
EXECUTIVE SUMMARY

Marianas Public Land Trust

Single Audit Report as of September 30, 2006

Single Audit Summary No. 07-002, August 9, 2007

The Marianas Public Land Trust (MPLT) contracted Deloitte, an independent auditing firm, to conduct a financial audit for the fiscal year ended September 30, 2006. The audit was conducted in accordance with auditing standards generally accepted in the United States and with applicable provisions of *Government Auditing Standards* issued by the Comptroller General of the United States. This summary presents the Office of the Public Auditor's (OPA) review of the *Report on the Audit of Financial Statements in Accordance with OMB Circular A-133* for the fiscal year ended September 30, 2006. This summary is provided solely for informational purposes. No audit opinion on the related data is expressed nor inferred by OPA.

The Opinion, Financial Statements, and Notes to the Financial Statements are the three primary components which, taken together, give an informed reader an overview of the financial condition of the audited entity. The MPLT received an unqualified opinion or "clean" opinion, indicating that the data contained in the report can be relied upon. Additionally, MPLT management prepared a *Management Discussion and Analysis* (MD&A) which provides, in common language, a summary of its financial activities. The MD&A is presented on pages 3 through 9 of the audit report.

Background

The Marianas Public Land Trust was established in 1978 in accordance with the CNMI Constitution. MPLT is comprised of a five member board of trustees with staggered six-year terms who are appointed by the Governor with Senate confirmation. MPLT is responsible for managing the monies it receives from the Department of Public Lands (DPL). DPL's revenues are derived from the use and administration of public lands, less reasonable expenses of administration.

MPLT is responsible for making careful, reasonable, and prudent investments with the distribution it receives from DPL. MPLT was created as a nonexpendable trust fund where the principal is invested in perpetuity and only the interest is expended. Two trusts were established: 1) one for the benefit of the CNMI General Fund in which distributions are general revenues subject to appropriation; and 2) for the development and maintenance of an American Memorial Park. Total principal payments distributed to MPLT since the inception of the trust total \$26.9M, of which \$2M was given to the American Memorial Park Fund.

Total Assets Decreased Slightly by \$196K

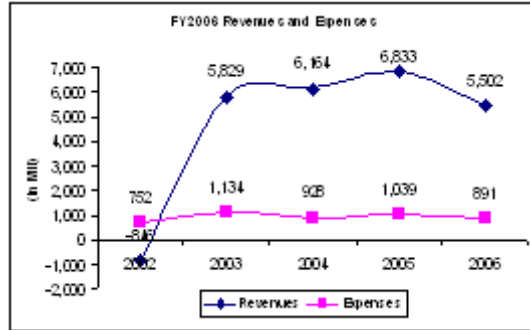
Total combined assets for MPLT decreased slightly by about \$196K from \$68.82M in FY05 to \$68.63M in FY06. General Fund assets declined \$394K from \$61.4M in FY05 to \$61.0M in FY06 while the Park Fund assets increased from \$7.4M in FY05 to \$7.6M in FY06, or by \$169K. Assets decreased for the General Fund mostly due to the notes receivable from the Northern Marianas Housing Corporation (NMHC) which was written down through an allowance for loan losses of \$4.0M. Management reduced the principal loan balance from \$8.9M down to \$4.9M due to uncertainties of the loan's repayment. Other assets, however, increased from the previous year. Among them are the investments which increased \$2.9M, cash and cash equivalents at \$222K, and accrued income at \$193K.

Liabilities increased \$82K for FY06 from \$366K to \$448K in FY05 due to increases in payables to brokers and due to CNMI Government which jumped from \$21K to \$108K and from \$274K to \$284K, respectively.



MPLT has created three local economically targeted investments (ETI). These investments aim to provide corollary benefits while simultaneously providing a required rate of return. For the General Fund, two such ETIs are the loan to NMHC and Adelantun Publickun Luta Enteramente, Inc. or APLE. The third ETI is for the maintenance and development of the Park Fund.

Revenues Fall 19% and Expenses Fall 14%



Operating revenues decreased 19% from \$6.8M in FY05 to \$5.5M in FY06. The decrease in revenue is mainly due to a decrease in the fair value of investments which declined from \$4.5M in FY05 to \$3.0M in FY06. However, interest income increased \$217K for the same period. Operating expenses also decreased by \$148K or 14% from \$1.03M in FY05 to \$890K in FY06. Professional fees, money management administration, and trustees' expenses all contributed to the decrease in expenses. Other

expenses, however, increased. These expenses include money manager fees, which increased \$12K and salaries and benefits increasing \$20K. In a 5-year period, revenues were negative in FY02 at \$845K; it climbed upwards during FY03 through FY05 where it peaked in FY05 at \$6.8M, and then it fell to \$5.5M in FY06. Expenses, however remained fairly constant throughout the 5 year period. Expenses were at its lowest in FY02 at \$752K and highest in FY03 at \$1.1M.



Operating income is the change that results from subtracting operating expenses from operating revenues which measures earning power from ongoing operations. For FY06, operating revenue declined \$1.2M or 20% from the previous year from \$5.8M to \$4.6M. For a 5-year period since FY02, operating income was negative at \$1.5M in FY02. However, it remained steady for the fiscal years 2003 through 2005, and then in FY06, it declined.

Allocation of Fixed Income Securities are Up while Equities are Down

MPLT engages the services of professional money managers to manage the assets of both the General and Park Fund trusts. The allocation of these securities, which may change over time because of investment policy decisions, consists of equities, fixed income securities, economically targeted investments (ETI), and cash and cash equivalents. For FY06, equities total \$26.4M, down 30% from \$37.8M in FY05 while fixed income securities gained \$14.6M or 89% from \$16.4M in FY05 to \$31.1M in FY06.

Audit Findings

Audit findings are reportable items considered material by the auditors. Findings document situations where established policy, procedures or standards have not been followed. Such deviations may lead to losses for the CNMI or misstatements in its financial reports. Findings, if they remain uncorrected, can ultimately lead to qualifications in the Opinion of the auditors. For FY 2006, there were no reported findings contained in the MPLT audit.



A copy of the full financial statements may be obtained from OPA or the Marianas Public Land Trust

Michael S. Sablan, CPA
 Public Auditor
 Commonwealth of the Northern Mariana Islands
 Web Site: www.opacnmi.com

P.O. Box 501399
 Saipan, MP 96950
 Tel. No. (670) 322-6481
 Fax No. (670) 322-7812