

RESETTLEMENT TRUST FUND
FOR THE
PEOPLE OF BIKINI
SEPTEMBER 30, 2016
AND
SEPTEMBER 30, 2015

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MILLER, ENGEL & TIERNEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

THIS REPORT CONSISTS OF 10 PAGES

CONTENTS

Exhibit Reference	Schedule Reference	Title	Page
—	—	Independent Auditors' Report	1
A	—	Statement of Financial Condition as of September 30, 2016 and September 30, 2015	2
B	—	Statement of Trust Equity for the years ended September 30, 2016 and September 30, 2015	3
C	—	Statement of Income for the years ended September 30, 2016 and September 30, 2015	4
D	—	Statement of Cash Flows for the years ended September 30, 2016 and September 30, 2015	5
E	—	Notes to Financial Statements	6
—	—	Additional Information	
—	—	Independent Auditors' Report on Additional Information	8
F	1	Statement of Expenditures Compared to Budget for the year ended September 30, 2016	9
F	2	Bikini Atoll Rehabilitation Projects	10

MILLER, ENGEL & TIERNEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

Suite 610

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Rockville, Maryland 20852

July 10, 2017

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, 2016 and 2015, 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, 2016 and 2015, 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 LLP

MILLER, ENGEL & TIERNEY LLP
Rockville, Maryland

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

ASSETS

As Of

	<u>SEPTEMBER</u> <u>30, 2016</u>	<u>SEPTEMBER</u> <u>30, 2015</u>
Cash on Deposit — Short Term Investment Funds	\$ 2,180,741	\$ 1,461,045
Dividends Receivable	49,675	21,729
Interest Receivable	4,952	5,016
Investment in Marketable Equity Securities — Note 2	61,434,383	65,930,086
Investment In Marketable Debt Securities — Note 3	661,663	668,057
Prepaid Expenditures	<u>92,724</u>	<u>74,093</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 64,424,138</u>	 <u>\$ 68,160,026</u>

LIABILITIES AND TRUST EQUITY

Accrued Expenditures	\$ 117,547	\$ 56,951
Payroll Taxes Withheld and Accrued	<u>142,693</u>	<u>130,451</u>
 <u>TOTAL LIABILITIES</u>	 \$ 260,240	 \$ 187,402
 <u>TRUST EQUITY — EXHIBIT "B"</u>	 <u>64,163,898</u>	 <u>67,972,624</u>
 <u>TOTAL LIABILITIES AND TRUST EQUITY</u>	 <u>\$ 64,424,138</u>	 <u>\$ 68,160,026</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>	ACCUMULATED OTHER <u>COMPREHENSIVE</u> <u>INCOME</u>	<u>TOTAL</u>
Balance — September 30, 2014	<u>\$ 68,511,070</u>	<u>\$ 14,278,874</u>	<u>\$ 82,789,944</u>
<u>COMPREHENSIVE INCOME:</u>			
Excess of Revenue Over Expenditures	\$ 680,297	\$ — —	\$ 680,297
Net Decrease in Unrealized gains on securities	<u>— —</u>	<u>(9,750,420)</u>	<u>(9,750,420)</u>
<u>Total Comprehensive Income (Loss)</u>	\$ 680,297	\$ (9,750,420)	\$ (9,070,123)
Expenditures from Corpus	<u>\$ (1,218,743)</u>	<u>\$ — —</u>	<u>\$ (1,218,743)</u>
Balance — September 30, 2015	<u>\$ 67,972,624</u>	<u>\$ 4,528,454</u>	<u>\$ 72,501,078</u>
<u>COMPREHENSIVE INCOME:</u>			
Excess of Expenditures over Revenue	\$ (2,703,989)	\$ — —	\$ (2,703,989)
Net Increase in Unrealized gains on securities	<u>— —</u>	<u>2,171,904</u>	<u>2,171,904</u>
<u>Total Comprehensive Income (Loss)</u>	\$ (2,703,989)	\$ 2,171,904	\$ (532,085)
Expenditures from Corpus	<u>\$ (1,104,737)</u>	<u>\$ — —</u>	<u>\$ (1,104,737)</u>
Balance — September 30, 2016	<u>\$ 64,163,898</u>	<u>\$ 6,700,358</u>	<u>\$ 70,864,256</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, 2016</u>	<u>SEPTEMBER</u> <u>30, 2015</u>
<u>REVENUE</u>		
Interest and Dividends	\$ 1,206,894	\$ 1,315,207
Net Gain (Loss) on Sale of Marketable Equity Securities	1,845,502	5,303,082
Net Gain (Loss) on Sale of Marketable Debt Securities	(3,684)	(1,657)
Miscellaneous Income	<u>6,126</u>	<u>1,478</u>
<u>Total Revenue</u>	\$ 3,054,838	\$ 6,618,110
 <u>EXPENDITURES FROM INCOME</u>	 <u>(5,758,827)</u>	 <u>(5,937,813)</u>
 <u>NET INCOME (LOSS)</u>	 <u>\$ (2,703,989)</u>	 <u>\$ 680,297</u>

The accompanying notes are an integral part of this financial statement

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI
STATEMENT OF CASH FLOWS

	<u>FOR THE YEARS ENDED</u>	
	<u>SEPTEMBER</u> <u>30, 2016</u>	<u>SEPTEMBER</u> <u>30, 2015</u>
<u>CASH FLOW FROM TRUST ACTIVITIES</u>		
Net Income (Loss) — Exhibit "C"	\$ (2,703,989)	\$ 680,297
Expenditures from Corpus	(1,104,737)	(1,218,743)
Adjustment for Market Value Decline / (Recovery)	(126,932)	(247,960)
(Increase) Decrease in:		
Dividends Receivable	(27,946)	2,103
Interest Receivable	64	(24)
Investment in Marketable Securities	4,629,028	835,445
Prepaid Expenses	(18,630)	(11,577)
Increase (Decrease) in:		
Accrued Expenditures	60,596	(89,926)
Payroll Taxes Withheld and Accrued	<u>12,242</u>	<u>1,981</u>
<u>Net Cash From (Used By) Trust Activities</u>	<u>\$ 719,696</u>	<u>\$ (48,404)</u>
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>1,461,045</u>	<u>1,509,449</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 2,180,741</u>	<u>\$ 1,461,045</u>

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, 2016 and September 30, 2015, the Trust's uninsured cash balances total \$2,180,741 and \$1,460,870 respectively.

The Trust paid no interest during the year ended September 30, 2016 or September 30, 2015.

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 \$68,120,027 at September 30, 2016 and \$71,915,882 at September 30, 2015. The Trust had unrealized gains in marketable equity securities of \$9,609,449 and unrealized losses of \$2,917,902 at September 30, 2016. The losses were considered temporary due to subsequent increases in value. The Trust had unrealized gains of \$8,012,247 and unrealized losses of \$3,487,497 at September 30, 2015.

NOTE 3 — INVESTMENT IN MARKETABLE DEBT SECURITIES

The market value of the marketable debt securities was \$670,474 at September 30, 2016 and \$671,761 at September 30, 2015. The Trust had unrealized gains in marketable debt securities of \$15,330 and unrealized losses of \$6,519 at September 30, 2016. The losses were considered temporary. The Trust had unrealized gains of \$11,984 and unrealized losses of \$8,280 at September 30, 2015.

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, 2016 was \$3,427,009.

NOTE 5 — SUBSEQUENT EVENTS

Subsequent events were evaluated to the financial statements issuance date of July 10, 2017.

Additional Information

MILLER, ENGEL & TIERNEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

July 10, 2017

*Suite 610
6110 Executive Boulevard
Rockville, Maryland 20852*

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

Wilmington Trust, 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, 2016 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

MILLER, ENGEL & TIERNEY LLP
Rockville, Maryland

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI
STATEMENT OF EXPENDITURES COMPARED TO BUDGET (CASH BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Actual</u>	<u>Budget</u>	<u>Over or (Under) Budget</u>
Accounting and Auditing Fees	\$ 55,940	\$ 56,180	\$ (240)
Administrative Overhead	18,566	22,203	(3,637)
Automobile, Truck and Generator Expenses	33,340	33,660	(320)
Bank Charges	3,940	6,839	(2,899)
Benefit Payments	58,000	53,103	4,897
Bikini Day	37,691	38,141	(450)
Bikini Atoll Rehabilitation Projects —			
Schedule "H-1"	707,902	709,074	(1,172)
Departmental Expense	1,730	1,474	256
Education	38,202	36,774	1,428
Housing Allowance/Rent	15,505	15,438	67
Insurance	83,735	73,451	10,284
Investment Management Fees	116,144	116,144	—
Kili/Ejit Improvement Projects	2,404,877	2,866,695	(461,818)
Legal Expenses	2,664	2,664	—
Legal Fees	162,540	162,336	204
Liaison Agent Fees	50,000	50,000	—
Meetings	—	374	(374)
Miscellaneous Expense	36,529	32,086	4,443
Payroll Taxes	225,638	219,001	6,637
Per Diems	101,355	100,974	381
Scholarships	229,750	229,570	180
Telephone and Fax	10,098	13,973	(3,875)
Travel — Bikinians	67,199	68,670	(1,471)
Trustee Fees	39,866	39,866	—
Wages	<u>2,297,115</u>	<u>1,900,134</u>	<u>396,981</u>
<u>Totals</u>	<u>\$ 6,798,326</u>	<u>\$ 6,848,824</u>	<u>\$ (50,498)</u>

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI
STATEMENT OF EXPENDITURES COMPARED TO BUDGET (CASH BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT "F"
SCHEDULE "F-1"

BIKINI ATOLL REHABILITATION PROJECTS

	<u>Actual</u>	<u>Budget</u>	<u>Over or (Under) Budget</u>
Current Bikini Projects —			
Bikini Fuels and Oils	\$ 114,319	\$ 114,319	\$ —
Bikini Projects Department Administration	244,475	244,496	(21)
Building Lease Payments	104,248	106,132	(1,884)
Operations and Maintenance Cost	107,739	107,739	—
Rental and Aggregate Payments	40,100	40,000	100
Supplemental Food	<u>97,021</u>	<u>96,388</u>	<u>633</u>
 <u>Totals</u>	 <u>\$ 707,902</u>	 <u>\$ 709,074</u>	 <u>\$ (1,172)</u>