

RESETTLEMENT TRUST FUND
FOR THE
PEOPLE OF BIKINI
SEPTEMBER 30, 2011
AND
SEPTEMBER 30, 2010

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MILLER, ENGEL & TIERNEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

THIS REPORT CONSISTS OF 10 PAGES

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March 9, 2012

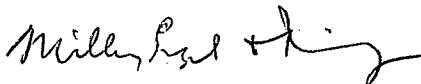
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Statement of Financial Condition of the RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI as of September 30, 2011 and 2010, and the related Statements of Income, Trust Equity, and Cash Flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits provide 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 RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI as of September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.



MILLER, ENGEL & TIERNEY LLP

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINISTATEMENT OF FINANCIAL CONDITIONASSETS

	<u>As Of</u>	
	<u>SEPTEMBER</u> <u>30, 2011</u>	<u>SEPTEMBER</u> <u>30, 2010</u>
Cash on Deposit — Short Term Investment Funds	\$ 1,282,705	\$ 1,237,383
Dividends Receivable	18,760	17,685
Interest Receivable	5,694	10,503
Investment in Marketable Equity Securities — Note 2	69,669,953	71,182,176
Investment In Marketable Debt Securities — Note 3	508,479	522,313
Prepaid Expenditures	<u>302,653</u>	<u>229,983</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 71,788,244</u>	 <u>\$ 73,200,043</u>

LIABILITIES AND TRUST EQUITY

Accrued Expenditures	\$ 164,188	\$ 55,461
Payroll Taxes Withheld and Accrued	<u>126,408</u>	<u>138,101</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 290,596</u>	<u>\$ 193,562</u>
 <u>TRUST EQUITY — EXHIBIT "B"</u>	 <u>71,497,648</u>	 <u>73,006,481</u>
 <u>TOTAL LIABILITIES AND TRUST EQUITY</u>	 <u>\$ 71,788,244</u>	 <u>\$ 73,200,043</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, 2009	\$ <u>71,646,365</u>	\$ <u>8,663,688</u>	\$ <u>80,310,053</u>
<u>COMPREHENSIVE INCOME:</u>			
Excess of Revenue Over Expenditures	\$ 2,177,484	\$ —	\$ 2,177,484
Net Increase in Unrealized gains on securities	<u>—</u>	<u>419,749</u>	<u>419,749</u>
<u>Total Comprehensive Income (Loss)</u>	\$ 2,177,484	\$ 419,749	\$ 2,597,233
Expenditures from Corpus	\$ <u>(817,368)</u>	\$ —	\$ <u>(817,368)</u>
Balance — September 30, 2010	\$ <u>73,006,481</u>	\$ <u>9,083,437</u>	\$ <u>82,089,918</u>
<u>COMPREHENSIVE INCOME:</u>			
Excess of Expenditures Over Revenue	\$ (635,742)	\$ —	\$ (635,742)
Net Decrease in Unrealized gains on securities	<u>—</u>	<u>(5,311,997)</u>	<u>(5,311,997)</u>
<u>Total Comprehensive Income (Loss)</u>	\$ (635,742)	\$ (5,311,997)	\$ (5,947,739)
Expenditures from Corpus	\$ <u>(873,091)</u>	\$ —	\$ <u>(873,091)</u>
Balance — September 30, 2011	\$ <u>71,497,648</u>	\$ <u>3,771,440</u>	\$ <u>75,269,088</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, 2011</u>	<u>SEPTEMBER</u> <u>30, 2010</u>
<u>REVENUE</u>		
Interest and Dividends	\$ 1,698,164	\$ 1,538,159
Net Gain (Loss) on Sale of Marketable Equity Securities	2,802,279	4,988,738
Net Gain (Loss) on Sale of Marketable Debt Securities	(1,055)	22,138
Miscellaneous Income	<u>8,863</u>	<u>24,849</u>
<u>Total Revenue</u>	\$ 4,508,251	\$ 6,573,884
 <u>EXPENDITURES FROM INCOME</u>	 <u>(5,143,993)</u>	 <u>(4,396,400)</u>
 <u>NET INCOME (LOSS) — EXHIBIT "B"</u>	 <u>\$ (635,742)</u>	 <u>\$ 2,177,484</u>

The accompanying notes are an integral part of this financial statement

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINISTATEMENT OF CASH FLOWS

	<u>FOR THE YEARS ENDED</u>	
	<u>SEPTEMBER</u> <u>30, 2011</u>	<u>SEPTEMBER</u> <u>30, 2010</u>
<u>CASH FLOW FROM TRUST ACTIVITIES</u>		
Net Income (Loss) — Exhibit "C"	\$ (635,742)	\$ 2,177,484
Expenditures from Corpus	(873,091)	(817,368)
Adjustment for Market Value Decline / (Recovery)	(351,074)	(1,948,473)
(Increase) Decrease in:		
Dividends Receivable	(1,075)	2,106
Interest Receivable	4,809	47
Investment in Marketable Securities	1,877,134	(151,121)
Prepaid Expenses	(72,670)	(95,552)
Increase (Decrease) in:		
Accrued Expenditures	108,727	(47,213)
Payroll Taxes Withheld and Accrued	<u>(11,693)</u>	<u>7,532</u>
<u>Net Cash From (Used By) Trust Activities</u>	\$ 45,322	\$ (872,558)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>1,237,383</u>	<u>2,109,941</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 1,282,705</u>	<u>\$ 1,237,383</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 MTB Funds. The balances are not insured by the Federal Deposit Insurance Corporation. At September 30, 2011 and September 30, 2010, the Trust's uninsured cash balances total \$1,304,531 and \$1,237,271 respectively.

The Trust paid no interest during the year ended September 30, 2011 or September 30, 2010.

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 \$73,406,715 at September 30, 2011 and \$80,220,874 at September 30, 2010. The Trust had unrealized gains in marketable equity securities of \$5,949,851 and unrealized losses of \$2,213,191 at September 30, 2011. The losses were considered temporary due to subsequent increases in value. The Trust had unrealized gains of \$9,433,116 and unrealized losses of \$394,418 at September 30, 2010.

NOTE 3 — INVESTMENT IN MARKETABLE DEBT SECURITIES

The market value of the marketable debt securities was \$543,260 at September 30, 2011 and \$567,053 at September 30, 2010. The Trust had unrealized gains in marketable debt securities of \$37,164 and unrealized losses of \$2,383 at September 30, 2011. The losses were considered temporary. The Trust had unrealized gains of \$44,739 at September 30, 2010.

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, 2011 was \$5,254,749.

NOTE 5 — SUBSEQUENT EVENTS

Subsequent events were evaluated to the financial statements issuance date of March 9, 2012.

Additional Information

MILLER, ENGEL & TIERNEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

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March 9, 2012

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, 2011 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, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Over or (Under) Budget</u>
Accounting and Auditing Fees	\$ 42,010	\$ 45,000	\$ (2,990)
Administrative Overhead	11,991	16,073	(4,082)
Automobile, Truck and Generator Expenses	9,414	14,534	(5,120)
Bank Charges	5,977	2,235	3,742
Benefit Payments	68,227	75,502	(7,275)
Bikini Atoll Rehabilitation Projects —			
Schedule "H-1"	520,153	584,060	(63,907)
Departmental Expense	753	2,657	(1,904)
Education	66,709	59,549	7,160
Generator Fuel	522,135	522,179	(44)
Housing Allowance/Rent	13,750	13,724	26
Investment Management Fees	130,544	130,544	—
Kili/Ejit Improvement Projects	1,269,255	1,993,022	(723,767)
— Power Plant Maintenance	81,064	84,413	(3,349)
Legal Expenses	21,490	21,490	—
Legal Fees	136,760	136,760	—
Liaison Agent Fees	50,000	50,000	—
Meetings	92	—	92
Miscellaneous Expense	2,414	26,823	(24,409)
Payroll Taxes	214,826	219,170	(4,344)
Per Diems	95,500	92,564	2,936
Scholarships	100,700	100,000	700
Telephone and Fax	9,545	13,505	(3,960)
Travel — Bikinians	92,022	138,735	(46,713)
— Legal	3,773	3,773	—
Trustee Fees	66,413	66,413	—
Wages	<u>2,181,085</u>	<u>2,021,511</u>	<u>159,574</u>
<u>Totals</u>	<u>\$ 5,716,602</u>	<u>\$ 6,434,236</u>	<u>\$ (717,634)</u>

RESETTLEMENT TRUST FUND FOR THE PEOPLE OF BIKINI
STATEMENT OF EXPENDITURES COMPARED TO BUDGET (CASH BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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	\$ 174,198	\$ 174,593	\$ (395)
Bikini Projects Department Administration	168,565	168,704	(139)
Building Lease Payments	39,000	39,000	—
Operations and Maintenance Cost	94,800	94,889	(89)
Rental and Aggregate Payments	15,000	15,000	—
Supplemental Food	<u>28,590</u>	<u>91,874</u>	<u>(63,284)</u>
 <u>Totals</u>	 <u>\$ 520,153</u>	 <u>\$ 584,060</u>	 <u>\$ (63,907)</u>