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, 2009 AND 2008

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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, 2009 and 2008, 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, 2009 and 2008, 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.

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 August 10, 2010, 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

August 10, 2010

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, 2009. Please read it in conjunction with the financial statements, which follow this section. The below table summarizes the financial condition and operations of MIMRA for fiscal years 2009, 2008 and 2007:

	2009	2008	% Change	2007
ASSETS:				
Current and other assets	$ 1,836,422	$ 1,713,840	7%	$ 1,120,309
Capital assets	152,279	175,471	(13)%	233,272
Investment in joint venture	4,583,558	4,192,609	9%	3,872,761
Total Assets	$ 6,572,259	$ 6,081,920		$ 5,226,342
LIABILITIES:				
Current liabilities	$ 706,221	$ 338,670	108%	$ 396,570
Long-term liabilities	1,818,443	2,526,813	(28)%	2,800,717
Total Liabilities	2,524,664	2,865,483		3,197,287
NET ASSETS:				
Investment in capital assets	152,279	175,471	(13)%	233,272
Unrestricted	3,895,316	3,040,966	28%	1,795,783
Total Net Assets	4,047,595	3,216,437		2,029,055
	$ 6,572,259	$ 6,081,920		$ 5,226,342
Revenue, Expenses and Changes in Net Assets:				
Operating revenues	$ 1,809,231	$ 1,970,727	(8)%	$ 1,040,979
Operating expenses	1,615,896	1,486,825	9%	1,596,816
Operating income (loss)	193,335	483,902		(555,837)
Non-operating revenues	1,341,078	1,227,224	9%	1,201,914
Non-operating expenses	(703,255)	(523,744)	34%	(120,497)
Net non-operating revenue (expenses)	637,823	703,480		1,081,417
Change in net assets	831,158	1,187,382	(30)%	525,580
Net assets at beginning of year	3,216,437	2,029,055	58%	1,503,475
Net assets at end of year	$ 4,047,595	$ 3,216,437		$ 2,029,055

Overall Analysis

In FY 2008, there was a 89% increase in operating revenues compared to operating revenues generated in FY 2007. For FY 2009, operating revenues generated were 8% lower than that of FY 2008. Though some of the revenue categories increased, due to the increase in license payments, it was pulled down due to the lack of a signed access agreement between the Governments of the RMI and Korea. Out of the 26 Korean boats registered in FY 2008, only one boat registered in FY 2009 representing a 96% decrease in license fee collections for Korean boats alone. Taiwan registered 17 boats in FY 2009 compared to 24 boats in FY 2008; however, total collections from Taiwan boats increased by 28% in FY 2009 because of the new license rates. Though locally registered boats have maintained their registrations, the non increase in their registration payments had no overall effect on the revenue picture for FY 2009. License fee collections decreased by 20% in FY 2009 but the effect was not significant on overall revenues due to increases in other revenue categories, namely transshipment fees, which increased by 37%, and registration/observer fees, which increased by 57%. Overall, operating revenues for FY 2009 (excluding Japan bilateral, FSM and U.S. Treaty, and interest and other income) decreased by 8% compared to FY 2008 and was short by $371,000 compared with budgeted amounts of $2.386M.

Though there was a 20% decrease in license fee revenues, transshipment and registration/observer fees increased due to increases in the fee schedule, which became effective in the 2nd quarter of FY 2009. As mentioned above, the effect of a decrease in license fee collections had no significant impact on the overall financial condition of MIMRA during FY 2009. Operating expenses for FY 2009 increased by 9% compared to FY 2008. MIMRA expended $129,071 more in FY 2009 compared with FY 2008 but expended $109,991 less in FY 2008 compared with FY 2007. The biggest increase (dollar wise) in FY 2009 compared with FY 2008 was professional fees (100%) (due to the hiring of a FNTC consultant), miscellaneous expenses (37%) and membership dues and subscriptions (27%) (due to the increase in WCPFC - Tuna Commission dues), boarding and observers fees (27%) (due to FAD closure and 100% coverage). The biggest decrease (dollar wise) in FY 2009 compared with FY 2008 was utilities expense, which is 17% lower compared to FY 2008. Salaries and wages also decreased by 0.2%, a savings of around $2,500. Almost all other expenses went down though there are increases with high percentage but with lower amounts. As a result, the overall effect of the above resulted in operating income for FY 2009 of $193K, which was lower by $291K compared to FY 2008 income.

MIMRA's financial condition as shown on the Changes in Net Assets shows an overall 30% decrease compared to FY 2008 but higher by at least 38% compared to FY 2007.

Fund Analysis

As MIMRA completed FY 2009, the agency's combined funds (Savings and Current Accounts) had a total balance of $1,673,262, which was $133,748 higher compared to FY 2008. The main reason for the increase was due to the unexpended grants received during the year and license fee collections for FY 2010 but paid during FY 2009. Interest earned in FY 2009 is higher by almost $4,000 over FY 2008, but it has really almost no effect in the overall financial condition of MIMRA. Transfer out to RepMar in FY 2009 was $635,572, which was higher than FY 2008 but should be covered by the FSM arrangement share which is still for release from FFA.

Capital Asset

At the end of FY 2009, MIMRA has investments in capital assets, net of accumulated depreciation, of $152,279. Though there was a total addition of $46,597 to capital assets, the net effect is a reduced balance of capital assets compared with FY 2008. The decrease, which is equivalent to 13% compared to the previous year, is not a good indication; however, the decrease in FY 2009 is more favorable compared to the 25% decrease in FY 2008 over FY 2007. The capital assets of MIMRA are summarized as follows:

	2009	2008	2007
Buildings and improvements	$ 176,367	$ 176,367	$ 176,367
Equipment improvements	90,330	86,070	78,920
Vehicles	146,595	146,595	146,595
Equipment	220,216	206,354	198,665
Furniture and fixtures	25,828	24,654	23,792
Motorboats	90,617	63,316	63,316
	749,953	703,356	687,655
Less: accumulated depreciation	(597,674)	(527,885)	(454,383)
	$ 152,279	$ 175,471	$ 233,272

Fiscal Year 2009 major capital asset additions include:

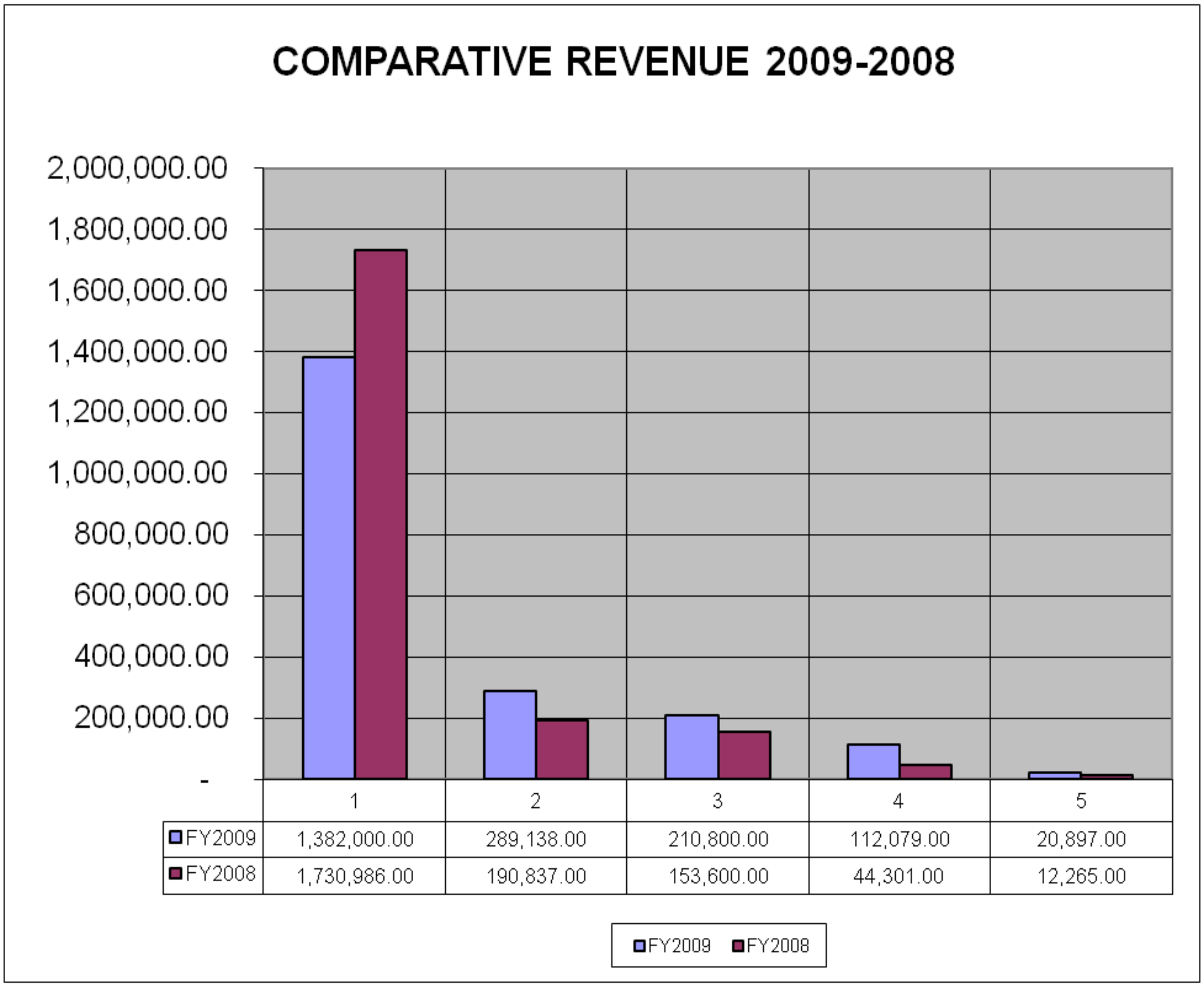
1.	Equipment (computer equipment)	$ 13,862
2.	Equipment improvement	4,260
3.	Furniture and fixtures	1,174
4.	Motorboats	27,301
	TOTAL	$ 46,597

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

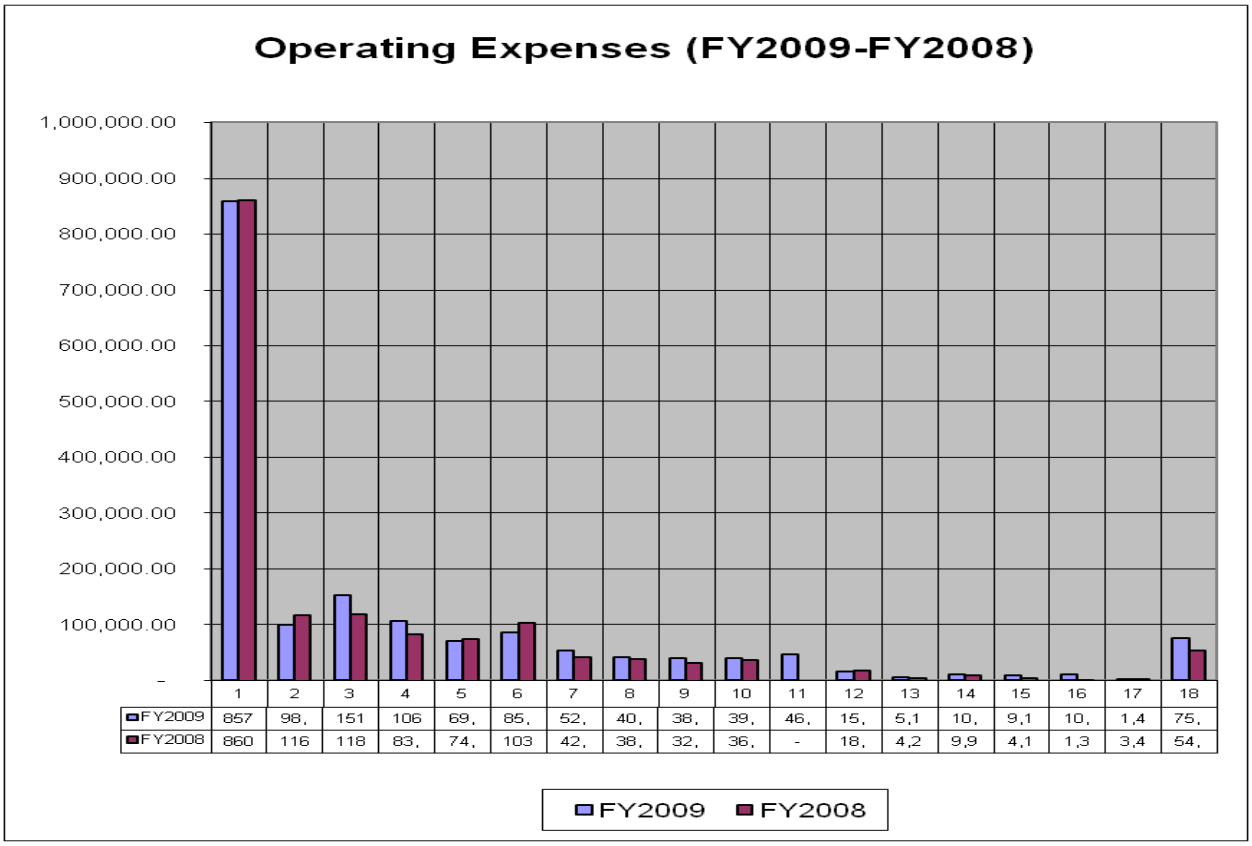
Long-Term Debt

Long-term debt presented in the accompanying financial statements is the cost of the boat for the Joint Venture with Koo's Fishing Ltd., which represents a 49% ownership. MIMRA will be charged interest at 3% per annum for the share of the joint venture, which represents the capital contribution 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 long-term debt, please see note 7 to the accompanying financial statements.



SUMMARY OF REVENUES	2009	2008	2007
1. License Fee Collections	$ 1,382,000	$ 1,730,986	$ 751,799
2. Transshipment Fees	210,800	153,600	105,600
3. Registration Fees	163,700	47,600	32,300
4. Observer Fees	115,968	129,777	89,212
5. Others	35,004	25,725	72,774
GRAND TOTAL	$ 1,907,472	$ 2,087,688	$ 1,051,685
OVERALL CHANGE IN 2009 VS 2008	$ (180,216)	(9)%	



		2009		2008		2007
Salaries and wages	$	857,985	$	860,469	$	874,612
Bad debts		98,241		116,961		164,189
Membership dues and subscription		151,590		118,877		119,162
Boarding and observers fees		106,209		83,937		111,245
Depreciation and amortization		69,789		74,877		98,545
Utilities		85,346		103,041		75,857
Travel		52,916		42,050		46,145
Communications		40,422		38,567		40,862
Repairs and maintenance		38,625		32,669		37,960
Petroleum, oil and lubricants		39,476		36,554		31,976
Professional fees		46,042		-		23,633
Supplies		15,172		18,162		15,924
Contributions		5,140		4,255		10,296
Training		10,693		9,938		6,400
Entertainment		9,116		4,102		6,113
Advertising		10,833		1,325		2,528
Freight		1,498		3,489		1,858
Miscellaneous		75,044		54,513		93,700
Total operating expenses	$	1,714,137	$	1,603,786	$	1,761,005
Overall change in expenses (FY2009 versus FY 2008)	$	110,351		7%		

Economic Factors and Next year Budgets and Rates

Budgeted expenses increased by 3% in FY 2010. The highest increase budgeted is the observers expense which has a 29% increase due to the 100% coverage of boats as per agreements approved during the commission meeting. On the other hand, the highest decrease in the budget (amount wise) is travel for domestic and international. It has been agreed upon internally that international travel shall only be limited to funded travel, except in cases where it is necessary for MIMRA to fund the travel.

The continuing up and down prices of fuel in the world market also affected the Marshall Islands. In fact, the 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 high prices compared to that of the previous years. Due to the increase of prices on the island, the agency has adopted savings and conservation measures that have been applied to the budget for FY 2010 by maintaining and/or lowering some expenditures. Salaries and wages though has a budgeted 9% increase but before giving out increases, a review will be done first if an increase will have to be effected.

The state of the climate change and global warming is still impacting the Marshall Islands. It is expected that the phenomenon will affect the island up to June of this year. Not only the mentioned phenomena is 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 a lesser collection for FY 2009. During December, 2009, the negotiation between Korea and Taiwan is not on a positive note, so that, another set of negotiation will be done within the second half of 2010. Compared to the first six months of FY2009, FY2010 license fee collection is lesser by 10% or $49,000.

Management's Discussion and Analysis for the year ended September 30, 2008 is set forth in MIMRA's report on the audit of financial statements, which is dated June 10, 2009. That Discussion and Analysis explains the major factors impacting the 2008 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, 2009 and 2008

ASSETS	2009	2008
Current assets:		
Cash	$ 191,324	$ 376,057
Time certificates of deposit	1,481,938	1,163,457
Receivables:		
Affiliates	428,860	509,564
Trade	118,523	87,480
Accrued interest	21,245	21,630
Other	712,545	573,950
	1,281,173	1,192,624
Less allowance for doubtful accounts	(1,118,013)	(1,019,772)
	163,160	172,852
Other assets	-	1,474
Total current assets	1,836,422	1,713,840
Improvements and equipment, net	152,279	175,471
Investment in joint venture	4,583,558	4,192,609
	$ 6,572,259	$ 6,081,920
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 186,457	$ 131,280
Payable to affiliates	320,245	69,731
Interest payable	49,694	53,969
Other liabilities and accruals	149,825	83,690
Total current liabilities	706,221	338,670
Long-term payable to joint venture partner	1,818,443	2,526,813
Total liabilities	2,524,664	2,865,483
Commitments		
Net assets:		
Invested in capital assets	152,279	175,471
Unrestricted	3,895,316	3,040,966
Total net assets	4,047,595	3,216,437
	$ 6,572,259	$ 6,081,920

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2009 and 2008

	2009	2008
Operating revenues:		
Licensing fees	$ 1,382,000	$ 1,730,986
Transshipment fees	210,800	153,600
Registration fees	163,700	47,600
Observers fees	115,968	129,777
Other	35,004	25,725
	1,907,472	2,087,688
Less allowance for uncollectible accounts	(98,241)	(116,961)
Total operating revenues	1,809,231	1,970,727
Operating expenses:		
Salaries and wages	857,985	860,469
Membership dues and subscriptions	151,590	118,877
Boarding and observer fees	106,209	83,937
Utilities	85,346	103,041
Depreciation and amortization	69,789	74,877
Travel	52,916	42,050
Professional fees	46,042	-
Communications	40,422	38,567
Petroleum, oil and lubricants	39,476	36,554
Repairs and maintenance	38,625	32,669
Supplies	15,172	18,162
Advertising	10,833	1,325
Training	10,693	9,938
Entertainment	9,116	4,102
Contributions	5,140	4,255
Freight	1,498	3,489
Miscellaneous	75,044	54,513
Total operating expenses	1,615,896	1,486,825
Operating income	193,335	483,902
Nonoperating revenues (expenses), net:		
Equity in earnings of joint venture	1,171,277	1,122,853
Grants	112,079	44,301
Interest income	57,722	53,832
Other	-	6,238
Transfer out to RepMar	(635,572)	(450,000)
Interest expense	(67,683)	(73,744)
Total nonoperating revenues, net	637,823	703,480
Change in net assets	831,158	1,187,382
Net assets at beginning of year	3,216,437	2,029,055
Net assets at end of year	$ 4,047,595	$ 3,216,437

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Cash received from customers	$ 1,855,338	$ 1,933,153
Cash payments to suppliers for goods and services	(631,011)	(614,550)
Cash payments to employees for services	(847,037)	(849,941)
Net cash provided by operating activities	377,290	468,662
Cash flows from noncapital financing activities:		
Operating grants received	130,520	44,301
Payments made to RepMar	(385,572)	(450,000)
Net cash used for noncapital financing activities	(255,052)	(405,699)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(46,597)	(17,700)
Proceeds from sale of fixed assets	-	1,012
Net cash used for capital and related financing activities	(46,597)	(16,688)
Cash flows from investing activities:		
Net additions to time certificates of deposit	(350,000)	(450,000)
Interest received on time certificates of deposit	89,626	64,216
Dividends received	-	450,000
Net cash (used for) provided by investing activities	(260,374)	64,216
Net change in cash	(184,733)	110,491
Cash at beginning of year	376,057	265,566
Cash at end of year	$ 191,324	$ 376,057
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 193,335	$ 483,902
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	69,789	74,877
Bad debts	98,241	116,961
Decrease (increase) in assets:		
Receivables:		
Affiliates	80,704	(78,430)
Trade	(31,043)	(727)
Other	(138,595)	(75,378)
Other assets	1,474	-
Increase (decrease) in liabilities:		
Accounts payable	55,177	91,187
Payable to affiliates	514	(137,172)
Other liabilities and accruals	47,694	(6,558)
Net cash provided by operating activities	$ 377,290	$ 468,662
Summary of noncash financing activities:		
Income from equity share:		
Increase in investment in joint venture	$ (390,949)	$ (319,848)
Decrease in interest payable	(4,275)	(5,357)
Decrease in long-term payable to joint venture partner	(708,370)	(273,904)
Interest expense	(67,683)	(73,744)
Equity in net earnings of joint venture	1,171,277	1,122,853
Dividends receivable/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 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, 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, 2009 and 2008, the carrying amount of cash and time certificates of deposit were $1,673,262 and $1,539,514, respectively, and the corresponding bank balances were $1,685,729 and $1,561,174, respectively. Of the bank balances, $82,265 and $34,089, 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

Investment in joint venture is accounted for under the equity method of accounting. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. Under the equity method, the investor recognizes its proportionate share in the results of operations of the investee. Dividends received are treated as a reduction of the carrying value of the investments.

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.

Revenue Recognition

Fees in respect of services are recognized as the right to consideration accrues through the provision of the service to the customer. Licensing fees are recognized as revenue when services are rendered based on the licensing period they pertain to. Amounts received in advance are recorded as a liability and are subsequently transferred to income in the period earned.

Non-operating revenues and expenses primarily consist of investment earnings, contributions to RepMar, interest on long-term debt, and grant funds received.

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, 2009 and 2008, the accumulated vacation leave liability totals $45,625 and $39,398, respectively, and is included within the statements of net assets as other liabilities and accruals.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements in order to conform to the 2009 presentation.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During fiscal year 2009, MIMRA implemented the following pronouncements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation.

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

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

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.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. 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) 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 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 years ended December 31, 2009 and 2008, for investees accounted for using the equity method of accounting for investments, are as follows:

	2009	2008
Assets	$ 19,886,019	$ 14,468,589
Liabilities	$ 11,457,210	$ 5,343,491
Net earnings	$ 2,428,809	$ 2,275,009

(4) Investment in Joint Venture, Continued

During the years ended September 30, 2009 and 2008, MIMRA received $0 and $450,000, respectively, from the joint venture and recognized such as a reduction of its carrying value in MIMRA's investment in the joint venture.

(5) Improvements and Equipment

Capital assets activity during the years ended September 30, 2009 and 2008 is as follows:

	2009			
	October 1, 2008	Additions	Retirements	September 30, 2009
Building improvements	$ 176,367	$ -	$ -	$ 176,367
Equipment	206,354	13,862	-	220,216
Equipment improvements	86,070	4,260	-	90,330
Vehicles	146,595	-	-	146,595
Furniture and fixtures	24,654	1,174	-	25,828
Motor boats	63,316	27,301	-	90,617
	703,356	46,597	-	749,953
Less accumulated depreciation	(527,885)	(69,789)	-	(597,674)
	$ 175,471	$ (23,192)	$ -	$ 152,279

	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 and fixtures	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

(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).

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, 2009 and 2008, MIMRA has not been reimbursed for this amount. As a result, $123,288 of interest and penalties has been accrued at September 30, 2009 and 2008. The total balance of $423,288 has been included in the allowance for doubtful accounts at September 30, 2009 and 2008.

(6) Related Party Transactions, Continued

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, 2009 and 2008 is as follows:

	2009		
	Expenses	Payables	Receivables
Marshall Islands Social Security Administration	$ 79,169	$ 44,611	$ -
Marshall Islands National Telecommunications Authority	40,795	3,374	-
Marshalls Energy Company, Inc.	89,222	7,319	-
RepMar	-	250,000	423,288
Others	12,700	14,941	5,572
	$ 221,886	$ 320,245	$ 428,860

	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

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, 2009 and 2008, MIMRA collected $1,114,428 and $1,050,000, respectively, under these various treaties, of which $250,000 and $0, respectively, remained outstanding and payable as of September 30, 2009 and 2008. In addition, MIMRA provided cash contributions to RepMar's General Fund of $385,572 and $450,000, respectively, during the years ended September 30, 2009 and 2008.

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 of $1,603,465 and $1,527,085 as of September 30, 2009 and 2008, respectively, with a related financial institution.

(7) 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, 2009 and 2008, is as follows:

2009			
Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009
$ 2,526,813	$ -	$ (708,370)	$ 1,818,443

2008			
Balance October 1, 2007	Additions	Reductions	Balance September 30, 2008
$ 2,800,717	$ -	$ (273,904)	$ 2,526,813

(8) 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,	
2010	$ 24,231
2011	22,958
2012	20,833
2013	20,833
2014	20,833
2015-2019	97,874
2020-2024	77,334
2025-2029	9,314
2029-2034	8,382
	$ 302,592