

***Trust Fund for the People of the Republic of the
Marshall Islands***

Financial Report

September 30, 2005

Trust Fund for the People of the Republic of the Marshall Islands

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September 30, 2005 and 2004

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Trust Fund for the People of the Republic of the Marshall Islands

Management's Discussion and Analysis

For the Fiscal Years Ended September 30, 2005 and the Period from Inception (December 17, 2003) to September 30, 2004

This section of the annual report presents the Joint Trust Fund Committee's (TFC) management discussion and analysis of the Trust Fund for the People of the Republic of the Marshall Islands (Trust Fund) financial performance for the year ended September 30, 2005 and for the initial period from inception (December 17, 2003) to September 30, 2004. Please read it in conjunction with the Trust Fund's financial statements, which follow this section.

The Trust Fund for the People of the Republic of the Marshall Islands Net Assets Summary

	September 30,	
	2005	2004
Assets		
Cash	\$45,213,344	\$32,157,847
Accrued investment income	4,564	-
Total Assets	45,217,908	32,157,847
Liabilities		
Accrued expenses	54,199	-
Due to "D" Account	11,302	-
Total Liabilities	65,501	-
Restricted Net Assets	\$45,152,407	\$32,157,847

Financial Highlights - Net Assets at September 30, 2005

At the end of fiscal year 2005, the Trust Funds Assets were \$45.2 million consisting entirely of contributions by the Government of the United States of America (United States) and the Government of the Republic of the Marshall Islands (RMI), and earnings on these funds invested in certificates of deposit. The account was held by Wachovia Bank as custodian for the Trust Fund pending selection of a Trustee.

Trust Fund for the People of the Republic of the Marshall Islands

Management's Discussion and Analysis

For the Fiscal Years Ended September 30, 2005 and the Period from Inception (December 17, 2003) to September 30, 2004

Financial Highlights - Net Assets at September 30, 2004

At the end of fiscal year 2004, the Trust Fund Assets were \$32.2 million, consisting entirely of contributions received from the United States and the RMI.

The Trust Fund for the People of the Republic of the Marshall Islands Changes in Net Assets Summary

	Year ended September 30, 2005	Period from Inception to September 30, 2004
Contributions	\$11,838,500	\$32,000,000
Net investment income	1,197,400	157,847
Total Additions	13,035,900	32,157,847
Administrative expenses	41,340	-
Total Deductions	41,340	-
Change in Net Assets	12,994,560	32,157,847
Net Assets - Beginning	32,157,847	-
Net Assets - Ending	\$45,152,407	\$32,157,847

Financial Highlights - Changes in Net Assets for Fiscal Year Ended September 30, 2005

The United States contribution of \$7.6 million for fiscal year 2005 was credited to the Fund's account on October 4, 2004. The total yield on invested cash balances is 2.72% for the year ended September 30, 2005.

Financial Highlights - Changes in Net Assets for the Period from Inception to September 30, 2004

At its first meeting, the TFC selected Wachovia Bank to hold its assets during the process for selecting and concluding contractual agreements with an investment adviser and custodian. Goldman Sachs was selected as the Fund's Investment Adviser. First Hawaiian Bank, a wholly owned subsidiary of BNP Paribas, was selected as the Fund's Trustee.

RMI made a contribution of \$25.0 million on June 1, 2004 in compliance with the requirements of the Compact of Free Association (P.L. 99-239). The United States contribution of \$7 million for fiscal year 2004 could not be made until after the RMI contribution was received, therefore it was deposited into the Trust's account on June 3, 2004.



Independent Auditor's Report

To the Joint Trust Fund Committee
Trust Fund for the People of the Republic of the Marshall Islands

We have audited the accompanying statements of net assets of the Trust Fund for the People of the Republic of the Marshall Islands (a District of Columbia not for profit corporation herein after referred to as Trust Fund) as of September 30, 2005 and 2004, and the related statements of changes in net assets and for the year ended September 30, 2005 and for the period from December 17, 2003 (Date of Inception) to September 30, 2004. These financial statements are the responsibility of the Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, the financial statements referred to above present fairly, in all material respects, the statement of net assets of the Trust Fund for the People of the Republic of the Marshall Islands as of September 30, 2005 and 2004 and the changes in its net assets for the year ended September 30, 2005 and for the initial period from December 17, 2003 to September 30, 2004 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2009, on our consideration of the Trust Fund for the People of the Republic of the Marshall Islands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 1 and 2, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 the information and express no opinion on it.

Beard Miller Company LLP

Beard Miller Company LLP
Malvern, Pennsylvania
July 27, 2009

Trust Fund for the People of the Republic of the Marshall Islands

Statements of Net Assets September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$45,213,344	\$32,157,847
Accrued investment income	<u>4,564</u>	<u>-</u>
Total Assets	<u><u>\$45,217,908</u></u>	<u><u>\$32,157,847</u></u>
Liabilities and Restricted Net Assets		
Liabilities		
Accrued expenses	\$ 54,199	\$ -
Due to "D" Account	<u>11,302</u>	<u>-</u>
Total Liabilities	<u>65,501</u>	<u>-</u>
Restricted Net Assets	<u>45,152,407</u>	<u>32,157,847</u>
Total Liabilities and Restricted Net Assets	<u><u>\$45,217,908</u></u>	<u><u>\$32,157,847</u></u>

Trust Fund for the People of the Republic of the Marshall Islands

Statements of Changes in Net Assets

Year Ended September 30, 2005 and Period from December 17, 2003 (Inception) to September 30, 2004

	<u>2005</u>	<u>2004</u>
Additions		
Contributions:		
Government of the United States of America	\$ 7,588,500	\$ 7,000,000
Government of the Republic of the Marshall Islands	2,500,000	25,000,000
Government of the Republic of China (Taiwan)	1,750,000	-
	<u>11,838,500</u>	<u>32,000,000</u>
Investment income:		
Interest	1,210,259	157,847
Less: investment expenses	<u>12,859</u>	<u>-</u>
Net Investment Income	<u>1,197,400</u>	<u>157,847</u>
Total Additions	<u>13,035,900</u>	<u>32,157,847</u>
Deductions		
Administrative expenses	<u>41,340</u>	<u>-</u>
Change in Net Assets	12,994,560	32,157,847
Net Assets - Beginning	<u>32,157,847</u>	<u>-</u>
Net Assets - Ending	<u>\$45,152,407</u>	<u>\$32,157,847</u>

See notes to financial statements.

Trust Fund for the People of the Republic of the Marshall Islands

Notes to Financial Statements

September 30, 2005 and 2004

Note 1 - Summary of Significant Accounting Policies

Overview of the Trust Fund:

Compact

The Compact of Free Association Between the Governments of the United States of America (United States) and the Federated States of Micronesia and the Republic of the Marshall Islands was approved by the United States Congress in Section 201 of Public Law 99-239 (January 14, 1986) and went into effect with respect to the Republic of the Marshall Islands on October 21, 1986 as amended by Public Law 108-188 approved December 17, 2003 (Compact) and provided legislation to establish The Trust Fund for the People of the Republic of the Marshall Islands (Trust Fund).

Trust Fund

The Compact provides for the establishment of the Trust Fund. Pursuant to the provisions of the Compact and its subsidiary *Agreement Between the Government of the United States of America and the Government of the Republic of the Marshall Islands (Original Parties) Implementing Section 216 and Section 217 of the Compact, as Amended, regarding a Trust Fund (Trust Fund Agreement)*, the *Trust Fund for the People of the Republic of the Marshall Islands* was incorporated in Washington, D.C. on April 28, 2004, as a nonprofit corporation. The purpose of the Trust Fund is to contribute to the economic advancement and long-term budgetary self-reliance of the Republic of the Marshall Islands by providing an annual source of revenue through fiscal year 2023. After fiscal year 2023, the Trust Fund will provide an annual source of revenue for assistance in specific sectors described in Section 211 of the Compact, or other sectors as mutually agreed by the Original Parties, with priorities in education and health care. In accordance with the agreement, the situs of the Fund was established within the United States. The Original Parties are committed to contribute to the Trust Fund amounts described in the Compact, subsequent contributors may contribute to the Trust Fund if first approved by all Joint Trust Fund Committee (Committee) voting members. By a majority vote of the Committee, other voting or non-voting members may be appointed from Subsequent Contributors that contribute to the Fund from time to time, provided that the United States maintains the majority vote in the Committee.

After the initial twenty (20) years, beginning October 1, 2023, the Original Parties will consult regarding the future composition of the Committee. The Committee shall remain the same, unless otherwise agreed by the Original Parties.

The composition of the Committee consists of four voting members from the United States appointed by the Government of the United States, which include the Chairman of the Joint Trust Fund Committee, and, two voting members appointed by and for the Republic of the Marshall Islands, and one voting member appointed by and for the Government of the Republic of China (Taiwan). The Committee has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters.

Trust Fund for the People of the Republic of the Marshall Islands

Notes to Financial Statements

September 30, 2005 and 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Trust Fund (Continued)

The Government of the United States may unilaterally withdraw the accumulated market value of its contributions to the Fund, plus any undistributed income under certain circumstances including the Government of the Republic of the Marshall Islands' gross misuse of the Trust Fund's financial resources. The Fund's operations may be terminated by written agreement of the Original Parties.

On May 2, 2005 the Trust Fund entered into a Subsequent Contributor Accession Agreement between the Government of the United States of America and the Government of the Republic of the Marshall Islands in accordance with Section 216 and Section 217 of the Compact of Free Association Act of 2003, as amended, and the Government of the Republic of China (Taiwan). As provided by the Subsidiary Agreement to the Compact the "D" Account was set up as a separate trust to be funded by contributions of the Government of the Republic of China (Taiwan) in accordance with the schedule of payments prescribed by the Accession Agreement. Income from the "D" Account may be utilized by the Government of the Republic of the Marshall Islands at any time after the "D" has corpus of \$10,000,000 and the proper consultation has been made by the Government of the Republic of the Marshall Islands with the Government of the Republic of China (Taiwan). The funds held in the "D" Account Trust are not under the control of the Joint Trust Fund Committee, and the corpus of the "D" Account is not a component of the Trust Fund for the People of the Marshall Islands.

Tax Exempt Status

Pursuant to the terms of the Compact, the Trust Fund is exempt from income tax.

Trust Fund Financial Statements

The statement of net assets and the statement of changes in net assets are private purpose trust financial statements. They report information on all of the Trust Fund's assets, liabilities, net assets, and activities. Trust Fund activities are supported primarily by contributions by the Original Parties and investment income. The Trust Fund has no business or proprietary type activities that rely on fees and charges for support.

Contributions represent amounts paid by the Original Parties to help meet the operational requirements of the Trust Fund and represent principal.

Trust Fund for the People of the Republic of the Marshall Islands

Notes to Financial Statements

September 30, 2005 and 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Trust Fund Financial Statements (Continued)

The financial statements provide information on the net assets and changes in net assets of the Trust. The Trust Fund is designed to contribute to the long-term budgetary self-reliance of the Republic of the Marshall Islands by establishing a trust fund to provide the Government of the Republic of the Marshall Islands with an ongoing source of revenue after Fiscal Year 2023; recognizing that it is the mutual intention of the Governments of the United States and the Republic of the Marshall Islands that the Government of the United States discontinue annual grant assistance beyond fiscal year 2023. The Trust Fund consists of three accounts the "A" Account, the "B" Account and the "C" Account, respectively (collectively, the Accounts). Each account has a specific purpose with respect to the use of contributions and income derived from investments as specified by the Trust Fund Agreement in accordance with the special purpose of the Trust Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Trust Fund financial statements use the economic resources measurement focus and are prepared using the accrual basis of accounting. Contributions are recorded when due and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Additional contributions are recognized as revenue as soon as all eligibility requirements imposed by the Compact have been met. Investment earnings are recorded as earned, since they are both measurable and available.

The Trust Fund has adopted applicable Government Accounting Standards Board (GASB) pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of the Trust Fund are included in the accompanying statement of net assets. The Trust Fund's net assets are restricted for future use after fiscal year 2023.

Cash Equivalents - Money Market Funds Credit Risk

The Trust Fund's policy is to report cash equivalents at cost which approximates fair value. Cash equivalents consist primarily of money market investments in Blackrock Liquidity Funds. This portfolio invests in first-tier only securities, primarily including: domestic and foreign corporate obligations, domestic and foreign bank obligations, securities issued or guaranteed by the U.S. government or its agencies, and fully collateralized repurchase agreements. Although the funds seek to preserve the value of the investment at \$1.00 per share, it is possible to lose money investing in these funds. During the fourth quarter of 2008, the U.S. Treasury Department extended temporary insurance coverage to participating money market funds under the terms of the Temporary Guaranty Program for Money Market Funds. Effective September 19, 2008, the Blackrock Liquidity Funds are participating in the U.S. Treasury Guarantee Program for Money Market Funds. The program generally does not guarantee any new investments in the funds made after September 19, 2008, and is scheduled to expire on September 19, 2009 unless extended.

Trust Fund for the People of the Republic of the Marshall Islands

Notes to Financial Statements

September 30, 2005 and 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Net Assets

Restricted net assets consist of the “A”, “B”, and “C” accounts as described below are subject to legal, regulatory, budgetary, or other restrictions in accordance with the Compact.

1. The “A” Account:

- a. The “A” Account, which established upon the effective date of the Compact, as amended, shall form the Corpus and consist of contributions from the Original Parties, and subsequent contributors. Except as otherwise provided in the Trust Fund Agreement, it also consists of the income from the investments made from contributions (principal), and transfers from the “B” Account and “C” Account in accordance with the Trust Fund Agreement.
- b. Through September 30, 2022, payment of allowable expenses of the Fund shall be made from the “A” Account. During this period, the amount, if any, of income in each fiscal year which remains after such payment of expenses shall be reinvested into the “A” Account. Except as provided in the Trust Fund Agreement, or upon termination of the Trust Fund, no funds may be removed from the “A” Account.

Total amounts included in the “A” Account as of September 30, 2005 and 2004, were \$45,152,407 and \$32,157,847, respectively.

2. The “B” Account:

- a. On October 1, 2022 the “B” Account shall be created.
- b. During fiscal year 2023, all income earned in fiscal year 2023 shall be deposited into the “B” Account for disbursement in fiscal year 2024.
- c. For fiscal year 2024, and thereafter, the “B” Account shall consist of the prior year’s income from investment of funds in the “A” Account.

3. The “C” Account:

- a. Shall be created at the same time as the “A” Account and, beginning in fiscal year 2004 through fiscal year 2022, any annual income on the Fund over six percent (6%) shall be deposited in the “C” Account, up to the limit specified in (b) below. Beginning in fiscal year 2023, the “C” Account shall be replenished from the “B” Account in accordance with paragraph 6 below;

Trust Fund for the People of the Republic of the Marshall Islands

Notes to Financial Statements

September 30, 2005 and 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Net Assets (Continued)

- b. Shall contain no more than three times the estimated equivalent of the fiscal year 2023 annual grant assistance, including estimated inflation calculated in accordance with Section 218 of the Compact. Any excess above the estimated amount shall return to the "A" Account; and,
- c. May be drawn on, to the extent it contains sufficient funds, to address any shortfall in the "B" Account after fiscal year 2023, if income on the "A" Account falls below the previous year's distribution (not including any amount distributed that year for special needs) adjusted for inflation, to the Government of the Republic of the Marshall Islands, and for special needs agreed to by the Committee.

Total amounts allocated to the "C" Account as of September 30, 2005 and 2004 were \$-0-.

- 4. After fiscal year 2023, if the income in the "B" Account is less than the previous year's distribution to the Government of the Republic of the Marshall Islands, and the "C" Account cannot cover the shortfall in the "B" Account, then the principal and reinvested income not available for distribution (corpus) shall not be accessed to compensate for the shortfall.
- 5. The Committee may disburse to the Government of the Republic of the Marshall Islands, from the "B" Account (supplemented from the "C" Account if the "B" Account is insufficient):
 - a. In fiscal year 2024, an amount equal to the annual grant assistance provided by the Government of the United States to the Government of the Republic of the Marshall Islands in fiscal year 2023, plus an inflation adjustment; and
 - b. Beginning in fiscal year 2025, and thereafter, an amount of funds no more than the amount equal to the United States annual financial assistance to the Republic of the Marshall Islands in fiscal year 2023 plus a cumulative inflation adjustment thereon, plus any additional amounts for special needs as approved above.
- 6. Beginning in fiscal year 2023, the Committee shall transfer to the "A" Account any funds in the "B" Account in excess of the amount approved for disbursement in the following fiscal year, in accordance with paragraph 5 above, unless such excess funds are needed to bring the "C" Account to its maximum permitted level.

Trust Fund for the People of the Republic of the Marshall Islands

Notes to Financial Statements

September 30, 2005 and 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Net Assets (Continued)

7. A special Trust (the "D" Account), may be established to allow contribution by the Republic of the Marshall Islands for revenues or income from unanticipated sources. This account may not be commingled with the Trust Fund, and must have a separate account number. The Republic of the Marshall Islands shall have access to funds in this account for unanticipated shortfalls or other purposes. Funds in this account are not part of the Trust Fund corpus and are not under the control of the Joint Trust Fund Committee. The Republic of China (Taiwan) is the principal contributor to the "D" Account.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Contributions

The United States will contribute to the Trust Fund annually for twenty years from the effective date of the Compact, amounts set forth in Section 217 of the Compact. Upon termination of the annual financial assistance under Section 211 of the Compact, the proceeds of the Trust Fund shall thereafter be used for the purposes described in Section 211 of the Compact or as otherwise mutually agreed by the Original Parties.

The United States contributions to the Trust Fund were conditioned on the Government of the Republic of the Marshall Islands contributing at least \$25 million to the Trust Fund, prior to October 1, 2003, \$2,500,000 prior to October 1, 2004, and \$2,500,000 prior to October 1, 2005. Any funds received by the Republic of the Marshall Islands under Section 111 (d) of Public Law 99-239 (January 14, 1986), or successor provisions, would be contributed to the Trust Fund as a Government of the Republic of the Marshall Islands contribution.

Trust Fund for the People of the Republic of the Marshall Islands

Notes to Financial Statements

September 30, 2005 and 2004

Note 2 - Contributions (Continued)

A history of contributions to the Fund's "A" account is as follows:

<u>Date</u>	<u>Amount (Millions)</u>	<u>Contributor</u>
June 1, 2004	\$25.0	Republic of the Marshall Islands
June 3, 2004	7.0	United States
October 5, 2004	7.5	United States
February 17, 2005	1.5	Republic of the Marshall Islands
May 19, 2005	1.0	Republic of the Marshall Islands
May 19, 2005	1.8	Republic of China (Taiwan)
Total Contributions through FY 2005	<u>\$43.8</u>	

Past received and future scheduled contributions to the Trust Fund "A" Account by the Government of the United States during the Trust Fund period are as follows:

<u>Fiscal Year</u>	<u>Amount (Millions)</u>
2004	\$ 7.0
2005	7.5
2006	8.0
2007	8.5
2008	9.0
2009	9.5
2010	10.0
2011	10.5
2012	11.0
2013	11.5
2014	12.0
2015	12.5
2016	13.0
2017	13.5
2018	14.0
2019	14.5
2020	15.0
2021	15.5
2022	16.0
2023	16.5

Trust Fund for the People of the Republic of the Marshall Islands

Notes to Financial Statements

September 30, 2005 and 2004

Note 2 - Contributions (Continued)

The amounts of scheduled contributions as shown are subject to an inflation adjustment for each United States fiscal year by the percent that equals two-thirds of the percent change in the United States Gross Domestic Product Implicit Price Deflator, or 5 percent, whichever is less in any one year, using the beginning of fiscal period 2004 as a base.

Past received and future scheduled contributions to the Trust Fund "A" Account by the Government of the Republic of China (Taiwan) during the Trust Fund period are as follows:

<u>Fiscal Year</u>	<u>Amount (Millions)</u>
2004	\$1.0
2005	.8
2006	.8
2007	.8
2008	.8
2009	2.4
2010 - 2023	2.4

Contributions to the "D" Account are not reflected in the accompanying financial statements. As described in Note 1, the "D" Account was set up to allow for additional income to the Trust Fund from unanticipated sources. These contributions may not be commingled with assets of the Trust Fund and are required to have a separate account number. The Government of the Republic of the Marshall Islands has access to funds in this account for unanticipated shortfalls or other purposes. Funds in the "D" Account are not part of the corpus of the Trust Fund for the People of the Republic of the Marshall Islands.

Total amounts included in the "D" Account as of September 30, 2005 and 2004 were \$3,786,126 and \$-0-, respectfully.



Independent Auditor's 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

To the Joint Trust Fund Committee
Trust Fund for the People of the Republic of the Marshall Islands

We have audited the accompanying statement of net assets of the Trust Fund for the People of the Republic of the Marshall Islands (a District of Columbia not for profit corporation herein referred to as Trust Fund) as of September 30, 2005, and the related statement of changes in net assets for the year ended September 30, 2005 and have issued our report thereon dated June 3, 2009. 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 Trust Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust Fund's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Trust Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Trust Fund's financial statements that is more than inconsequential will not be prevented or detected by Trust Fund's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Trust Fund's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trust Fund'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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Joint Trust Fund Committee, management, and Governments of the United States of America and the Republic of the Marshall Islands and is not intended to be and should not be used by anyone other than these specified parties.

Beard Miller Company LLP

Beard Miller Company LLP
Malvern, Pennsylvania
July 27, 2009