

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A SPECIAL REVENUE FUND)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED SEPTEMBER 30, 2003

INDEPENDENT AUDITORS' REPORT

Chairman
Marshall Islands Nuclear Claims Tribunal:

We have audited the accompanying financial statements of the governmental activities of the Marshall Islands Nuclear Claims Tribunal (the Tribunal) (A Special Revenue Fund), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2003, which comprise the Tribunal's basic financial statements. These financial statements are the responsibility of the Tribunal's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

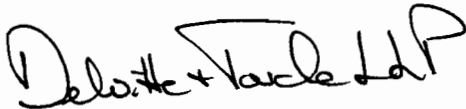
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Tribunal as of September 30, 2003, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 2 to the accompanying financial statements, the Tribunal adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the GASB. 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) (page 13) and the Schedule of Expenditures by Account for the Operating Fund (page 14) for the year ended September 30, 2003 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This additional information is the responsibility of the Tribunal's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2004, on our consideration of the Tribunal's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

February 26, 2004

MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL Management's Discussion and Analysis

This discussion and analysis of the Marshall Islands Nuclear Claims Tribunal's financial performance provides an overview of the Tribunal's financial activity for the fiscal year ending September 30, 2003. It should be read in conjunction with the audited financial statements, which follow this section.

The Marshall Islands Nuclear Claims Tribunal (the Tribunal) was established by act of the Nitijela in 1987 pursuant to the Section 177 Agreement of the Compact of Free Association between the governments of the Marshall Islands and the United States. The purpose of the Tribunal is to determine claims for damages arising out of the U.S. Nuclear Testing Program in the Marshall Islands between 1946 and 1958. The Section 177 Agreement settled the claims of the people of the Marshall Islands against the United States for damages resulting from the nuclear testing program. Part of the settlement was the establishment of a \$150 million trust fund from which annual distributions are made in accordance with the Section 177 Agreement. Accordingly, the government of the Marshall Islands established the Nuclear Claims Trust Fund (the Trust Fund) from which these distributions are made. This Trust Fund is the source of revenue for payment of Tribunal awards and operating expenses.

The Tribunal, by statute, consists of a chairman with administrative responsibility for the Tribunal, and two other members. The Nuclear Claims Tribunal Act provides for various offices, including an Office of the Public Advocate, charged with assisting claimants; an Office of the Defender of the Fund, which defends the Fund against claims; and an Office of Finance responsible for the financial affairs of the Tribunal. The Act provides for a Clerk of the Tribunal, and such associate officers and staff as may be required to carry out statutory duties.

Financial Highlights

As shown in the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities (page 7); the Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) (page 13); and the Schedule of Expenditures by Account, Operating Fund (page 14), the Tribunal experienced the following results of operations:

- ◆ Revenues decreased by \$12,722,007 or 59.7% from \$21,296,972 in 2002 to \$8,574,965 in 2003 as a result of a reduction in proceeds made available from the Trust Fund to fund awards.
- ◆ Payments of awards made by the Tribunal decreased by \$12,503,866 or 64.3% from \$19,433,832 in 2002 to \$6,929,966 in 2003. During the year ended September 30, 2003, the Tribunal made partial payments of \$5,573,863 to personal injury awardees and \$1,356,103 to property damage awardees. The decrease in award payments reflected a determination in 2002 to pay off one half of outstanding personal injury award amounts with the close of the fifteen-year period of the Compact of Free Association. With the fair value of the investments maintained in the Trust Fund in early 2003 having fallen to around \$12.5 million, it was clear a similar distribution could not be sustained and payments of awards were reduced.
- ◆ Operating expenditures (non-award expenditures) decreased by \$1,065,220 or 51.7% from \$2,060,334 in 2002 to \$995,114 in 2003. Within operating expenditures, salaries and wages decreased by \$85,616 or 17.4% from \$491,447 in 2002 to \$405,831 in 2003, reflecting the need for budgetary austerity as the source of funding for the Tribunal has been significantly reduced. The largest reduction in operating expenditures was in contractual services, which decreased by \$777,958 or 78.3% from \$994,147 in 2002 to \$216,189 in 2003. Part of the reason for this decrease was the unanticipated slow progress in certain major class action cases before the Tribunal and consequent delay in obligation and expenditure of contractual services moneys resulting in a variation between budgeted contractual services and actual expenditures.

- ◆ The Cost of Proceedings designation of expenditures for the Public Advocate in the amount of \$237,557, the Defender of the Fund in the amount of \$228,180, and other in the amount of \$99,952, reflects those costs that may properly be charged directly to the Trust Fund's annual proceeds under the Section 177 Agreement.
- ◆ The Tribunal's net assets increased by \$632,411 from \$27,638 in 2002 to \$660,049 in 2003; however, it should be noted that of this amount, \$630,029 is restricted for the purpose of funding future payments to awardees.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Tribunal's basic financial statements. The Tribunal's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other optional supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements: the government-wide statements report information about the Tribunal using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Tribunal's assets and liabilities with the exception of unpaid awards in the amount of \$1.095 billion. These pertain to personal injury and property damage claims as described in note 6 to the accompanying basic financial statements and payment of these awards is contingent upon additional funds being made available from the Trust Fund or from a renegotiated financial settlement of damages with the United States. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The government-wide financial statements represent the governmental activities of the Tribunal.

Fund Financial Statements: the fund financial statements provide detailed information about the Tribunal's governmental fund type. Funds are accounting devices that the Tribunal uses to keep track of specific sources of funding and spending for particular purposes. The Tribunal maintains one governmental fund type, a special revenue fund, which focuses on (1) how cash and other financial assets that can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Tribunal's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we have presented additional information in the form of adjustments in a separate column within the governmental fund financial statements explaining the relationship (or differences) between them. The special revenue fund maintained by the Tribunal consists of the following:

The Compensation Fund - This fund was established to account for revenues and expenditures in accordance with Article II, Section 6(c) of the Section 177 Agreement.

The Operating Fund - This fund was established to account for revenues and expenditures in accordance with Article II, Section 6(b) of the Section 177 Agreement.

Financial Analysis of the Tribunal

At the end of fiscal year 2003, the Tribunal's assets exceeded liabilities by \$660,049. Of this amount, \$630,029 is restricted for the purpose of funding future payments to awardees, with a further \$9,903 invested in capital assets. The remaining amount of \$20,117 is unrestricted and is available to fund the future operations of the Tribunal.

A summary of the Tribunal's net assets is presented below:

Current and other assets	\$ 734,559
Capital assets	<u>9,903</u>
Total assets	<u>744,462</u>
Current liabilities	<u>84,413</u>
Net assets:	
Invested in capital assets	9,903
Restricted	630,029
Unrestricted	<u>20,117</u>
Total net assets	<u>\$ 660,049</u>

A summary of the Tribunal's change in net assets is presented below:

Revenues:	
Compact	\$ 8,569,401
Interest	<u>5,564</u>
Total revenues	<u>8,574,965</u>
Expenses:	
Awards	6,929,966
Cost of proceedings	569,746
Administration	<u>442,842</u>
Total expenses	<u>7,942,554</u>
Change in net assets	<u>\$ 632,411</u>

Economic Outlook

With the close of fiscal year 2003, the Tribunal is faced with significant financial challenges. As of September 30, 2003, the Tribunal has committed to the distribution of monetary awards for personal injury claims of \$15 million and of property damage claims of \$1.08 billion, which will be paid out against restricted net assets of \$630,029 and future sums that the Tribunal expects to receive from the Trust Fund. As of September 30, 2003, the remaining balance within the Trust Fund, the only source of revenue for payment of awards and the Tribunal's operating expenses, stood at \$8.6 million. Accordingly, additional funds will have to be made available through future earnings of the funds invested in the Trust Fund or from a renegotiated financial settlement of damages with the United States. At the same time, the Tribunal has a continuing flow of personal injury claims to resolve, as well as property damage claims from across the nation except for the two atolls (Bikini and Enewetak) where decisions have already been rendered. The Tribunal anticipates further reductions in the amount paid to awards, as well as reductions in the operating budget of the Tribunal.

Additional Financial Information

This discussion and analysis is designed to provide interested parties with an overview of the Tribunal's financial operations and financial condition. Should the reader require further information regarding the Tribunal and its operations, please visit the Tribunal's website at www.nuclearclaimstribunal.com or call the Tribunal office in Majuro at (692) 625-3396.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A SPECIAL REVENUE FUND)**

Governmental Funds Balance Sheet/Statement of Net Assets
September 30, 2003

	<u>Balance Sheet</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Assets</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 683,810	\$ -	\$ 683,810
Time certificates of deposit	11,765	-	11,765
Receivables:			
Employees	3,436	-	3,436
Affiliates	35,548	-	35,548
Fixed assets, net of accumulated depreciation	-	9,903	9,903
Total assets	\$ 734,559	9,903	744,462
<u>LIABILITIES</u>			
Accounts payable	\$ 36,505	-	36,505
Payable to affiliates	33,842	-	33,842
Other liabilities and accruals	14,066	-	14,066
Total liabilities	84,413	-	84,413
Contingency			
<u>FUND BALANCES/NET ASSETS</u>			
Fund balances:			
Reserved for future compensation	630,029	(630,029)	-
Unreserved	20,117	(20,117)	-
Total fund balances	650,146	(650,146)	-
Total liabilities and fund balances	\$ 734,559		
Net assets:			
Invested in capital assets		9,903	9,903
Restricted		630,029	630,029
Unrestricted		20,117	20,117
Total net assets		\$ 660,049	\$ 660,049

See accompanying notes to financial statements.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A SPECIAL REVENUE FUND)**

Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
Year Ended September 30, 2003

	Statement of Revenues, Expenditures and Changes in <u>Fund Balance</u>	Adjustments (Note 1)	<u>Statement of Activities</u>
Revenues:			
Compact funds	\$ 8,569,401	\$ -	\$ 8,569,401
Interest	<u>5,564</u>	<u>-</u>	<u>5,564</u>
Total revenues	<u>8,574,965</u>	<u>-</u>	<u>8,574,965</u>
Expenditures/expenses:			
Awards:			
Personal injury	5,573,863	-	5,573,863
Property damage	1,356,103	-	1,356,103
Cost of proceedings:			
Public Advocate	237,557	2,338	239,895
Defender of the Fund	228,180	1,719	229,899
Other	99,952	-	99,952
Administration	<u>429,425</u>	<u>13,417</u>	<u>442,842</u>
Total expenditures/expenses	<u>7,925,080</u>	<u>17,474</u>	<u>7,942,554</u>
Excess of revenues over expenditures	649,885	(649,885)	-
Changes in net assets	-	632,411	632,411
Fund balance/net assets:			
Beginning of the year	<u>261</u>	<u>-</u>	<u>27,638</u>
End of the year	<u>\$ 650,146</u>	<u>\$ -</u>	<u>\$ 660,049</u>

See accompanying notes to financial statements.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A SPECIAL REVENUE FUND)**

Notes to Financial Statements
September 30, 2003

(1) Organization

The Marshall Islands Nuclear Claims Tribunal (the Tribunal), a component unit of the Republic of the Marshall Islands (RepMar), was established pursuant to the Marshall Islands Nuclear Claims Tribunal Act of 1987, as amended. The Tribunal was established to satisfy requirements of the Agreement between the Government of the United States and RepMar for Implementation of Section 177 of the Compact of Free Association (the Agreement). Article IV, Section 1(a) of the Agreement requires RepMar to establish a claims tribunal to render final determination upon: (1) claims past, present, and future of RepMar to the citizens and nationals of the Marshall Islands for loss or damage to person or property which are based or arise out of, or are in any way related to the Nuclear Testing Program and; (2) disputes arising from distributions under Articles II and III of the Agreement. The Tribunal consists of three members, each of which are appointed by the Cabinet of RepMar upon recommendation of the Judicial Service Commission and subject to the approval of the Nitijela of RepMar. The Tribunal's financial statements are incorporated into the basic financial statements of RepMar as a component unit.

(2) Summary of Significant Accounting Policies

Government-wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all non-fiduciary activities of the Tribunal. The Tribunal's activities are defined as governmental activities, which are funded through intergovernmental revenues received from the Nuclear Claims Trust Fund, a Fiduciary Fund Type - Private Purpose Fund of RepMar.

Government-wide Financial Statements:

The Statement of Net Assets presents the Tribunal's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- Invested in capital assets consist of capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation. The Tribunal's restricted net assets represent funds available for the distribution of future monetary awards for personal injury and property damage claims.
- Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. They often have resources that are imposed by management, but can be removed or modified.

Fund Financial Statements:

The Tribunal uses one fund to report on its financial position and results of operations. The operations of this fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A SPECIAL REVENUE FUND)**

Notes to Financial Statements
September 30, 2003

(2) Summary of Significant Accounting Policies, Continued

Government-wide and Fund Financial Statements, Continued

Fund Financial Statements, Continued:

Separate financial statements are provided for governmental funds. The Tribunal presents a balance sheet and a statement of revenues, expenditures and changes in fund balances for its governmental fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net assets. Adjustments required to reconcile total governmental fund balance to net assets of governmental activities in the Statement of Net Assets include reporting capital assets at their historical cost of \$109,575, less accumulated depreciation of \$99,672, instead of reporting capital acquisitions as expenditures when incurred. Adjustments required to reconcile net change in total governmental fund balance to change in net assets of governmental activities in the Statement of Activities include reporting annual depreciation expense of \$17,699 instead of expenditures for capital outlays of \$225.

Measurement Focus and Basis of Accounting - Government Wide

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds - account for the general governmental activities of the Tribunal. Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded in the period in which the related fund liability is incurred.

The Tribunal has established one governmental fund type - a special revenue fund - to account for specific revenue sources to support specific governmental activities of the Tribunal.

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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Budget

An annual appropriated budget has not been formally adopted on a legal basis or a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, a budget to actual presentation is not required or presented.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A SPECIAL REVENUE FUND)**

Notes to Financial Statements
September 30, 2003

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents and Time Certificates of Deposit

For the purpose of the balance sheet/statement of net assets, cash and cash equivalents are defined as cash in checking and savings accounts as well as short-term investments with original maturities of three months or less from the date acquired. Deposits maintained in a time certificate of deposit with an original maturity date greater than ninety days are separately classified. As of September 30, 2003, cash and cash equivalents and time certificates of deposit were \$695,575 and the corresponding bank balances were \$798,709. Of the bank balance amounts, \$487,630 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2003, bank deposits in the amount of \$211,531 were FDIC insured. The Tribunal does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC coverage are uncollateralized.

Receivables

All receivables are due from employees and affiliates of the Tribunal and are interest free and uncollateralized.

Compensated Absences

Compensated absences are recorded within other liabilities and accruals in the statement of net assets. For the governmental fund statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The accumulated estimated amount of unused sick leave as of September 30, 2003 is presently indeterminable.

Annual leave accumulates at the rate of one working day per bi-weekly pay period.

Fixed Assets

Fixed assets are reported in the governmental activity column of the government-wide financial statements. Fixed assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at fair market value at the date of donation. Depreciation of fixed assets is calculated using the straight-line method based on the estimated useful life of the respective assets.

New Accounting Standards

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. In June 2001, GASB issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*, which amended certain provisions of GASB Statement No. 34. The Tribunal is required to adopt GASB Statement No. 34, as amended by GASB Statement No. 37, and certain provisions of GASB Statement No. 38 in fiscal year 2003.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A SPECIAL REVENUE FUND)**

Notes to Financial Statements
September 30, 2003

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

These statements establish new financial reporting standards for governmental entities, which results in a significant change in the financial reporting model used by governments, including statement formats and changes in fund types and account groups. In addition to the traditional fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus, and to present Management's Discussion and Analysis (MD&A). The MD&A is considered to be required supplementary information and precedes the financial statements.

For fiscal year 2004, the Tribunal will be implementing GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*. For fiscal year 2005, the Tribunal will be implementing GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. As of the date of the opinion, the Tribunal has not evaluated the financial statement impact of GASB Statement Nos. 39, 40 and 42.

Taxes

The Government of the Republic of the Marshall Islands imposes a gross revenue tax of 3% on revenues. The Tribunal is specifically exempt from this tax.

Restatement

Due to the implementation of GASB Statement Nos. 34 and 37, the beginning net assets of the governmental activities in the Statement of Net Assets have been restated. Fund balance of the governmental funds at September 30, 2002 (as disclosed below) was increased by \$27,377 for the cumulative effect of these changes on years prior to fiscal year 2003:

The effect on those items are as follows:

Fund balance reported as of September 30, 2002	\$ <u>261</u>
Adjustments:	
Capital assets	109,350
Accumulated depreciation	<u>(81,973)</u>
	<u>27,377</u>
Beginning net assets as of September 30, 2002	\$ <u>27,638</u>

(3) Risk Management

The Tribunal 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. The Tribunal has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed with. Settled claims have not exceeded commercial coverage in any of the past three years.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A SPECIAL REVENUE FUND)**

Notes to Financial Statements
September 30, 2003

(4) Fixed Assets

Fixed asset activity for the year ended September 30, 2003, is as follows:

	Estimated Useful Life	Balance October 1, 2002	<u>Additions</u>	<u>Retirements</u>	Balance September 30, 2003
Motor vehicles	4 years	\$ 38,140	\$ -	\$ -	\$ 38,140
Office equipment	4-5 years	45,347	225	-	45,572
Furniture and fixtures	4-5 years	<u>25,863</u>	<u>-</u>	<u>-</u>	<u>25,863</u>
		109,350	225	-	109,575
Less accumulated depreciation		<u>(81,973)</u>	<u>(17,699)</u>	<u>-</u>	<u>(99,672)</u>
		<u>\$ 27,377</u>	<u>\$ (17,474)</u>	<u>\$ -</u>	<u>\$ 9,903</u>

(5) Related Party Transactions

The Tribunal was created by the Nitijela of RepMar under Public Law 1987-24, as amended, and is thus considered a component unit of RepMar. Accordingly, the Tribunal is affiliated with all RepMar-owned and affiliated entities.

On July 31, 2001, the Cabinet of RepMar approved a Memorandum of Understanding and Intent (MOU) regarding the continued existence and operation of the Tribunal beyond the fifteen-year period of the Compact of Free Association (the Compact). The term of the MOU is for one year and is renewable upon annual consultation with the Cabinet. The current MOU was signed in September 15, 2003, which provides for consultation with the government beginning in July 2004 on the need for continuation of the Tribunal.

(6) Contingency

Section 177(c) of the Compact provides, on a one-time grant basis, the amount of \$150,000,000 to RepMar to be used to establish a trust fund from which annual distributions are to be made in accordance with Article II of the Agreement. Pursuant to the Agreement, RepMar established the Nuclear Claims Trust Fund (the Trust Fund) from which these distributions are made. Over a period of fifteen years, the Tribunal is to receive \$45,750,000 from the Trust Fund to be made available for whole or partial payment of monetary awards. During the year ended September 30, 2003, the Tribunal received \$8,569,401 from the Trust Fund, which included funds to fund partial payment of monetary awards. As of September 30, 2003, the Tribunal has committed to the distribution of monetary awards for personal injury claims of \$15,005,928 and of property damage claims of \$1,083,472,335, which will be paid out against the reserved fund balance and future sums that the Tribunal expects to receive from the Trust Fund. As of September 30, 2003, the reserved fund balance of the Trust Fund is \$8,564,732. Accordingly, additional funds will have to be made available through future earnings of the funds invested in the Trust Fund or from a renegotiated financial settlement of damages with the United States.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A SPECIAL REVENUE FUND)**

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2003
(With comparative totals for the year ended September 30, 2002)

	Compensation	Operating	Totals	
	Fund	Fund	2003	2002
Revenues:				
Compact funds	\$ 8,098,421	\$ 470,980	\$ 8,569,401	\$ 21,285,206
Interest	3,921	1,643	5,564	11,766
Total revenues	<u>8,102,342</u>	<u>472,623</u>	<u>8,574,965</u>	<u>21,296,972</u>
Expenditures:				
Awards	6,929,966	-	6,929,966	19,433,832
Salaries and wages	-	405,831	405,831	491,447
Contractual services	-	216,189	216,189	994,147
Personnel benefits	-	126,728	126,728	209,945
Travel	-	88,857	88,857	162,141
Office rental and utilities	-	75,170	75,170	81,364
Communications	-	35,555	35,555	52,154
Medical and laboratory	-	12,410	12,410	475
Supplies and materials	-	10,059	10,059	31,274
Vehicle	-	8,554	8,554	9,238
Other	-	15,761	15,761	28,149
Total expenditures	<u>6,929,966</u>	<u>995,114</u>	<u>7,925,080</u>	<u>21,494,166</u>
Revenues over (under) expenditures	<u>1,172,376</u>	<u>(522,491)</u>	<u>649,885</u>	<u>(197,194)</u>
Other financing sources (uses):				
Operating transfers in	-	705,489	705,489	2,027,378
Operating transfers out	<u>(705,489)</u>	<u>-</u>	<u>(705,489)</u>	<u>(2,027,378)</u>
Total other financing sources (uses), net	<u>(705,489)</u>	<u>705,489</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	466,887	182,998	649,885	(197,194)
Fund balances (deficit) at beginning of year	<u>163,142</u>	<u>(162,881)</u>	<u>261</u>	<u>197,455</u>
Fund balances at end of year	<u>\$ 630,029</u>	<u>\$ 20,117</u>	<u>\$ 650,146</u>	<u>\$ 261</u>

See accompanying independent auditors' report.

**MARSHALL ISLANDS NUCLEAR CLAIMS TRIBUNAL
(A SPECIAL REVENUE FUND)**

Schedule of Expenditures by Account
Operating Fund
Year Ended September 30, 2003

	Cost of Proceedings				Total
	Public Advocate	Defender of the Fund	Other	Administration	
Salaries and wages	\$ 110,136	\$ 80,183	\$ 20,000	\$ 195,512	\$ 405,831
Contractual services	46,344	92,465	46,373	31,007	216,189
Personnel benefits	34,731	34,266	1,575	56,156	126,728
Travel	24,139	13,289	31,338	20,091	88,857
Office rental and utilities	8,800	-	-	66,370	75,170
Communications	8,192	5,634	(216)	21,945	35,555
Medical and laboratory	-	-	882	11,528	12,410
Supplies and materials	2,361	962	-	6,736	10,059
Vehicle	2,533	1,314	-	4,707	8,554
Other	321	67	-	15,373	15,761
	\$ 237,557	\$ 228,180	\$ 99,952	\$ 429,425	\$ 995,114

See accompanying independent auditors' report.