



REPUBLIC OF THE MARSHALL ISLANDS  
**Office of the Auditor-General**

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**Republic of the Marshall Islands Government  
FY2012 Financial Highlights**

The Republic of the Marshall Islands Government (RepMar) received an unqualified audit on its financial statements for September 30<sup>th</sup>, 2012. This is the sixth (6<sup>th</sup>) year in succession that the independent auditors, Deloitte and Touches LLP, had issued an unqualified or “clean” opinion on RepMar’s financial statements. The audit, however, was 30 days late from the reporting deadline of 9 months after each fiscal year ending as required by OMB Circular A-133 of June 30, which was due to delays in the reconciliations of the general ledger accounts.

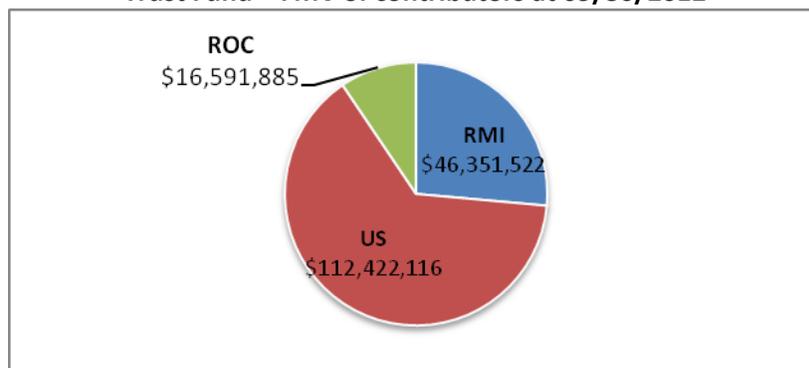
**Financial Highlights**

The assets of RepMar exceeded its liabilities (net assets) at the close of 2012 by \$95.5M, and which increased by \$7.1M from \$88.4M in 2011. This result indicates that RepMar’s financial condition, as a whole, improved from prior year. Of the net assets amount, \$69.5M represents RepMar’s investment in capital assets; \$58M represents amounts restricted for specific purposes (Trust Fund accounts for \$46M); and the remaining unrestricted net deficiency of \$31.9M is to be funded from future activities.

During 2012, total expenses of RepMar for governmental activities were \$102M, including special appropriations made to autonomous agencies. These activities were funded by program revenues, taxes and other general revenues. Total governmental expenses decreased from \$104M in 2011, which was attributable primarily due to a decrease in education expenses.

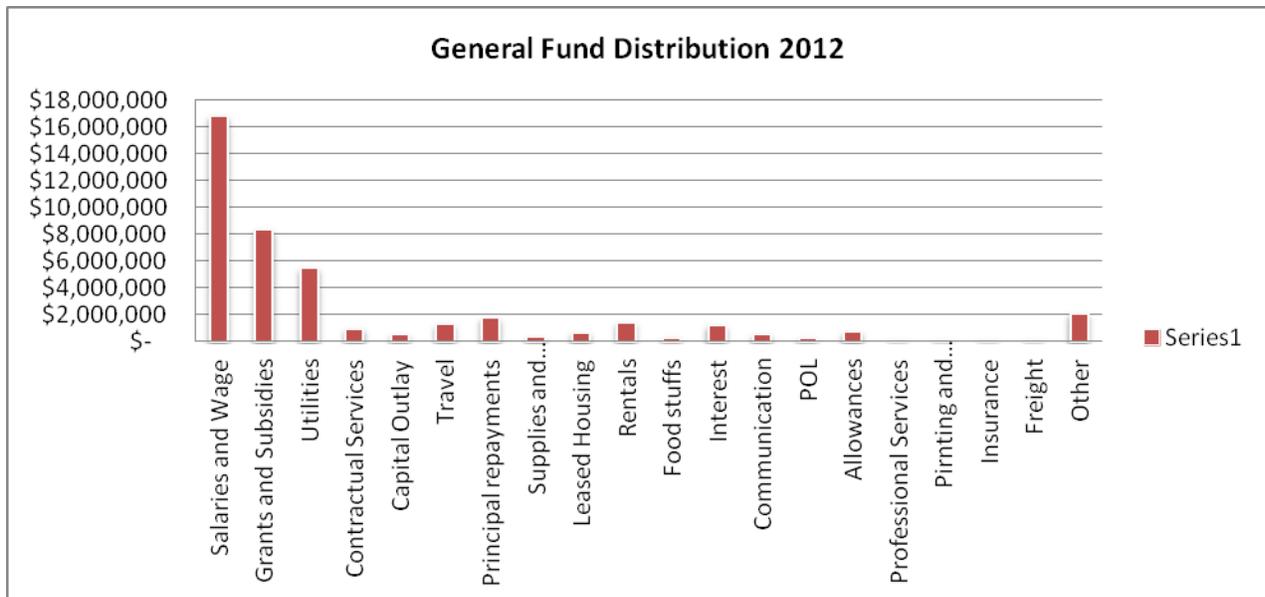
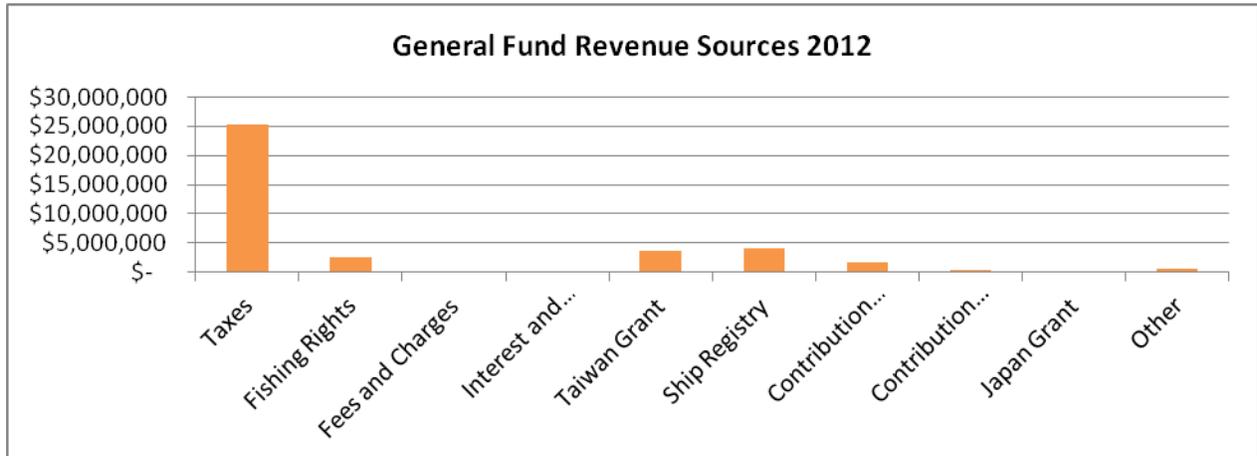
The Compact Trust Fund (RMI) had a gain on its investment of \$7.9M, increasing the value of the RMI’s share of the Trust Fund to \$46.3M from \$38.4M in the prior year (20% increase). As of the same period, the fair market value of contributions from the US and ROC, which are recorded and reported separately and not included in RepMar’s financial statements, stood at \$112M and \$16.6M, respectively. See more information on page#58 of the Notes to financial statements.

**Trust Fund – FMV of contributors at 09/30/2012**



## General Fund Highlights

For 2012, General Fund expenditures (and transfers out) of \$44.2M exceeded General Fund revenues (and transfers in) of \$39.9M, resulting in an operating deficit for 2012. General Fund revenues increased slightly by \$1M (or 0.4%) from prior fiscal year primarily due to an increase in revenues from the ship registry and contributions from the Marshall Islands Marine Resources Authority. The tables below describe the General Fund sources of revenue and distribution.



## General Fund Budgetary Highlights

During the course of fiscal year 2012, budget revisions of \$3.4M were made by management of RepMar. Revenues collected (including transfers in) of \$39.8M were higher than budgeted amounts of \$36.4M due primarily to increased income and import taxes, which exceeded projected amounts. Additionally, charges to appropriations (including transfers out) of \$44.2M were higher than budgeted amounts of \$38.8M due primarily to expenditures associated with Majuro landowners utility billings and centralized utility billings, and ADB debt service payments. During 2012, RepMar also paid out of the General Fund unbudgeted loan payments to RUS on behalf of NTA and Air Marshall Islands loan payments to a commercial bank.

## Capital Assets

RepMar's investment in capital assets for its governmental activities as of September 30<sup>th</sup>, 2012 amounted to \$186.5M (including \$4.7M in construction in progress), net of accumulated depreciation of \$97.8M, leaving a net book value of \$88.7M. RepMar's capital assets include electrical and water infrastructure, roads, bridges, heavy equipment, ships, buildings, and various projects under construction.

## Long-term obligations and commitments

As of September 30<sup>th</sup>, 2012, RepMar's loan balance with the Asian Development Bank stood at \$62,159,784. The loan balance included the \$9.9M public sector reform loan obtained for the benefit of MEC. In addition to the ADB loans, RepMar has also guaranteed other long-term obligations of certain government entities. The balances of these debt guarantees as of 9/30/12 are as follows:

- MEC Loan with RUS \$5,357,703
- MEC Loan with commercial bank \$816,610
- MEC fuel supplier debt \$7,358,557
- MIDB Loan with ICBC \$800,000
- MINTA Loan with RUS \$28,102,158 (Loan balance included \$18.5m for marine fiber optic cable)

## Compliance

Please refer to the Office of the Auditor-General's Compliance Highlights for a separate commentary on the Single Audit of RepMar. For a more detailed analysis of RepMar's operations, refer to the Management's Discussion and Analysis in the report.