

RESETTLEMENT TRUST FUND
FOR THE
PEOPLE OF BIKINI
SEPTEMBER 30, 2014
AND
SEPTEMBER 30, 2013

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MILLER, ENGEL & TIERNEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

THIS REPORT CONSISTS OF 10 PAGES

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MILLER, ENGEL & TIERNEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

Suite 610
6110 Executive Boulevard
Rockville, Maryland 20852

June 23, 2015

INDEPENDENT AUDITORS' REPORT

Wilmington Trust, Trustee
Resettlement Trust Fund for the
People of Bikini

We have audited the accompanying financial statements of the RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI, which comprise the statements of Financial Condition, as of September 30, 2014 and 2013, and the related Statements of Income, Trust Equity and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibilities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI as of September 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Miller, Engel & Tierney

MILLER, ENGEL & TIERNEY LLP

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI
STATEMENT OF FINANCIAL CONDITION

ASSETS

As Of

	<u>SEPTEMBER</u> <u>30, 2014</u>	<u>SEPTEMBER</u> <u>30, 2013</u>
Cash on Deposit — Short Term Investment Funds	\$ 1,509,449	\$ 1,720,586
Dividends Receivable	23,832	19,931
Interest Receivable	4,992	4,603
Investment in Marketable Equity Securities — Note 2	66,529,353	66,192,104
Investment In Marketable Debt Securities — Note 3	656,275	570,761
Prepaid Expenditures	<u>62,516</u>	<u>309,662</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 68,786,417</u>	 <u>\$ 68,817,647</u>

LIABILITIES AND TRUST EQUITY

Accrued Expenditures	\$ 146,877	\$ 63,700
Payroll Taxes Withheld and Accrued	<u>128,470</u>	<u>130,505</u>
 <u>TOTAL LIABILITIES</u>	 <u>\$ 275,347</u>	 <u>\$ 194,205</u>
 <u>TRUST EQUITY — EXHIBIT "B"</u>	 <u>68,511,070</u>	 <u>68,623,442</u>
 <u>TOTAL LIABILITIES AND TRUST EQUITY</u>	 <u>\$ 68,786,417</u>	 <u>\$ 68,817,647</u>

The accompanying notes are an integral part of this financial statement

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI

STATEMENT OF TRUST EQUITY

	<u>TRUST EQUITY</u>	<u>ACCUMULATED OTHER COMPREHENSIVE INCOME</u>	<u>TOTAL</u>
Balance — September 30, 2012	\$ <u>68,817,216</u>	\$ <u>11,293,911</u>	\$ <u>80,111,127</u>
<u>COMPREHENSIVE INCOME:</u>			
Excess of Revenue Over Expenditures	\$ 841,317	\$ —	\$ 841,317
Net Increase in Unrealized gains on securities	<u>—</u>	<u>3,644,593</u>	<u>3,644,593</u>
<u>Total Comprehensive Income (Loss)</u>	\$ 841,317	\$ 3,644,593	\$ 4,485,910
Expenditures from Corpus	\$ <u>(1,035,091)</u>	<u>—</u>	\$ <u>(1,035,091)</u>
Balance — September 30, 2013	\$ <u>68,623,442</u>	\$ <u>14,938,504</u>	\$ <u>83,561,946</u>
<u>COMPREHENSIVE INCOME:</u>			
Excess of Revenue Over Expenditures	\$ 976,702	\$ —	\$ 976,702
Net Decrease in Unrealized gains on securities	<u>—</u>	<u>(659,630)</u>	<u>(659,630)</u>
<u>Total Comprehensive Income (Loss)</u>	\$ 976,702	\$ (659,630)	\$ 317,072
Expenditures from Corpus	\$ <u>(1,089,074)</u>	<u>—</u>	\$ <u>(1,089,074)</u>
Balance — September 30, 2014	\$ <u>68,511,070</u>	\$ <u>14,278,874</u>	\$ <u>82,789,944</u>

The accompanying notes are an integral part of this financial statement

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI
STATEMENT OF INCOME

	<u>FOR THE YEARS ENDED</u>	
	<u>SEPTEMBER</u> <u>30, 2014</u>	<u>SEPTEMBER</u> <u>30, 2013</u>
<u>REVENUE</u>		
Interest and Dividends	\$ 1,323,100	\$ 1,721,709
Net Gain (Loss) on Sale of Marketable Equity Securities	5,265,633	4,716,323
Net Gain (Loss) on Sale of Marketable Debt Securities	(382)	26
Miscellaneous Income	<u>1,548</u>	<u>6,893</u>
<u>Total Revenue</u>	\$ 6,589,899	\$ 6,444,951
 <u>EXPENDITURES FROM INCOME</u>	 <u>(5,613,197)</u>	 <u>(5,603,634)</u>
 <u>NET INCOME (LOSS) — EXHIBIT "B"</u>	 <u>\$ 976,702</u>	 <u>\$ 841,317</u>

The accompanying notes are an integral part of this financial statement

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINISTATEMENT OF CASH FLOWSFOR THE YEARS ENDED

	<u>SEPTEMBER</u>	<u>SEPTEMBER</u>
	<u>30, 2014</u>	<u>30, 2013</u>

CASH FLOW FROM TRUST ACTIVITIES

Net Income (Loss) — Exhibit "C"	\$ 976,702	\$ 841,317
Expenditures from Corpus	(1,089,074)	(1,035,091)
Adjustment for Market Value Decline / (Recovery)	(946,800)	(294,549)
(Increase) Decrease in:		
Dividends Receivable	(3,901)	279
Interest Receivable	(389)	345
Investment in Marketable Securities	524,037	(154,033)
Prepaid Expenses	247,146	(12,452)
Increase (Decrease) in:		
Accrued Expenditures	83,177	(5,222)
Payroll Taxes Withheld and Accrued	<u>(2,035)</u>	<u>10,544</u>
<u>Net Cash From (Used By) Trust Activities</u>	\$ (211,137)	\$ (648,862)

<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>1,720,586</u>	<u>2,369,448</u>
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<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 1,509,449</u>	<u>\$ 1,720,586</u>
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The accompanying notes are an integral part of this financial statement

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — THE TRUST AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Resettlement Trust Fund for the People of Bikini (the Trust) was established by the U.S. Congress under Public Law No. 97-257 on October 16, 1982 and a Trust Agreement which was approved by the people of Bikini and the Secretary of the Interior effective October 18, 1982. The Trust was amended effective October 26, 1988 in order to comply with Public Law No. 100-446.

Assets and liabilities and revenues and expenditures are recognized on the accrual basis of accounting.

Public Law No. 97-257 provides that the Trust is to be exempt from all Federal and local taxes. Therefore, the Trust has no tax liability and has paid no income taxes.

The Statement of Financial Condition has not been segregated between current and noncurrent classifications. The classifications between current and noncurrent investments cannot be determined as the Trust buys and sells investments depending on market conditions.

Recognized gain or loss on the sale of marketable securities is recorded utilizing the first-in, first-out method of accounting. Pursuant to the trust document, capital gains and losses are considered income by the trust.

Cash per the Statement of Cash Flows is considered to include all cash held by the Trust including cash reserves and short-term investment funds held in various brokers' accounts. Cash flows from Trust activities include all investment activities of the Trust.

The Trust maintains its cash balances with Wilmington Money Funds and UBS RMA Government Portfolio Funds. The balances are not insured by the Federal Deposit Insurance Corporation. At September 30, 2014 and September 30, 2013, the Trust's uninsured cash balances total \$1,434,600 and \$1,720,430 respectively.

The Trust paid no interest during the year ended September 30, 2014 or September 30, 2013.

All expenditures of the Trust are deemed distributed to the Bikini/Kili/Ejit Local Government Council (the Council). These amounts are allocated as expenditures from corpus or as expenditures from income. These allocations are determined by the Council, the trustee and the Trust's legal counsel.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments are stated at cost; if a decline in market value is considered other than temporary the cost is adjusted for the impairment.

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI
NOTES TO FINANCIAL STATEMENTS

NOTE 2 — INVESTMENT IN MARKETABLE EQUITY SECURITIES

The market value of the marketable equity securities was \$82,991,941 at September 30, 2014 and \$81,114,188 at September 30, 2013. The Trust had unrealized gains in marketable equity securities of \$14,906,943 and unrealized losses of \$634,890 at September 30, 2014. The losses were considered temporary due to subsequent increases in value. The Trust had unrealized gains of \$15,627,424 and unrealized losses of \$705,340 at September 30, 2013.

NOTE 3 — INVESTMENT IN MARKETABLE DEBT SECURITIES

The market value of the marketable debt securities was \$663,096 at September 30, 2014 and \$587,181 at September 30, 2013. The Trust had unrealized gains in marketable debt securities of \$16,216 and unrealized losses of \$9,395 at September 30, 2014. The losses were considered temporary. The Trust had unrealized gains of \$24,111 and unrealized losses of \$7,691 at September 30, 2013.

NOTE 4 — SECURITY AGREEMENTS

The Kili/Bikini/Ejit local governmental council acting in its capacity as the Bikini distribution authority entered into promissory notes in the original amounts of \$8,000,000.00, and \$1,250,000.00 dated October 28, 1997 and July 2, 1998 respectively, with the Allfirst Bank (now M&T Bank). As security, the trust has pledged the distributable income pursuant to Article IX of the Bikini Resettlement Trust Fund Agreement to secure repayment of the notes. In August 2001 these notes were refinanced into one note and an additional \$1,000,000 was borrowed. The outstanding balance on this new consolidated note as of September 30, 2014 was \$4,300,029.

NOTE 5 — SUBSEQUENT EVENTS

Subsequent events were evaluated to the financial statements issuance date of June 23, 2015.

Additional Information

MILLER, ENGEL & TIERNEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

*Suite 610
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June 23, 2015

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

M & T Bank, Trustee
Resettlement Trust Fund for the
People of Bikini

Our report on our audit of the basic financial statements of the RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI for the year ended September 30, 2014 appears directly preceding the Statement of Financial Condition. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it. The trustee and the Council have decided that the budget schedule should be presented on the cash basis of accounting. The cash basis of accounting is an other comprehensive basis of accounting.

MILLER, ENGEL & TIERNEY LLP

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI
STATEMENT OF EXPENDITURES COMPARED TO BUDGET (CASH BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Actual</u>	<u>Budget</u>	Over or (Under) <u>Budget</u>
Accounting and Auditing Fees	\$ 58,290	\$ 59,465	\$ (1,175)
Administrative Overhead	16,234	16,352	(118)
Automobile, Truck and Generator Expenses	14,446	14,560	(114)
Bank Charges	5,801	4,112	1,689
Benefit Payments	68,000	51,503	16,497
Bikini Day	9,421	10,000	(579)
Bikini Atoll Rehabilitation Projects —			
Schedule "H-1"	703,994	705,736	(1,742)
Departmental Expense	1,573	1,510	63
Education	67,221	50,810	16,411
Housing Allowance/Rent	25,150	15,874	9,276
Insurance	82,769	83,645	(876)
Investment Management Fees	142,498	142,498	—
Kili/Ejit Improvement Projects	2,431,542	2,899,989	(468,447)
Legal Expenses	10,000	9,926	74
Legal Fees	154,840	150,540	4,300
Liaison Agent Fees	50,000	50,000	—
Miscellaneous Expense	3,189	2,473	716
Payroll Taxes	217,235	217,104	131
Per Diems	75,775	75,028	747
Scholarships	202,335	202,235	100
Telephone and Fax	12,099	14,891	(2,792)
Travel — Bikinians	67,333	64,340	2,993
— Legal	2,412	5,000	(2,588)
Trustee Fees	56,044	56,044	—
Wages	<u>2,212,524</u>	<u>1,912,479</u>	<u>300,045</u>
<u>Totals</u>	<u>\$ 6,690,725</u>	<u>\$ 6,816,114</u>	<u>\$ (125,389)</u>

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI
STATEMENT OF EXPENDITURES COMPARED TO BUDGET (CASH BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT "H"
SCHEDULE "H-1"

BIKINI ATOLL REHABILITATION PROJECTS

	<u>Actual</u>	<u>Budget</u>	<u>Over or (Under) Budget</u>
Current Bikini Projects —			
Bikini Fuels and Oils	\$ 203,256	\$ 203,333	\$ (77)
Bikini Projects Department Administration	220,710	220,755	(45)
Building Lease Payments	51,997	54,128	(2,131)
Operations and Maintenance Cost	100,826	100,874	(48)
Rental and Aggregate Payments	20,000	20,000	—
Supplemental Food	<u>107,205</u>	<u>106,646</u>	<u>559</u>
<u>Totals</u>	<u>\$ 703,994</u>	<u>\$ 705,736</u>	<u>\$ (1,742)</u>