MARSHALL ISLANDS
SOCIAL SECURITY ADMINISTRATION

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

**FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Years Ended September 30, 2013 and 2012
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Islands Social Security Administration:

Report on the Financial Statements

We have audited the accompanying financial statements of the Marshall Islands Social Security Administration (MISSA), a component unit of the Republic of the Marshall Islands, which comprise the statements of fiduciary net position as of September 30, 2013 and 2012, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MISSA as of September 30, 2013 and 2012, and the changes in its net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This supplementary information is the responsibility of MISSA's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise MISSA's basic financial statements. The Other Supplementary Information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of MISSA's management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2014, on our consideration of MISSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MISSA's internal control over financial reporting and compliance.

Deloitte + Touche LLP

Tamuning, Guam
February 17, 2014

The following Management's Discussion and Analysis (MD&A) of the Marshall Islands Social Security Administration's (MISSA) financial performance provides an overview to the financial statements of MISSA for the fiscal years ended September 30, 2013 and 2012. 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 Fiduciary Net Position reflect all of MISSA's assets and liabilities and provide information on the nature and amount of investments available to ensure payment of retirement, survivor, disability and lump sum benefits. All additions to and deductions from the net position held in trust for retirement, disability, survivor and lump sum benefits are accounted for in the Statements of Changes in Fiduciary Net Position. This statement measures MISSA's performance over the past year in increasing or decreasing the net position available for future benefits.

FINANCIAL ANALYSIS OF MISSA

The Statements of Fiduciary Net Position on page 9 and the Statements of Changes in Fiduciary Net Position on page 10 provide an indication of MISSA's financial condition. While these statements measure the value of MISSA's net position and the changes to them, another important factor to consider in determining the financial health of MISSA is its actuarial funded status.

MISSA continued to experience cash deficit in fiscal year 2013 that forced the Administration to make a series of drawdowns from its offshore investments that totaled $5 million. The proceeds were used to cover the $4 million shortfall of collections over benefit payments and ensure that MISSA has enough cash balance at the end of the fiscal year to pay for Health Fund contributions due to the Ministry of Health the following month. Benefits have steadily increased through the years at a rate of 5% annually while contributions remain flat. Consequently, this imbalance resulted to an uphill trend in cash deficit. Fortunately, despite the backdrop of problems in the world market, investments performed well again this fiscal year resulting to a Net Investment Income of $8,044,065, almost equally high when compared to the $8,252,479 gain in FY2012 or slightly lower by 2.5%.

Recent actuarial valuation report dated March 2012 indicated a growing unfunded Actuarial Accrued Liability (AAL) of $218 million or 77% as of October 1, 2011 with $163 million unfunded AAL as of October 1, 2008. The Administration's AAL as of October 1, 2011 was $287 million while the market value of assets amounted to only $69 million. In addition, there are warning signs showing future stresses to the System. Due to market decreases in 2008 and 2011, the funded status of the system has hit a critical juncture. Adding to the stress is the fact that the number of workers and taxable earnings continues to decrease.

As of September 30, 2013, MISSA's total net position held in reserve for future benefits amounted to $72,988,182. MISSA has no debt and did not have material activity in its capital assets. Please refer to notes to the financial statements for additional information concerning these matters.

A summary of MISSA's Statements of Fiduciary Net Position as of September 30, 2013, 2012 and 2011 is presented below:

	2013	2012	2011
ASSETS:			
Cash	$ 1,767,762	$ 310,475	$ 1,265,266
Time certificates of deposit	-	-	2,300,000
Receivables, net:			
Contributions	2,019,730	2,063,491	2,519,145
Other	485,992	279,217	342,414
Investments:			
Cash Management	49,943	59,436	232,877
Stocks	17,373,802	15,836,554	17,078,705
Mutual funds	53,280,890	52,129,172	42,847,356
Fixed assets, net	55,493	42,149	31,227
Total assets	75,033,612	70,720,494	66,616,990
LIABILITIES:			
Accounts payable	157,426	56,822	82,016
Other liabilities and accruals	126,052	146,745	147,465
Due to affiliates	1,761,952	1,547,381	1,401,979
Total liabilities	2,045,430	1,750,948	1,631,460
NET POSITION:			
Held in trust for future benefits	$ 72,988,182	$ 68,969,546	$ 64,985,530

A summary of MISSA's Statements of Changes in Fiduciary Net Position for the years ended September 30, 2013, 2012 and 2011 is presented below:

	2013	2012	2011
ADDITIONS:			
Contributions	$ 13,313,876	$ 12,447,381	$ 12,521,129
Net investment income (losses)	8,044,065	8,252,479	(98,508)
Other	624,258	335,567	339,090
Total additions	21,982,199	21,035,427	12,761,711
DEDUCTIONS:			
Benefit payments	17,107,670	16,252,193	15,482,884
Administrative	855,893	799,218	837,285
Total deductions	17,963,563	17,051,411	16,320,169
Change in net position	$ 4,018,636	$ 3,984,016	$ (3,558,458)

Management's Discussion and Analysis for the year ended September 30, 2012 is set forth in MISSA's report on the audit of its financial statements dated May 9, 2013. Such Management Discussion and Analysis explains the major factors impacting the fiscal year 2012 financial statements and can be obtained from MISSA's Administrator via the contact information on page 8.

Additions:

The RMI Government, with the support of the Ministry of Finance, consistently paid its bi-weekly remittances on time which comprised 30% of total contributions. Most of the private employers paid promptly as well, causing contributions to increase by 7%, from $12,447,381 in fiscal year 2012 to $13,313,876 the following fiscal year. Penalties and interest likewise increased, from $323,805 in fiscal year 2012 to $414,913 in fiscal year 2013, or an increase of 28%. This was due to more judgments and agreements being booked this fiscal year. A recovery of bad debts was booked at the end of the fiscal year for $252,845, increasing other income by 86%.

The following table presents MISSA's investment allocations as of September 30, 2013 with comparative figures in 2012.

	As of September 30, 2013				As of September 30, 2012			
INVESTMENT TYPE	WEIGHT	TARGET	MARKET VALUE ($'000)	TARGET VALUE ($'000)	WEIGHT	TARGET	MARKET VALUE ($'000)	TARGET VALUE ($'000)
Small Cap	5.0%	4.8%	$ 2,965	$ 2,866	4.6%	4.8%	$ 2,693	$ 2,781
Small Cap Value	7.3%	7.2%	$ 4,336	$ 4,300	6.9%	7.2%	$ 3,968	$ 4,171
Large Cap	4.8%	4.8%	$ 2,853	$ 2,866	4.6%	4.8%	$ 2,664	$ 2,781
Large Cap Value	7.1%	7.2%	$ 4,264	$ 4,300	7.0%	7.2%	$ 4,027	$ 4,171
Int'l Small Cap	4.7%	4.5%	$ 2,803	$ 2,687	4.4%	4.5%	$ 2,525	$ 2,607
Int'l Small Cap Value	5.6%	5.4%	$ 3,330	$ 3,225	5.2%	5.4%	$ 3,035	$ 3,128
Int'l Large Cap	4.7%	4.5%	$ 2,790	$ 2,687	4.4%	4.5%	$ 2,573	$ 2,607
Int'l Large Cap Value	5.3%	5.4%	$ 3,192	$ 3,225	4.9%	5.4%	$ 2,854	$ 3,128
Emerging Markets	4.2%	4.2%	$ 2,492	$ 2,508	4.0%	4.2%	$ 2,317	$ 2,433
Domestic Real Estate	4.5%	4.5%	$ 2,675	$ 2,687	3.9%	4.5%	$ 2,287	$ 2,607
International Real Estate	4.6%	4.5%	$ 2,773	$ 2,687	4.1%	4.5%	$ 2,392	$ 2,607
Commodities	2.8%	3.0%	$ 1,694	$ 1,791	2.8%	3.0%	$ 1,648	$ 1,738
Bonds	39.4%	40.0%	$23,498	$23,886	43.0%	40.0%	$24,890	$23,173
Cash and Equivalents	0.0%	0.0%	$ 50	$ -	0.2%	0.0%	$ 59	$ -
TOTAL	**100.0%**	**100.0%**	**$59,715**	**$59,715**	**100.0%**	**100.0%**	**$57,932**	**$57,932**

The above allocations are based on the revised investment policy statement adopted by the Board of Directors on November 26, 2007 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) and Marshall Islands Services Corporation, 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, 2013, the fair market value of MISSA's investments in the U.S. and International markets increased by $5,761,696. A total of $1,175,319 in dividends and interest payments were received and subsequently reinvested. Investment management fees have increased by 5.42% from $140,864 in 2012 to $148,506 in 2013.

MISSA presently holds a 35.3% interest in BOMI. On May 2, 2013, 132 stock dividends were received increasing MISSA's shares to 65,417 but such stock dividends have no effect on the dollar value of MISSA's total equity at BOMI. As of September 30, 2013, MISSA's interest at BOMI increased in value by $1,255,556 representing BOMI's fiscal year equity earnings. Annual dividend payments of $359,068 were both received in December 2012 and April 2012 representing BOMI's cash dividends for calendar years 2012 and 2011, respectively. As of September 30, 2013 and 2012, the shares of stocks at BOMI were valued at $10,959,846 and $10,063,358, respectively. Furthermore, MISSA holds 3,000 shares of stocks at $10.00 par value from the Marshall Islands Service Corporation.

Capital assets are not material to MISSA's financial statements. For additional information concerning capital assets refer to note 7 to the financial statements.

Deductions:

Deductions represent benefit payments and administrative expenses. For the year ended September 30, 2013, total deductions amounted to $17,963,563, which is 5.35% higher than the $17,051,411 paid in the previous year. In spite of the implementation of various restrictions and controls on eligibility, benefit payments for fiscal year 2013 increased steadily by 5.26% to a total of $17,107,670 as compared to $16,252,193 paid in fiscal year 2012. Administrative expenses were maintained within the budgetary limits. For the years ended September 30, 2013 and 2012, MISSA's administrative expenses totaled $855,893 and $799,218, respectively. These amounts represent 6.4% of net contributions generated during these years. As mandated by the Social Security Act of 1990, MISSA's administrative expenses have an allowable ceiling of as much as 20% of net contribution for any given year.

FUTURE ECONOMIC OUTLOOK

What had been projected by MISSA's actuary in their 2011 report seems to be moving in the exact direction and MISSA alone appears helpless to deflect its course. With a sluggish private sector, fiscally ailing state owned enterprises and local governments owing millions of dollars to MISSA, the financial health of the Fund is likely to deteriorate further in the months ahead without immediate intervention from the RMI Government.

With $12.1 million contributions and $17.9 million benefits being projected in the coming fiscal year, MISSA braces for another rough sailing in the months ahead. This imbalance was prevalent since 2009 causing MISSA to withdraw its TCD at BOMI worth $1 million in May 2010, the first in almost a decade. This started a series of withdrawals until the entire $5 million TCDs at BOMI were exhausted. MISSA dipped further into its offshore investments by drawing down a total of $6 million between 2011 and 2013 to ensure that benefit payments remain uninterrupted. Another $6 million cash shortfall is expected in FY 2014.

A study about the impact of the RMI economy on the country's social security reinforced the findings of MISSA's actuary. Despite the large infusion of cash since 2004 into the RMI economy through Compact grants and foreign aid, the economy has not been able to create the jobs needed to fuel economic growth. This low job growth coupled with rapid population growth caused unemployment rate to triple its 1980 figures to 47% by 2012 as more people entered the workforce between 1988 and 2012 actively searching for job without success. This triggered a mass exodus of a significant portion of RMI's labor force to the United States where higher-paying jobs await them.

Ironically, one local employer has reported recently that it has a capacity to hire 800 local workers in two shifts, but can hardly get 140 to show up on any shift on any given day because of worker shortage. This is hurting the RMI economy and directly has impacted MISSA. Had these workers working in the U.S opted to stay in the country and find local employment, this would have translated to more domestic earnings which in turn will result to more social security contributions being collected by MISSA.

With the proposed changes to the Social Security Act of 1990 now with the Nitijela, the Administration's aim to prolong its life expectancy of nine years remains in limbo. All MISSA can do is seek public support through a massive information dissemination campaign in Majuro, in the outer islands and selected locations in the United States where the majority of Marshallese population is residing.

The proposed social security reforms were based on a study conducted by MISSA's actuary and cover a number of schemes to increase contributions and lower benefits, including criminal penalties for violations to existing social security laws and regulations. The main objective of this reform bill is to extend the life of the Fund but it does not warrant a safeguard against other economic risks and natural hazards. Unfortunately, the public seems to oppose these reforms for economic reasons.

Even if all of the proposed reforms are enacted into law, its positive effect will only last for another fifteen years. Consequently, benefits will again surpass contributions and then the Fund will gradually slide down. Thus, the Administration is determined to continue with its thrust to shift from its current social security system to the more sustainable defined contributions plan. MISSA is now seeking technical and financial assistance to pursue this more sustainable scheme.

The impact of the just concluded 44th Pacific Islands Forum hosted by the Marshall Islands still remains to be seen. The slow pace of global action to mitigate the effect of global warming continues to delay the much needed protection of thousands of square miles of marine life in the region where the economic development of Pacific island countries like the Marshall Islands is highly dependent.

On the positive side, the Administration's best hope for the coming months is another high performing yield from its investments outside the country. Although MISSA does not expect to duplicate its $6.93 million and $7.40 million offshore investment gains in FYs 2013 and 2012, respectively, it remains optimistic that modest gains will continue in the coming months.

On the other hand, MISSA remains upbeat and has no doubt that its equity investments in the Bank of the Marshall Islands (BOMI) and Marshall Islands Service Corporation (MISCo) will continue to bring in the much needed cash dividends as in the past several years.

CONTACTING MISSA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our beneficiaries and others a general overview of MISSA'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 email at missa3@ntamar.net.

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Statements of Fiduciary Net Position
September 30, 2013 and 2012

	2013	2012
ASSETS		
Cash	$ 1,767,762	$ 310,475
Receivables, net:		
Contributions	2,019,730	2,063,491
Other	485,992	279,217
Total receivables, net	2,505,722	2,342,708
Investments:		
Cash management	49,943	59,436
Stocks	17,373,802	15,836,554
Mutual funds	53,280,890	52,129,172
Total investments	70,704,635	68,025,162
Capital assets, net	55,493	42,149
Total assets	75,033,612	70,720,494
LIABILITIES		
Accounts payable	157,426	56,822
Other liabilities and accruals	126,052	146,745
Due to affiliate	1,761,952	1,547,381
Total liabilities	2,045,430	1,750,948
Contingency		
NET POSITION		
Held in trust for retirement, disability and survivors' benefits	$ 72,988,182	$ 68,969,546

See accompanying notes to financial statements.

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Statements of Changes in Fiduciary Net Position
Years Ended September 30, 2013 and 2012

	2013	2012
Additions:		
Contributions:		
Private employees	$ 8,915,779	$ 8,105,433
Government employees	3,983,184	4,170,888
Penalties and interest	414,913	323,805
Total contributions	13,313,876	12,600,126
Less allowance for doubtful accounts	-	152,745
Net contributions	13,313,876	12,447,381
Investment income:		
Net change in the fair value of investments	7,017,252	7,312,882
Dividends	1,169,089	1,048,719
Interest	6,230	31,742
Total investment income	8,192,571	8,393,343
Less investment expense:		
Investment management and custodial fees	148,506	140,864
Net investment income	8,044,065	8,252,479
Other additions	624,258	335,567
Total additions	21,982,199	21,035,427
Deductions:		
Benefit payments:		
Retirement	10,585,297	9,813,768
Survivors	5,617,160	5,453,080
Disability	799,487	829,921
Lump sum	105,726	155,424
Total benefit payments	17,107,670	16,252,193
Administrative	855,893	799,218
Total deductions	17,963,563	17,051,411
Change in net position	4,018,636	3,984,016
Net position at beginning of year	68,969,546	64,985,530
Net position at end of year	$ 72,988,182	$ 68,969,546

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. Additionally, MISSA is responsible for processing, monitoring and distributing benefit claims under the Prior Service Benefits Program (see note 3). Accordingly, MISSA established the Prior Service Fund to account for activities under this program.

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) 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*, 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 basic 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, the net position of MISSA is to be held in trust for retirement, disability and survivors' benefits.

A. Basis of Accounting

MISSA is accounted for as a Fiduciary Fund Type - Private Purpose Trust Fund and 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 the liabilities of prospective benefit payments or the present value of future contributions required from employees or employers.

(2) Summary of Significant Accounting Policies, Continued

C. Cash

For the purposes of the statements of net position, cash includes cash on hand and cash in checking and savings accounts.

D. Investments

Investments and related investment earnings are recorded 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.

Investments 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.

E. Receivables and the Allowance for Doubtful Accounts

Contributions receivable are due from employers located within the Republic of the Marshall Islands. 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 collectability of these accounts. The allowance is established through a provision for bad debts charged to expense.

F. Fixed Assets

Fixed assets with a cost that equals or exceeds $200 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:

Buildings and improvements	5 - 15 years
Motor vehicles	3 - 5 years
Computer equipment	3 years
Furniture	5 years
Office equipment	3 years

G. Deferred Outflows of Resources

In addition to assets, the statements of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. MISSA has no items that qualify for reporting in this category.

(2) Summary of Significant Accounting Policies, Continued

H. 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. As of September 30, 2013 and 2012, the accumulated annual leave liability amounted to $27,114 and $24,042, respectively, and is included in the statements of net position within other liabilities and accruals.

No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The accumulated estimated amount of unused sick leave as of September 30, 2013 and 2012 is $24,230 and $18,669, respectively.

I. Deferred Inflows of Resources

In addition to liabilities, the statements of fiduciary net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. MISSA has no items that qualify for reporting in this category.

J. Contributions

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.

K. Benefit Obligations

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. 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.

(2) Summary of Significant Accounting Policies, Continued

K. Benefit Obligations, Continued

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 bend points 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.

L. New Accounting Standards

During the year ended September 30, 2013, MISSA implemented the following pronouncements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements, which* addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, which* improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity, and No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement No. 62 superseded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The implementation of this statement did not have a material effect on the accompanying financial statements.

(2) Summary of Significant Accounting Policies, Continued

L. New Accounting Standards, Continued

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities, which* clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Fiduciary Net Assets was renamed the Statement of Fiduciary Net Position. In addition, the Statement of Fiduciary Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

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

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

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations,* which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of MISSA.

(2) Summary of Significant Accounting Policies, Continued

L. New Accounting Standards, Continued

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 69 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of MISSA.

M. 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 position 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.

(3) Prior Service Benefits Program

Under the terms of a Prior Service Claim Adjudication Service Agreement between MISSA and the Trust Territory Prior Service Trust Fund, MISSA is to provide for the processing of benefit claims and to assist in the monitoring of continuing eligibility under the Prior Service Program. The Prior Service Trust Fund Administration (PSTFA) will reimburse MISSA $2,000 per annum plus an amount equal to eight percent of the total amount of automated and manual benefit payments. Any cost for MISSA personnel who assist in searching and locating prior service documents in cooperation with the Prior Service Administration will be reimbursed on a dollar for dollar basis.

On September 15, 2005, an agreement was entered into between the PSTFA Board and the U.S. Department of the Interior to delegate the Board's obligations to and responsibility for the enrollees eligible for the Prior Service Benefits Program to the Social Security Systems of the Republic of the Marshall Islands, the Republic of Palau, the Federated States of Micronesia, and the Retirement Fund of the Commonwealth of the Northern Mariana Islands. Based on the agreement, the Social Security Administration (SSA) of each Government shall be entitled to an administrative fee not to exceed 20% of the share of allocated funds.

MISSA assumed administrative functions and received an allocation of $160,370 and $112,650 from PSTFA in 2013 and 2012, respectively. Total benefits and administrative expenditures for the years ended September 30, 2013 and 2012 amounted to $95,389 and $106,559, respectively. However, while MISSA accepts the liability for any amounts received, MISSA does not accept the obligation to pay future benefits unless additional funds are received from PSTFA. As of September 30, 2013, the amount of $113,328 is available for future benefit payments under the Prior Service Benefits Program.

(4) Deposits and Investments

The deposit and investment policies of MISSA are governed by its enabling legislation. The Board is required to engage one or more fund custodians to assume responsibility for the physical possession of MISSA's investments. Legally authorized investments are as follows:

(i) Government obligations - Obligations issued or guaranteed as to principal and interest by the Government of Republic of the Marshall Islands (RepMar) or by the Government of the United States, provided that the total market value of the investments in obligations guaranteed by Government of RepMar shall at the time of purchase not exceed twenty-five percent (25%) of the total market value of all investments of MISSA, and further provided that the principal and interest on each obligation are payable in the currency of the United States.

(ii) Corporate obligations and mortgage-backed securities - Obligations of any public or private entity or corporation created or existing under the laws of the RepMar or of the United States or any state, territory or commonwealth thereof, or obligations of any other government or economic community which are payable in United States dollars, or pass through and other mortgage-backed securities provided that the obligation is issued by an agency of the United States Government or is rated in one of the four highest categories by two nationally recognized rating agencies in the United States. No investment under this heading shall exceed five percent of the market value of the Retirement Fund or ten percent of the outstanding value of the issue at the time of purchase.

(iii) Preferred and common stocks - Shares of preferred or common stocks of any corporation created or existing under the laws of the RepMar or under the laws of the United States or any state, territory or commonwealth thereof provided that the purchase of such shares shall be considered reasonable and prudent by MISSA's investment advisor at the time of purchase, that not more than fifteen percent (15%) percent of the market value of the Retirement Fund shall be invested in the stock of any one corporation, and that not more than twenty-five percent (25%) percent of the market value of the Retirement Fund shall be invested in any one industry group.

(iv) Insurance company obligations - Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in the RepMar or in any state, territory or commonwealth of the United States provided that the total market value of these investments at no time shall exceed ten percent (10%) of all investments of the Retirement Fund.

A. Deposits:

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

(4) Deposits and Investments, Continued

A. Deposits, Continued:

As of September 30, 2013 and 2012, the carrying amount of MISSA's cash was $1,767,762 and $310,475, respectively, and the corresponding bank balances were $2,104,177 and $825,794, respectively. As of September 30, 2013 and 2012, bank deposits in the amount of $327,604 and $177,685, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining bank deposits of $1,776,573 and $648,109, respectively, are maintained in a financial institution not subject to depository insurance. MISSA 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.

B. Investments:

As of September 30, 2013 and 2012, investments at fair value are as follows:

	2013	2012
Mutual funds	$ 53,280,890	$ 52,129,172
Domestic equities	6,383,956	5,743,196
Cash management funds	49,943	59,436
	$ 59,714,789	$ 57,931,804

Additionally, MISSA owns 65,417 shares of the common stock of the Bank of Marshall Islands (BOMI), which engages in commercial banking services in the Republic of the Marshall Islands, and 3,000 shares of the common stock of Marshall Islands Service Corporation (MISC), which shareholders are comprised primarily of BOMI shareholders.

The investment in BOMI is accounted for on the equity method since the investment constitutes a 35% and 31% ownership share as of September 30, 2013 and 2012, respectively. At September 30, 2013 and 2012, MISSA's investment in BOMI amounted to $10,959,846 and $10,063,358, respectively. The investment in MISC is accounted for at cost since the fair market value is not readily available. At September 30, 2013 and 2012, MISSA's investment in MISC amounted to $30,000.

As of September 30, 2013 and 2012, MISSA maintained bank deposits with BOMI totaling $1,776,573 and $648,109, respectively. During the years ended September 30, 2013 and 2012, MISSA received cash dividend payments from BOMI of $359,068.

A summary of unaudited financial information as of and for the nine months ended September 30, 2013, for investees accounted for using the equity method of accounting for investments, is as follows:

Assets	$ 74,017,248
Liabilities	$ 44,301,568
Net earnings	$ 1,829,765

(4) Deposits and Investments, Continued

B. Investments, Continued:

As of September 30, 2013 and 2012, the total net increase in fair value of investments included $1,255,556 and $963,692, respectively, of equity in the net earnings of BOMI.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. At September 30, 2013 and 2012, MISSA's investment portfolio did not include investments in debt securities. Accordingly, MISSA is not exposed to credit risk.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, MISSA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. MISSA's investments are held and administered by trustees. MISSA's custodian holds investment securities in MISSA's name. MISSA's custodian is not affiliated or related to investment brokers. Accordingly, these investments are not exposed to custodial credit risk.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for MISSA. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. There was no concentration of credit risk for investments as of September 30, 2013 and 2012.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. MISSA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At September 30, 2013 and 2012, MISSA's investment portfolio did not include investments in debt securities. Accordingly, MISSA is not exposed to interest rate risk.

(5) Receivables

Receivables as of September 30, 2013 and 2012, including applicable allowances for doubtful accounts, are as follows:

	2013	2012
Court judgments	$ 7,989,873	$ 7,397,237
Contributions	2,384,171	2,594,140
Notes	973,040	1,462,789
Other	55,364	58,998
	11,402,448	11,513,164
Less allowance for doubtful accounts	(8,896,726)	(9,170,456)
	$ 2,505,722	$ 2,342,708

(5) Receivables, Continued

Court judgments receivable represents amounts due from employers for delinquent contributions that have been referred to attorneys for collection and have been adjudicated by the Court. These amounts are comprised of unpaid contributions together with penalties, interest, and attorney fees and are subject to interest of 9% per annum. Notes receivable represents amounts due from employers for delinquent contributions wherein the employer has entered into a promissory note agreement with MISSA with stipulated repayment terms and conditions, including interest of 12% per annum.

(6) Related Party Transactions

As of September 30, 2013 and 2012, MISSA recorded amounts payable to the Marshall Islands Health Fund of $1,761,952 and $1,547,381, respectively, which represented unremitted basic health fund employee and employer contributions collected by MISSA at the respective year ends.

In the ordinary course of business, MISSA has obtained legal services from the spouse of a board member. MISSA incurred related expenses of $28,783 and $28,832, respectively, during the years ended September 30, 2013 and 2012.

(7) Capital Assets

Capital asset activity for the years ended September 30, 2013 and 2012, was as follows:

	October 1, 2012	Additions	Retirements	September 30, 2013
Buildings and improvements	$ 505,167	$ 6,430	$ -	$ 511,597
Computer equipment	94,648	4,766	-	99,414
Motor vehicles	79,545	28,730	(22,225)	86,050
Office equipment	74,565	1,325	(751)	75,139
Furniture	57,308	-	-	57,308
	811,233	41,251	(22,976)	829,508
Less accumulated depreciation and amortization	(769,084)	(23,176)	18,245	(774,015)
	$ 42,149	$ 18,075	$ (4,731)	$ 55,493

	October 1, 2011	Additions	Retirements	September 30, 2012
Buildings and improvements	$ 505,167	$ -	$ -	$ 505,167
Computer equipment	93,898	750	-	94,648
Motor vehicles	71,045	24,500	(16,000)	79,545
Office equipment	70,993	7,147	(3,575)	74,565
Furniture	57,008	,900	(600)	57,308
	798,111	33,297	(20,175)	811,233
Less accumulated depreciation and amortization	(766,884)	(22,375)	20,175	(769,084)
	$ 31,227	$ 10,922	$ -	$ 42,149

(8) Contingency

In March 2012, MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2011. The valuation reported actuarial accrued liabilities for the Retirement Fund of $287,327,000. As of September 30, 2013, MISSA recorded total fund equity of $72,896,651 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.

(9) 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.

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Combining Statement of Fiduciary Net Position
September 30, 2013

	Retirement Fund	Prior Service Fund	Total Before Elimination	Elimination	Total
ASSETS					
Cash	$ 1,647,343	$ 120,419	$ 1,767,762	$ -	$ 1,767,762
Receivables, net:					
Contributions	2,019,730	-	2,019,730	-	2,019,730
Other	489,862	-	489,862	(3,870)	485,992
Total receivables, net	2,509,592	-	2,509,592	(3,870)	2,505,722
Investments:					
Cash management	49,943	-	49,943	-	49,943
Stocks	17,373,802	-	17,373,802	-	17,373,802
Mutual funds	53,280,890	-	53,280,890	-	53,280,890
Total investments	70,704,635	-	70,704,635	-	70,704,635
Fixed assets, net	55,493	-	55,493	-	55,493
Total assets	74,917,063	120,419	75,037,482	(3,870)	75,033,612
LIABILITIES					
Accounts payable	157,426	-	157,426	-	157,426
Other liabilities and accruals	122,831	7,091	129,922	(3,870)	126,052
Due to Ministry of Health	1,761,952	-	1,761,952	-	1,761,952
Total liabilities	2,042,209	7,091	2,049,300	(3,870)	2,045,430
NET POSITION					
Held in trust for retirement, disability and survivors' benefits	$ 72,874,854	$ 113,328	$ 72,988,182	$ -	$ 72,988,182

See Accompanying Independent Auditors' Report.

MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Combining Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2013

	Retirement Fund	Prior Service Fund	Total Before Elimination	Elimination	Total
Additions:					
Contributions:					
Private employees	$ 8,915,779	$ -	$ 8,915,779	$ -	$ 8,915,779
Government employees	3,983,184	-	3,983,184	-	3,983,184
Penalties and interest	414,913	-	414,913	-	414,913
Total contributions	13,313,876	-	13,313,876	-	13,313,876
Less allowance for doubtful accounts	-	-	-	-	-
Net contributions income	13,313,876	-	13,313,876	-	13,313,876
Investment income:					
Net change in the fair value of investments	7,017,252	-	7,017,252	-	7,017,252
Dividends	1,169,089	-	1,169,089	-	1,169,089
Interest	6,230	-	6,230	-	6,230
Total investment income	8,192,571	-	8,192,571	-	8,192,571
Less investment expense:					
Investment management and custodial fees	148,506	-	148,506	-	148,506
Net investment income	8,044,065	-	8,044,065	-	8,044,065
Other additions	479,776	160,370	640,146	(15,888)	624,258
Total additions	21,837,717	160,370	21,998,087	(15,888)	21,982,199
Deductions:					
Benefit payments:					
Retirement	10,550,349	34,948	10,585,297	-	10,585,297
Survivors	5,572,617	44,543	5,617,160	-	5,617,160
Disability	799,487	-	799,487	-	799,487
Lump sum	105,726	-	105,726	-	105,726
Total benefit payments	17,028,179	79,491	17,107,670	-	17,107,670
Administrative	855,883	15,898	871,781	(15,888)	855,893
Total deductions	17,884,062	95,389	17,979,451	(15,888)	17,963,563
Change in net position	3,953,655	64,981	4,018,636	-	4,018,636
Net position at beginning of year	68,921,199	48,347	68,969,546	-	68,969,546
Net position at end of year	$ 72,874,854	$ 113,328	$ 72,988,182	$ -	$ 72,988,182

See Accompanying Independent Auditors' Report.

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

Board of Directors
Marshall Islands Social Security Administration:

We have audited, in accordance with the 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, the financial statements of the Marshall Islands Social Security Administration (MISSA), which comprise the statement of fiduciary net position as of September 30, 2013, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MISSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MISSA's internal control. Accordingly, we do not express an opinion on the effectiveness of MISSA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte + Touche LLP

Tamuning, Guam
February 17, 2014

Unresolved Prior Year Findings
Year Ended September 30, 2013

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