MARSHALL ISLANDS
SOCIAL SECURITY ADMINISTRATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2004 AND 2003

MARSHALL ISLANDS
SOCIAL SECURITY ADMINISTRATION

Years Ended September 30, 2004 and 2003
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Islands Social Security Administration:

We have audited the accompanying statements of net assets of the Marshall Islands Social Security Administration (MISSA), a component unit of the Republic of the Marshall Islands, as of September 30, 2004 and 2003, and the related statements of changes in net assets for the years then ended. These financial statements are the responsibility of the management of MISSA. 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 MISSA'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 status of MISSA as of September 30, 2004 and 2003, and the changes in financial status 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 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of MISSA'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 February 24, 2006, on our consideration of MISSA's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

February 24, 2006

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION

Management's Discussion and Analysis
Year Ended September 30, 2004

The following Management's Discussion and Analysis of the Marshall Islands Social Security Administration's (MISSA) financial performance provides an overview to the financial statements of MISSA for the years ended September 30, 2004 and 2003. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, we encourage the readers to consider it in conjunction with the audited financial statements, which follow this section.

REQUIRED FINANCIAL STATEMENTS

MISSA, a component unit of the Republic of the Marshall Islands (RepMar), prepares its financial statements on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Statements of Net Assets reflects all of MISSA's assets and liabilities and provides information on the nature and amount of investments available to ensure payment of retirement, survivors and disability benefits. All additions to and deductions from the net assets held in trust for retirement, disability and survivors' benefits are accounted for in the Statements of Changes in Net Assets. This statement measures MISSA's success over the past year in increasing the net assets available for future benefits.

FINANCIAL ANALYSIS OF MISSA

The Statements of Net Assets on page 7 and the Statements of Changes in Net Assets on page 8 provide an indication of MISSA's financial condition. An increase in net assets over time typically indicates an improvement in financial condition. While these statements measure the value of MISSA's net assets and the changes to them, another important factor to consider in determining the financial health of MISSA is its funded status.

Fiscal year 2004 closed with an addition of $6,031,636 to MISSA's net assets as compared to the addition of $7,007,901 to net assets from the previous year, the amount of additional net assets for fiscal year 2004 is lower by $976,265 or 13.9%. This shortfall was a result of a decrease in total contributions from $13,035,585 in 2003 to $11,357,441 in 2004. The 12.9% decrease in contributions from the previous year is primarily the result of unforeseen events, such as the closure and downsizing of certain businesses, which had a significant impact on the anticipated amount of contributions received for the year.

Another factor that contributed to the decrease in the change in net assets of MISSA from 2003 to 2004 was the slight decline in the performance of MISSA's investments. Although benchmarks were consistently being outperformed, MISSA's investment income for 2004 of $5,959,676 was lower by $799,197 (or 11.8%) compared with investment income for 2003 of $6,758,873.

In conjunction with revenue outcomes for the year, the continued increase in benefit payments, which has been a steady trend over the past years, is also a significant factor that affects the overall reduction in the increase in the net assets of MISSA. In order to better address the steady growth in benefit payments, MISSA is focusing on specific amendments to its existing laws to better control eligibility requirements and payment levels. The next actuarial valuation of the Retirement Fund is due on October 1, 2006. As of its most recent valuation dated October 1, 2003, MISSA's accrued actuarial liability (AAL) totaled $205.7 million. Assets held by MISSA at that time covered approximately $41.5 million or 20% of the AAL resulting in an unfunded AAL of $164.2 million or 80%.

Despite the decrease in additional net assets for 2004 compared with 2003, MISSA's net assets available for future benefits have increased to $47,580,389.

A summary of MISSA's Statements of Net Assets as of September 30, 2004 and 2003 is presented below:

	2004	2003
ASSETS		
Cash and cash equivalents	$ 2,023,763	$ 1,796,098
Time certificate of deposit	3,680,934	3,537,759
Receivables, net:		
Contributions	1,867,027	1,764,186
Other	189,906	723,957
Due from affiliates, net	1,043,122	1,300,300
Investments:		
Stocks	9,158,921	7,551,878
Mutual funds	30,486,218	25,300,386
Fixed assets, net	224,983	355,390
Total Assets	48,674,874	42,329,954
LIABILITIES		
Accounts payable	293,275	238,500
Other liabilities and accruals	163,467	154,913
Due to Ministry of Health	637,743	387,788
Total liabilities	1,094,485	781,201
NET ASSETS		
Held in trust for future benefits	$ 47,580,389	$ 41,548,753

A summary of MISSA's Statements of Changes in Net Assets for the years ended September 30, 2004 and 2003 is presented below:

	2004	2003
Additions:		
Contributions	$ 11,357,441	$ 13,035,585
Investment income	5,959,676	6,758,873
Other	136,493	985
Total additions	17,453,610	19,795,443
Deductions:		
Benefit payments	9,747,850	9,276,506
Bad debts	729,780	2,631,257
Other	944,344	879,779
Total deductions	11,421,974	12,787,542
Change in net assets	$ 6,031,636	$ 7,007,901

Additions:

Of the total $17,453,610 in additions for 2004, $11,357,441 (or 65%) was generated from contributions, $5,959,676 (or 34%) was generated from investments, and the remaining $136,493 (or 1%) was generated from other income. The decrease of 11.8% in additions for 2004 compared with 2003 is due to unforeseen events, both locally and globally, that affected both the contribution levels as well as the investment performance of the MISSA Fund.

The following table presents MISSA's investment allocations as of September 30, 2004 with comparative figures in 2003.

	As of September 30, 2004				As of September 30, 2003			
Investment Type	**Weight %**	**Target %**	**Market Value ($'000)**	**Target Value ($'000)**	**Weight %**	**Target %**	**Market Value ($'000)**	**Target Value ($'000)**
Small Cap	6.8	6.0	$ 2,340	$ 2,081	6.9	6.0	$ 1,964	$ 1,713
Small Cap Value	10.9	9.0	$ 3,790	$ 3,120	10.1	9.0	$ 2,882	$ 2,568
Large Cap	5.6	6.0	$ 1,959	$ 2,081	5.3	6.0	$ 1,512	$ 1,713
Large Cap Value	9.2	9.0	$ 3,184	$ 3,120	8.7	9.0	$ 2,472	$ 2,568
Int'l Small Cap	7.5	6.0	$ 2,604	$ 2,081	7.2	6.0	$ 2,059	$ 1,713
Int'l Small Cap Value	8.2	7.5	$ 2,852	$ 2,600	9.4	7.5	$ 2,696	$ 2,141
Int'l Large Cap	6.1	6.0	$ 2,117	$ 2,081	5.7	6.0	$ 1,634	$ 1,713
Int'l Large Cap Value	8.4	7.5	$ 2,916	$ 2,600	7.8	7.5	$ 2,239	$ 2,141
Emerging Markets	3.8	3.0	$ 1,303	$ 1,040	3.4	3.0	$ 969	$ 856
Bonds	33.2	39.5	$ 11,498	$ 13,696	35.1	39.5	$ 10,019	$ 11,274
Cash and Equivalents	0.3	0.5	$ 111	$ 174	0.4	0.5	$ 96	$ 142
TOTAL	**100.0**	**100.0**	**$ 34,674**	**$ 34,674**	**100.0**	**100.0**	**$ 28,542**	**$ 28,542**

The above allocations are based on the revised policy on investments, which was adopted by the MISSA Board of Directors on October 21, 2002 wherein MISSA's total investment portfolio requires an allocation of 60% for equities and 40% for bonds. With the exception of MISSA's investment in the Bank of the Marshall Islands (BOMI)*, all investments are limited to no-load mutual funds, unit investment trusts, Exchange Trade Funds, close-end mutual funds, and other diversified marketable securities.

For the year ended September 30, 2004, the fair market value of MISSA's investments in the U.S. and International markets increased by $5,006,452. In addition, a total of $953,224 in dividends and interest payments were made and subsequently reinvested.

* MISSA presently holds a 31% interest in the Bank of the Marshall Islands. For the year ended September 30, 2004, MISSA's 64,485 shares at BOMI increased in value by $676,374. Annual dividend payments of $161,212 and $96,727 were received from BOMI in April 2005 and 2004, respectively. As of September 30, 2004 and 2003, the shares at BOMI were valued at $5,082,526 and $4,406,152, respectively.

Deductions:

Deductions represent benefit payments, investment management fees, administrative expenses and a provision for doubtful accounts. For the year ended September 30, 2004, total deductions amounted to $11,421,974 or 10.7% lower than $12,787,542 for the previous year. Benefit payments have been steadily increasing in fiscal year 2004, with MISSA paying out 5.1% in additional benefits for a total of $9,747,850 for 2004 as compared to $9,276,506 for the previous year. Provision for bad debts has decreased significantly during the current year due to a fewer number of employers entering into payment agreements with MISSA compared with the previous year. Likewise, investment management fees have also decreased by 12.1% from $96,343 in 2003 to $84,668 in 2004. Administrative expenses were maintained within the allowable limits. For the years ended September 30, 2004 and 2003, MISSA's administrative expenses totaled $859,676 and $783,436, respectively. These amounts represent 4.9% and 4.0%, respectively, of total revenues generated during those years. As mandated by the Social Security Act of 1990, MISSA's administrative expenses can be set at a maximum of 20% of total revenues for any given year.

FUTURE ECONOMIC OUTLOOK

The recent renewal of the Compact of Free Association between the Marshall Islands Government and the United States Government provides assurance of significant growth in the local work force, and more particularly in the areas of infrastructure development and other improvement projects throughout the Marshall Islands, with the Health and Education sectors receiving the major share of the funding. Other financial assistance from foreign governments is also expected to continue thereby further strengthening the local work force.

The positive performance of MISSA's investments in the U.S. and International markets is also expected as the management of its investments is regularly and strictly monitored against the Administration's Investment Policy Statement (IPS). Periodically, the IPS is reviewed and amended, if necessary, to ensure the adequacy of its investment classes and target allocations in capturing optimal returns from the global market.

Although there remains a great disparity between MISSA's assets and actuarial liabilities, the Administration is hopeful that the increased funding brought by the new Compact for infrastructure development and other projects, continued financial assistance from donor countries and additional returns from MISSA's investments should enable MISSA to meet its retirement payment obligations to the people of Republic of the Marshall Islands in 2005 and for some years to come.

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION

Statements of Net Assets
September 30, 2004 and 2003

	2004	2003
ASSETS		
Cash and cash equivalents	$ 2,023,763	$ 1,796,098
Time certificates of deposit	3,680,934	3,537,759
Receivables, net:		
Contributions	1,867,027	1,764,186
Other	189,906	723,957
Total receivables, net	2,056,933	2,488,143
Due from affiliates, net	1,043,122	1,300,300
Investments:		
Stocks	9,158,921	7,551,878
Mutual funds	30,486,218	25,300,386
Total investments	39,645,139	32,852,264
Fixed assets, net	224,983	355,390
Total assets	48,674,874	42,329,954
LIABILITIES		
Accounts payable	293,275	238,500
Other liabilities and accruals	163,467	154,913
Due to the Ministry of Health and Education	637,743	387,788
Total liabilities	1,094,485	781,201
Contingencies		
NET ASSETS		
Held in trust for retirement, disability and survivors' benefits	$ 47,580,389	$ 41,548,753

See accompanying notes to financial statements.

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION

Statements of Changes in Net Assets
Years Ended September 30, 2004 and 2003

	2004	2003
Additions:		
Contributions:		
Private employees	$ 7,510,551	$ 9,526,060
Government employees	3,311,504	2,628,409
Penalties and interest	535,386	881,116
Total contributions	11,357,441	13,035,585
Investment income:		
Net increase in the fair value of investments	5,006,452	5,864,725
Dividends	761,283	509,744
Interest	191,941	384,404
Total investment income	5,959,676	6,758,873
Other	136,493	985
Total additions	17,453,610	19,795,443
Deductions:		
Benefit payments:		
Retirement	5,285,456	4,927,656
Survivors	3,250,176	3,147,516
Disability	1,175,556	1,094,131
Reduction-in-force	-	55,052
Lump sum	36,662	52,151
Total benefit payments	9,747,850	9,276,506
Bad debts	729,780	2,631,257
Administrative	859,676	783,436
Investment management and custodial fees	84,668	96,343
Total deductions	11,421,974	12,787,542
Change in net assets	6,031,636	7,007,901
Net assets at beginning of year	41,548,753	34,540,852
Net assets at end of year	$ 47,580,389	$ 41,548,753

See accompanying notes to financial statements.

(1) Organization

The Marshall Islands Social Security Administration (MISSA), a component unit of the Republic of the Marshall Islands (RepMar), was established pursuant to RepMar Public Law 1990-75 (the Social Security Act of 1990), as amended. The law repealed the Social Security Act of 1987 and established MISSA to administer the Marshall Islands Social Security Retirement Fund (the Retirement Fund). The Retirement Fund was established to provide a financially sound social security system with pension benefits and early retirement, whereby workers would be ensured a measure of security in their old age and during disability, and whereby surviving spouses and surviving children of deceased workers would be ensured support after the loss of the family's income.

Contributions to the Retirement Fund are governed by the Social Security Act of 1990, as amended, which imposes a tax on the quarterly income of every employee, not currently subject to the United States Social Security System or any other recognized Social Security System, equal to seven percent of wages received.

Maximum quarterly taxable wages are $5,000. Every employer is required to contribute an amount equal to that contributed by employees.

Retirement benefits are paid to every person who is a service insured or a fully insured individual as defined by the Social Security Act of 1990, as amended, has attained an age of sixty years and has filed an application for old age insurance benefits. Benefits are also paid to surviving spouses of deceased workers, subject to eligibility requirements, as long as they do not remarry or work. Eligible children who are not married and are not working may also receive benefits until age eighteen (18) or up until age twenty-two (22), if in school. Eligible children who become disabled before age twenty-two will continue to receive benefits for the duration of the disability. Disability benefits are paid to qualified workers for the duration of the disability or until retirement or death, at which time retirement or survivor benefits become available.

Effective October 1, 1990, benefits are paid monthly and are computed as follows:

a) Pension element - two percent of index covered earnings, plus;

b) Social element - 14.5% of the first $11,000 of cumulative covered earnings plus 0.7% of cumulative covered earnings in excess of $11,000 but not in excess of $44,000. The $11,000 and $44,000 bendpoints may be increased from time to time by wage index adjustments granted by the Board of MISSA.

The minimum benefit is $129 per month, effective October 1, 1995.

The Reduction-in-Force (RIF) benefits are paid to those laid-off civil service employees during the downsizing process of RepMar through the Public Sector Reform Program. The monthly benefit payments are paid out on the basis of the current benefit rules of MISSA, as if the employee were aged fifty-five and "service insured", for a maximum period of three years, or for as long as the funds are available. Pursuant to the RIF program, MISSA expended RIF benefit payments amounting to $55,052 for the year ended September 30, 2003.

MISSA operates under the authority of a seven-member Board of Directors appointed by the Cabinet of RepMar.

(2) Summary of Significant Accounting Policies

Governmental Accounting Standards Board (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 Disclosures*. These statements establish financial reporting standards for governmental entities, which includes the requirement for MISSA to present Management's Discussion and Analysis (MD&A). The MD&A is considered to be required supplementary information and precedes the financial statements. In addition, these statements require that resources be classified for accounting and reporting purposes as held in trust for retirement, disability and survivors' benefits.

Management of MISSA has determined that per its enabling legislation, all net assets of MISSA are held in trust for retirement, disability and survivors' benefits.

A. Basis of Accounting

MISSA prepares its financial statements using the accrual basis of accounting. It recognizes employee and employer contributions as revenues in the quarter employee earnings are paid. Retirement benefits are recognized as expenses when payable. Expenses are recorded when the corresponding liabilities are incurred regardless of when payment is made.

B. Future Liabilities and Contributions

No recognition is given in the accompanying financial statements to the present value of liabilities of prospective benefit payments or the present value of future contributions required from employees or employers.

C. Cash and Cash Equivalents and Time Certificates of Deposit

For the purposes of the statements of net assets, cash and cash equivalents include cash in checking and savings accounts as well as short-term investments with original maturities of three months or less from the date acquired. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified. As of September 30, 2004 and 2003, the carrying amount of MISSA's cash and cash equivalents and time certificates of deposit was $5,704,697 and $5,333,857, respectively, and the corresponding bank balances were $6,026,663 and $5,904,115, respectively, which are maintained in financial institutions not subject to Federal Deposit Insurance Corporation (FDIC) insurance. MISSA does not require collateralization of its cash deposits.

D. Investments

Investments are carried at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

(2) Summary of Significant Accounting Policies, Continued

E. Receivables and the Allowance for Doubtful Accounts

Contributions receivable are due from employers located within the Republic of the Marshall Islands. Premiums receivable are due from members located within the Republic of the Marshall Islands and the United States of America. These receivables are not collateralized and are non-interest bearing.

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 evaluations of the collectibility of these accounts. The allowance is established through a provision for bad debts charged to expense.

F. Fixed Assets

MISSA does not have a capitalization policy for fixed assets; however, items with a cost that equals or exceeds $100 are generally capitalized at the time of acquisition. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

Building and improvements	20 years
Motor vehicles	3 years
Computer equipment	4 years
Office equipment	5 years
Furniture	3 - 10 years

G. Compensated Absences

Annual vacation leave is earned by all permanent employees and accumulates at the rate of one working day per bi-weekly pay period. Upon termination, employees are eligible to receive compensation for their accrued annual leave balances. At September 30, 2004 and 2003, a liability existed for accumulated annual leave calculated at the employee's September 30, 2004 pay rate in the amount of $21,121 and is included in the statements of net assets within other liabilities and accruals. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The accumulated estimated amount of unused sick leave as of September 30, 2004 and 2003 is $11,832 and $9,660, respectively.

H. 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 net assets 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

I. New Accounting Standards

During fiscal year 2004, MISSA implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of GASB Statement 14), which provides additional guidance on GASB Statement No.14, in determining whether an entity should be reported as a component unit based on the nature and significance of its relationship with a primary government. Implementation of this statement had no impact on the financial statements.

For fiscal year 2005, MISSA will be implementing GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3), which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest risk, GASB Statement No. 40 requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MISSA.

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 establishes standards for impairment of capital assets when its service utility has declined significantly and unexpectedly. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MISSA.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section, an amendment to NCGA Statement 1*. GASB Statement No. 44 improves the understandability and usefulness of statistical section information and adds information from the new financial reporting model for state and local governments required by GASB Statement No. 34. The provisions of this Statement are effective for periods beginning after June 15, 2005. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MISSA.

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, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MISSA.

(3) Investments

GASB Statement No. 3 requires MISSA to categorize investments to give an indication of the level of credit risk assumed at year end. The three categories are described below:

Category 1 Insured or registered, or securities held by MISSA or its agent in MISSA's name;

Category 2 Uninsured and unregistered, with securities held by the broker's or dealer's trust department or agent in MISSA's name; or

(3) Investments, Continued

Category 3 Uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent but not in MISSA's name.

MISSA's investments as of September 30, 2004 and 2003, are as follows:

2004	Categories 1	Categories 2	Categories 3	Fair Value
Common stock	$ 5,082,526	$ 4,076,395	$ -	$ 9,158,921
Mutual funds	-	30,486,218	-	30,486,218
	$ 5,082,526	$ 34,562,613	$ -	$ 39,645,139

2003	Categories 1	Categories 2	Categories 3	Fair Value
Common stock	$ 4,406,152	$ 3,145,726	$ -	$ 7,551,878
Mutual funds	-	25,300,386	-	25,300,386
	$ 4,406,152	$ 28,446,112	$ -	$ 32,852,264

MISSA holds a 31% interest in Bank of Marshall Islands (BOMI), which engages in commercial banking services in the Republic of the Marshall Islands. As of September 30, 2004 and 2003, MISSA maintained bank deposits and a time certificate of deposit with BOMI totaling $5,915,622 and $5,808,413, respectively.

A summary of audited financial information as of and for the twelve months ended December 31, 2004, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	$ 59,823,039
Liabilities	$ 43,472,542
Net earnings	$ 2,597,869

(4) Receivables

Receivables as of September 30, 2004 and 2003, including applicable allowances for doubtful accounts, are as follows:

	2004	2003
Contributions	$ 1,867,027	$ 1,764,186
Other	4,495,063	4,453,085
	6,362,090	6,217,271
Less allowance for doubtful accounts	(4,305,157)	(3,729,128)
	$ 2,056,933	$ 2,488,143

(5) Due from Affiliates

Receivables from affiliates as of September 30, 2004 and 2003, including applicable allowances for doubtful accounts, are as follows:

	2004	2003
Ministry of Health and Environment	$ 995,622	$ 1,188,954
Other RepMar ministries	166,770	154,019
	1,162,392	1,342,973
Less allowance for doubtful accounts	(119,270)	(42,673)
	$ 1,043,122	$ 1,300,300

On November 4, 2003, MISSA entered into a debt reduction agreement with the Ministry of Health and Environment (MOHE) for the repayment of certain receivables in the amount of $1,177,964. Under the terms of this agreement, MOHE is required to make interest-free quarterly payments of $60,000, commencing on January 1, 2004.

(6) Capital Assets

Capital asset activity for the years ended September 30, 2004 and 2003, was as follows:

	October 1, 2003	Additions	Retirements	September 30, 2004
Buildings and improvements	$ 462,297	$ 4,500	$ -	$ 466,797
Motor vehicles	79,339	-	-	79,339
Computer equipment	76,213	15,092	(16,943)	74,362
Furniture	63,063	970	(136)	63,897
Office equipment	46,995	20,569	(967)	66,597
	727,907	41,131	(18,046)	750,992
Less accumulated depreciation and amortization	(372,517)	(168,894)	15,402	(526,009)
	$ 355,390	$ (127,763)	$ (2,644)	$ 224,983

	October 1, 2002	Additions	Retirements	September 30, 2003
Buildings and improvements	$ 382,259	$ 80,038	$ -	$ 462,297
Motor vehicles	5,345	73,994	-	79,339
Computer equipment	56,532	19,681	-	76,213
Furniture	49,123	13,940	-	63,063
Office equipment	43,895	3,100	-	46,995
	537,154	190,753	-	727,907
Less accumulated depreciation and amortization	(259,342)	(113,175)	-	(372,517)
	$ 277,812	$ 77,578	$ -	$ 355,390

(7) Contingencies

In September 2004, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2003. The valuation reported actuarial accrued liabilities for the Retirement Fund of $205,747,000. As of September 30, 2004, MISSA recorded a total fund equity of $47,580,389 in the Retirement Fund, as funds available to fund future benefit obligations. These conditions indicate that MISSA may be unable to meet its future benefit obligations.

(8) Risk Management

MISSA 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. MISSA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. MISSA is also exposed to investment risk. This risk is limited by diversification of the portfolio, establishment and monitoring of investment policies and guidelines, and monitoring of investment performance. In addition, investment consultants monitor MISSA's activities and advise the Board of Directors.

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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 Social Security Administration:

We have audited the financial statements of the Marshall Islands Social Security Administration (MISSA) as of and for the year ended September 30, 2004, and have issued our report thereon dated February 24, 2006. 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

In planning and performing our audit, we considered MISSA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted certain matters that we reported to management of MISSA in a separate letter dated February 24, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MISSA'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 that are required to be reported under *Government Auditing Standards*.

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

Deloitte & Touche LLP

February 24, 2006