in Micronesia by at least a little bit over 50% of the pump prices. Thus, commodities in the island have a high price compared to that of previous years. Due to the increases of prices in the island, the agency has adopted savings and conservation measures and this is applied to the budget for FY 2009 by maintaining and/or lowering some expenses. Salaries and wages though will be reviewed if an increase will have to be effected for next year.

The state of the climate change and global warming is still impacting the Marshall Islands. Not only is the mentioned phenomena affecting collections, the increase in the access fees and other fees implemented in the second half of FY2009, to follow the VDS program by the Tuna Commission is also a factor of lesser collections for FY 2009. Only 6 boats for Taiwan are paying for the VDS rate MIMRA implemented to date, (as of this date during FY 2008 Taiwan had already paid 20 boats) meaning, MIMRA is expecting fewer boats to register due to the increase in access fee rates.

Management's Discussion and Analysis for the year ended September 30, 2007 is set forth in MIMRA's report on the audit of financial statements, which is dated May 14, 2008. That Discussion and Analysis explains the major factors impacting the 2007 financial statements and can be obtained from MIMRA's Administrator via the contact information below.

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, 2008 and 2007

ASSETS	2008	2007 (As Restated)
Current assets:		
Cash	$ 376,057	$ 265,566
Time certificates of deposit	1,163,457	728,019
Receivables:		
Affiliates	509,564	431,134
Trade	87,480	86,753
Accrued interest	21,630	17,452
Other	573,950	492,722
	1,192,624	1,028,061
Less allowance for doubtful accounts	(1,019,772)	(902,811)
	172,852	125,250
Other assets	1,474	1,474
Total current assets	1,713,840	1,120,309
Improvements and equipment, net	175,471	233,272
Investment in joint venture	4,192,609	3,872,761
	$ 6,081,920	$ 5,226,342
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 131,280	$ 40,093
Payable to affiliates	69,731	206,903
Interest payable	53,969	59,326
Other liabilities and accruals	83,690	90,248
Total current liabilities	338,670	396,570
Long-term payable to joint venture partner	2,526,813	2,800,717
Total liabilities	2,865,483	3,197,287
Commitments		
Net assets:		
Invested in capital assets	175,471	233,272
Unrestricted	3,040,966	1,795,783
Total net assets	3,216,437	2,029,055
	$ 6,081,920	$ 5,226,342

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2008 and 2007

	2008	2007 (As Restated)
Operating revenues:		
Licensing fees	$ 1,730,986	$ 751,799
Grants	44,301	166,153
Other fees and charges	190,837	130,952
Transshipment fees	153,600	105,600
Other	12,265	50,664
	2,131,989	1,205,168
Less allowance for uncollectible accounts	(116,961)	(164,189)
Total operating revenues	2,015,028	1,040,979
Operating expenses:		
Salaries and wages	860,469	874,612
Membership dues and subscriptions	118,877	119,162
Utilities	103,041	75,857
Boarding and observer fees	83,937	111,245
Depreciation and amortization	74,877	98,545
Travel	42,050	46,145
Communications	38,567	40,862
Petroleum, oil and lubricants	36,554	31,976
Repairs and maintenance	32,669	37,960
Supplies	18,162	15,924
Training	9,938	6,400
Contributions	4,255	10,296
Entertainment	4,102	6,113
Freight	3,489	1,858
Advertising	1,325	2,528
Professional fees	-	23,633
Miscellaneous	54,513	93,700
Total operating expenses	1,486,825	1,596,816
Operating income (loss)	528,203	(555,837)
Nonoperating revenues (expenses), net:		
Equity in earnings of joint venture	1,122,853	1,133,215
Transfer out to RepMar	(450,000)	-
Interest income	53,832	56,029
Interest expense	(73,744)	(120,497)
Other	6,238	12,670
Total nonoperating revenues (expenses), net	659,179	1,081,417
Change in net assets	1,187,382	525,580
Net assets at beginning of year	2,029,055	1,503,475
Net assets at end of year	$ 3,216,437	$ 2,029,055

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2008 and 2007

	2008	2007 (As Restated)
Cash flows from operating activities:		
Cash received from customers	$ 1,977,454	$ 1,065,813
Cash payments to suppliers for goods and services	(614,550)	(523,100)
Cash payments to employees for services	(849,941)	(884,326)
Net cash provided by (used for) operating activities	512,963	(341,613)
Cash flows from noncapital financing activities:		
Payments made to RepMar	(450,000)	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(17,700)	(47,393)
Proceeds from sale of fixed assets	1,012	-
Net cash used for capital and related financing activities	(16,688)	(47,393)
Cash flows from investing activities:		
(Additions to) withdrawls from time certificates of deposit	(450,000)	450,000
Interest received on time certificates of deposit	64,216	103,251
Dividends received	450,000	-
Net cash provided by investing activities	64,216	553,251
Net change in cash	110,491	164,245
Cash at beginning of year	265,566	101,321
Cash at end of year	$ 376,057	$ 265,566
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ 528,203	$ (555,837)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	74,877	98,545
Bad debts	116,961	164,189
Increase in assets:		
Receivables:		
Affiliates	(78,430)	-
Trade	(727)	(2,598)
Other	(75,378)	(136,757)
Increase (decrease) in liabilities:		
Accounts payable	91,187	23,308
Payable to affiliates	(137,172)	70,489
Other liabilities and accruals	(6,558)	(2,952)
Net cash provided by (used for) operating activities	$ 512,963	$ (341,613)
Summary of noncash financing activities:		
Write-off of leasehold improvements:		
Improvements and equipment	$ -	$ 67,375
Other nonoperating revenues	-	12,670
Decrease in trade receivables	-	11,000
Decrease in leasehold payable	-	(91,045)
	$ -	$ -
Income from equity share:		
Increase in investment in joint venture	$ (319,848)	$ (3,872,761)
Increase (decrease) in interest payable	(5,357)	59,326
Increase (decrease) in long-term payable to joint venture partner	(273,904)	2,800,717
Interest expense	(73,744)	(120,497)
Equity in net earnings of joint venture	1,122,853	1,133,215
Dividends received	(450,000)	-
	$ -	$ -

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 issued 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*. These statements establish 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, retained earnings 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

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.

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) licensing, transshipment, and other fees, and (2) most local and other grants. 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, 2008 and 2007, the carrying amount of cash and time certificates of deposit were $1,539,514 and $993,585, respectively, and the corresponding bank balances were $1,561,174 and $1,021,983, respectively. Of the bank balances, $34,089 and $22,601, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance and were fully 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.

(2) Summary of Significant Accounting Policies, Continued

Investments

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

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. The estimated useful lives of these assets are as follows:

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

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.

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, 2008 and 2007, the accumulated vacation leave liability totals $39,398 and $33,900, respectively, and is included within the statements of net assets as other liabilities and accruals.

New Accounting Standards

During fiscal year 2008, MIMRA implemented the following pronouncements:

- GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes uniform financial reporting for other postemployment benefit plans by state and local governments.

- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*, which establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 50, *Pension Disclosures-an Amendment of GASB Statements No. 25 and 27*, which amends applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27 *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements 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.*

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

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment 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 MIMRA.

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 MIMRA.

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 MIMRA.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* GASB Statement No. 53 is intended to improve how state and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements. 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 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) Investments

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 is to be $2,940,000 and $3,060,000, respectively, which represents a 49% and 51% interest, respectively, of the vessel's value of $6,000,000. The parties agreed that MIMRA's contribution to working capital will be provided by KFC and shall be classified as a liability due to the joint venture with interest of 3%. 100% of MIMRA's profit share will be used to retire this liability for the first two years of operations; thereafter, it will be 50% of MIMRA's profit share. The parties agreed that the joint venture will be operated by KFC and MIMRA will not be liable to the joint venture.

A summary of financial information as of and for the year ended December 31, 2008, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	$ 14,468,589
Liabilities	$ 5,343,491
Net earnings	$ 2,275,009

During fiscal year 2008, MIMRA received $450,000 from the joint venture and recognized such as a reduction of its carrying value in the joint venture.

(5) Improvements and Equipment

Capital assets activity during the years ended September 30, 2008 and 2007 is as follows:

	2008			
	October 1, 2007	Additions	Retirements	September 30, 2008
Building improvements	$ 176,367	$ -	$ -	$ 176,367
Equipment	198,665	9,688	(1,999)	206,354
Equipment improvements	78,920	7,150	-	86,070
Vehicles	146,595	-	-	146,595
Furniture	23,792	862	-	24,654
Motor boats	63,316	-	-	63,316
	687,655	17,700	(1,999)	703,356
Less accumulated depreciation	(454,383)	(74,877)	1,375	(527,885)
	$ 233,272	$ (57,177)	$ (624)	$ 175,471

	2007			
	October 1, 2006	Additions	Retirements	September 30, 2007
Building improvements	$ 341,367	$ -	$ (165,000)	$ 176,367
Equipment	184,230	14,435	-	198,665
Equipment improvements	76,320	2,600	-	78,920
Vehicles	123,595	23,000	-	146,595
Furniture	19,734	4,058	-	23,792
Motor boats	60,016	3,300	-	63,316
	805,262	47,393	(165,000)	687,655
Less accumulated depreciation	(453,463)	(98,545)	97,625	(454,383)
	$ 351,799	$ (51,152)	$ (67,375)	$ 233,272

(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).

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, 2008 and 2007 is as follows:

	2008		
	Expenses	Payables	Receivables
Marshall Islands Social Security Administration	$ 72,212	$ 44,825	$ -
Marshall Islands National Telecommunications Authority	41,288	9,317	-
Marshalls Energy Company, Inc.	104,024	3,281	-
RepMar	-	10,743	509,564
Others	7,710	1,565	-
	$ 225,234	$ 69,731	$ 509,564

	2007		
	Expenses	Payables	Receivables
Marshall Islands Social Security Administration	$ 73,499	$ 47,940	$ -
Marshall Islands National Telecommunications Authority	43,836	3,525	-
Marshalls Energy Company, Inc.	77,583	7,024	-
RepMar	-	147,381	430,871
Others	10,892	1,033	263
	$ 205,810	$ 206,903	$ 431,134

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, 2008 and 2007, MIMRA has not been reimbursed for this amount. As a result, $123,288 of interest and penalties has been accrued at September 30, 2008 and 2007. The total balance of $423,288 has been included in the allowance for doubtful accounts at September 30, 2008 and 2007.

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.

MIMRA maintained uninsured deposit accounts amounting to $1,527,085 and $999,382 as of September 30, 2008 and 2007, respectively, with a related financial institution.

(7) Leasehold Payable

MIMRA entered into a lease agreement for the use of a building and cold storage facility belonging to RepMar. The building lease is for ten years expiring on July 31, 2011, lease term with options to extend for an additional ten years. The cold storage lease term is one year, or until such time as the operator is able to maintain and operate its own cold storage facility. The building lease states that the operator may deduct up to fifty percent of the annual rental fee (up to a maximum of $250,000) as reimbursement for the cost of improvements placed on the premises during the term of the lease, all of which will remain on the premises after the expiration or termination of the lease. As of September 30, 2006, the operator made $165,000 of building improvements, of which $103,545 was to be reimbursed through future rental payments commencing in fiscal year 2007, and extending to the end of the lease.

During fiscal year 2007, the operator razed the abandoned property. Consequently, MIMRA wrote-off the leasehold improvements and the corresponding leasehold payable was applied against the cost of the property, net of accumulated depreciation. The difference between the leasehold payable and net book value of the property was recognized as other income.

(8) Payable for Working Capital

The long-term payable to joint venture consists of unpaid contributions for working capital of MIFCO provided by KFC to be reimbursed by MIMRA.

Repayment of the debt will be made solely from MIMRA's equity earnings from MIFCO and will not involve a claim on any other MIMRA asset. Therefore, management considers the debt to be long-term in nature and given the inability to predict the MIFCO earnings stream, it is not possible to predict the amount of future annual debt service. Therefore, no such estimate is provided herein.

The change in the liability during the years ended September 30, 2008 and 2007, is as follows:

2008			
Balance October 31, 2007	Additions	Retirements	Balance September 30, 2008
$ 2,800,717	$ -	$ (273,904)	$ 2,526,813

2007			
Balance October 31, 2006	Additions	Retirements	Balance September 30, 2007
$ -	$ 2,940,000	$ (139,283)	$ 2,800,717

(9) 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 2006 through 2024.

(9) Commitments, Continued

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

Year ending September 30,	
2009	$ 22,653
2010	22,368
2011	21,970
2012	21,970
2013	18,970
2014-2018	91,156
2019-2023	81,870
2024	2,539
	$ 283,496

(10) Restatement

Subsequent to the issuance of MIMRA's 2007 financial statements, MIMRA's management determined that certain assets and liabilities associated with its investment in a joint venture were misstated. As a result of this determination, these account balances have been restated from the amounts previously reported.

	As Previously Reported	As restated
At September 30:		
Investment in joint venture	$ -	$ 3,872,761
Other liabilities and accruals	$ 90,248	$ 149,574
Long-term payable to joint venture partner	$ -	$ 2,800,717
Net assets-unrestricted	$ 784,065	$ 1,795,783
Year ended September 30:		
Equity in net earnings of joint venture	$ -	$ 1,133,215
Interest expense	$ -	$ 120,497