DEPARTMENT OF PUBLIC LANDS
(A GOVERNMENTAL FUND OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2010

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Mr. Pedro A. Tenorio
Acting Secretary
Department of Public Lands:

We have audited the accompanying balance sheet of the Department of Public Lands (DPL), a governmental fund of the Commonwealth of the Northern Mariana Islands (CNMI), as of September 30, 2010, and the related statement of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of DPL's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DPL's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

We were unable to determine the propriety of the $544,151 clearing account expenditures used to reconcile the balance due to CNMI or the basis for reservation of $1,000,153 in fund balance at September 30, 2010.

The September 30, 2009 financial statements of DPL were compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited the 2009 financial statements and, accordingly, do not express an opinion or any other form of assurance on them. The effect of unaudited beginning balances on revenues and expenditures for the year ended September 30, 2010 could not be determined.

As discussed in note 1, the financial statements present only the financial position and changes in fund balance of DPL. They are not intended to present the financial position and changes in fund balance of the CNMI in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to determine the propriety of the due to CNMI account balance and reserved fund balance as of September 30, 2010 and the effect of unaudited beginning balances on revenues and expenditures for the year ended September 30, 2010, as discussed in the third and fourth paragraphs above, such financial statements, present fairly, in all material respects, the financial position of the Department of Public Lands as of September 30, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The CNMI Constitution requires that all revenues received by DPL in excess of the amount necessary to meet reasonable expenses of administration and management, land surveying, homestead development, and any other expenses reasonably necessary for the accomplishment of its functions, must be transferred to the Marianas Public Land Trust (MPLT). DPL has not obtained concurrence from MPLT regarding its method for determining these amounts. As discussed in note 8 to the accompanying financial statements, DPL transferred $2,500,000 to the CNMI during the year ended September 30, 2010. The effects of potential noncompliance with the CNMI Constitution could not be determined.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2013, on our consideration of the DPL's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLC

June 10, 2013

DEPARTMENT OF PUBLIC LANDS
(A Governmental Fund of the Commonwealth of the Northern Mariana Islands)

Balance Sheet
September 30, 2010

ASSETS	
Cash and cash equivalents	$ 5,652,038
Receivables, net	652,502
Cash and cash equivalents, restricted	613,938
Time certificate of deposit, restricted	386,215
Total assets	$ 7,304,693
LIABILITIES	
Accounts payable	$ 85,233
Accrued liabilities	150,928
Due to CNMI	1,031,097
Accrued annual leave payable	133,706
Claims and judgments	567,543
Deferred revenue	543,715
Due to MPLT	971,430
Total liabilities	3,483,652
Contingencies	
FUND BALANCE	
Fund balance:	
Reserved	1,000,153
Unreserved	2,820,888
Total fund balance	3,821,041
Total liabilities and fund balance	$ 7,304,693

See accompanying notes to financial statements.

DEPARTMENT OF PUBLIC LANDS
(A Governmental Fund of the Commonwealth of the Northern Mariana Islands)

Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended September 30, 2010

Revenues:	
Land lease	$ 2,827,187
Temporary permits	230,034
Submerged land	45,000
Agriculture/grazing permits	6,547
Commercial permits	5,343
Filing fees and others	2,845
Other	166,021
Total revenues	3,282,977
Expenditures:	
Administrative:	
Salaries and wages	1,483,153
Clearing account	544,151
Personnel benefits	492,854
Rental	161,956
Professional fees	54,717
Insurance	41,627
Supplies	25,570
Travel and transportation	22,122
Communications	20,944
Judgments and settlements	17,133
Fuel and lubricants	15,190
Repairs and maintenance	11,283
Advertising	3,960
Miscellaneous	177,022
Total expenditures	3,071,682
Excess of revenues over expenditures	211,295
Other financing sources (uses):	
Interest income	30,701
Transfer out to MPLT	(971,430)
Distributions to CNMI	(2,500,000)
Total other financing sources (uses), net	(3,440,729)
Net change in fund balance	(3,229,434)
Fund balance at beginning of year	7,050,475
Fund balance at end of year	$ 3,821,041

See accompanying notes to financial statements.

(1) Organization and Purpose

The Department of Public Lands (DPL), a governmental fund of the Commonwealth of the Northern Mariana Islands (CNMI), is the successor to the Marianas Public Land Corporation (MPLA) and is responsible for the management, use and disposition of public lands in the Northern Marianas through lease and permit arrangements, including management, use and disposition of submerged lands off the coast of the CNMI and also administration of the homestead program for qualifying Northern Marianas citizens.

On February 22, 2006, Public Law 15-02 was enacted to create DPL within the Executive Branch of the CNMI Government and to transfer the obligations and responsibilities of MPLA to DPL. DPL is responsible for administration, use, leasing, development and disposition of all lands defined as public lands by Article XI of the CNMI Constitution or any other provision of law, subject to the provisions of Public Law 15-02 and except as limited by transfers of freehold interest to individuals, entities, or other government agencies. DPL's authority does not extend to the issuance of land use permits and licenses, except as specifically provided for in Public Law 15-02 and does not limit in any respect the authority of other Commonwealth agencies to issue permits and licenses pursuant to their respective enabling legislation. DPL is headed by a Secretary appointed by the Governor with the advice and consent of the Senate.

The CNMI Constitution requires that all revenues received by DPL in excess of the amount necessary to meet reasonable expenses of administration and management, land surveying, homestead development, and any other expenses reasonably necessary for the accomplishment of its functions, must be transferred to the Marianas Public Land Trust (MPLT). DPL has determined that amounts due to MPLT equal its unreserved fund balance less amounts budgeted for the ensuing fiscal year. DPL's unreserved fund balance was $3,792,318 at September 30, 2010 and $2,820,888 was budgeted for fiscal year 2011; as such DPL has recorded a liability and transfer out to MPLT of $971,430 as of and for the year ended September 30, 2010.

(2) Summary of Significant Accounting Policies

The accounting policies of DPL conform to accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies used by DPL.

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 during the reporting period. Actual results could differ from those estimates.

(2) Summary of Significant Accounting Policies, Continued

Fund Accounting

The accompanying financial statements present a balance sheet and a statement of revenues, expenditures and changes in fund balance. The assets, liabilities and fund balance of DPL are reported in self-balancing funds. Transactions between funds, if any, have not been eliminated.

Measurement Focus and Basis of Accounting

The accompanying financial 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within sixty days of the end of the current fiscal period.

Concentrations of Credit Risk

Financial instruments which potentially subject DPL to concentrations of credit risk consist principally of cash demand deposits and investments.

At September 30, 2010, DPL has cash deposits and investments in bank accounts that exceed federal depository insurance limits. DPL has not experienced any losses in such accounts.

Cash and Cash Equivalents

For purposes of the balance sheet and the statement of revenues, expenditures and changes in fund balance, DPL considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified on the balance sheet. At September 30, 2010, total cash and cash equivalents and time certificate of deposit was $6,652,191 and the corresponding bank balance was $6,651,875. Of the bank balance amounts, $4,063,173 is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance as of September 30, 2010. Bank deposits in the amount of $250,000 were FDIC insured as of September 30, 2010. Of the bank balances, $2,588,702 was held in a financial institution not subject to FDIC, and thus are uncollateralized. Accordingly, the deposits are exposed to custodial credit risk. Public Law No. 12-61, the Government Deposit Safety Act of 1994, as amended, governs the general deposit policies of the CNMI and requires that all deposits of public funds made by the CNMI are to be collateralized by U.S. Government obligations at the rate of 100% of the corresponding bank deposit. Compliance with Public Law No. 12-61 as of September 30, 2010, is presently not determinable. Accordingly, DPL deposits are exposed to custodial credit risk.

Cash and cash equivalents of $613,938 and time certificate of deposit of $386,215 as of September 30, 2010 represent bank deposits which DPL has restricted for specific purposes and, accordingly, are classified as restricted in the accompanying financial statements. Specific restrictions are as follows:

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents, Continued

Dugi project	$ 386,215
Contracts for uncompleted homestead development	54,262
Homestead projects and other purposes	559,676
	$ 1,000,153

Receivables

DPL leases and grants permits for the use of public lands within the CNMI and bills for these charges on a regular basis. The accumulated provision for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on receivables that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense. Uncollectible accounts are written off by the specific identification method against the allowance.

Property and Equipment

Property and equipment of DPL are not recorded in the accompanying financial statements but are recorded in the general purpose financial statements of the CNMI. Property and equipment are stated at cost. Depreciation is provided by using the straight-line method over the estimated useful lives of the respective assets. Current policy is to capitalize items in excess of $5,000.

Deferred Revenue

Deferred revenue represents prepaid lease income.

Compensated Absences

Vested or accumulated vacation leave is recorded as benefits accrue to employees. The liability at September 30, 2010 amounted to $133,706. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Accumulated sick pay benefits as of September 30, 2010 was $184,683.

Retirement Plan

DPL contributes to the Northern Mariana Islands Retirement Fund’s (the Fund) defined benefit plan (DB Plan) and defined contribution plan (DC Plan), a cost sharing, and multi-employer plan (the Plan) established and administered by the CNMI.

The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Northern Mariana Islands Retirement Fund, P.O. Box 501247, Saipan, MP, 96950-1247.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

GASB Statement No. 45 requires employers to record other postemployment benefits (OPEB) expense for their contractually required contributions to the OPEB plan. DPL has complied with GASB 45 by recording OPEB expense based on the statutorial determined contribution rate of the Fund. DPL's OPEB liability is incorporated into the contribution amount. It is the understanding of the management of DPL that the statutorial determined contribution rate of the Fund incorporates both the pension liability and the OPEB liability. GASB 45 also requires detailed disclosure of information related to the OPEB plan and DPL management was unable to obtain this information from the Fund financial report. DPL management is unable to obtain the required disclosures and is of the opinion that such information must be obtained from the Fund. It is the position of the management of DPL that the Fund is solely responsible for disclosure of OPEB information.

Defined Benefit Plan (DB Plan)

The DB Plan provides retirement, disability, security and other benefits to employees of the CNMI Government and CNMI agencies, instrumentalities and public corporations and their spouses and dependents. Benefits are based on the average annual salary of the beneficiary over the term of credited service. Public Law No. 6-17, the Northern Mariana Islands Retirement Fund Act of 1988, is the authority under which benefit provisions are established. Public Law No. 6-17 was subsequently amended by Public Law Nos. 6-41, 8-24, 8-30, 8-31, 8-39, 9-25, 9-45, 10-8, 10-19, 11-9, 11-95, 13-60, 15-14, 15-70, 15-126, 16-2 and 16-36.

DB Plan members are required to contribute 6.5% and 9% of their annual covered salary for Class I and Class II members, respectively. On June 14, 2007, Public Law No. 15-70 was enacted to amend the NMIRF Act to improve the DB Plan's fiscal solvency. Public Law No. 15-70 provides for increasing employee contributions to the DB Plan by 1% per year beginning in fiscal year 2008 until reaching 10.5% for Class I members and 11% for Class II members. The actuarial contribution rate for fiscal year ended September 30, 2010 has yet to be determined. The actuarially determined contribution rate for the fiscal year ended September 30, 2009 is 60.8686% of covered payroll based on an actuarial valuation as of October 1, 2009 issued in May 2011. The established statutory rate at September 30, 2010 is 37.3909% of covered payroll. DPL's recorded DB contributions to the Fund for the years ended September 30, 2010, 2009 and 2008 were $377,440, $396,939 and $622,837, respectively, equal to the required statutory contributions for each year.

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. DPL is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. DPL's recorded DC contributions for the years ended September 30, 2010, 2009 and 2008 were $18,212, $15,204 and $11,414, respectively, equal to the required contributions for each year.

(2) Summary of Significant Accounting Policies, Continued

Defined Contribution Plan (DC Plan), Continued

Members of the DC Plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

New Accounting Standards

During fiscal year 2010, DPL implemented the following pronouncements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.

- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of DPL.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of DPL.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus,* which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of DPL.

(3) Receivables

A summary of receivables as of September 30, 2010, is as follows:

Lease and permits	$ 7,856,980
Notes	7,571,536
Royalties	768,438
	16,196,954
Less allowance for doubtful accounts	(15,544,452)
	$ 652,502

DPL paid out $262,944 in land compensation judgments in fiscal year 2009 pursuant to Public Law 16-31. The Commonwealth Supreme Court later held that Public Law 16-31 was unconstitutional as it deprived MPLT of revenue generated from public lands. DPL has taken the position that the CNMI should have paid amounts to the plaintiff and has recorded the $262,944 as a fully reserved receivable as collectability is uncertain.

(4) Property and Equipment

A summary of property and equipment as of September 30, 2010, is as follows:

	Estimated Useful Lives	Balance at October 1, 2009	Additions	Deletions	Balance at September 30, 2010
Leasehold improvements - Managaha Islands	45 years	$ 803,642	$ -	$ -	$ 803,642
Furniture, fixtures and equipment	2 - 10 years	935,678	-	-	935,678
Improvements	5 - 40 years	543,270	-	-	543,270
Vehicles	3 - 10 years	318,438	33,795	-	352,233
Surveying equipment	2 - 5 years	50,540	-	-	50,540
		2,651,568	33,795	-	2,685,363
Less:					
Accumulated depreciation		(1,972,176)	(48,284)	-	(2,020,460)
Accumulated loss on impairment		(104,201)	-	-	(104,201)
		575,191	(14,489)	-	560,702
Land	-	29,265,938	179,483	-	29,445,421
		$ 29,841,129	$ 164,994	$ -	$ 30,006,123

Property and equipment includes costs incurred in prior years for the improvement and renovation of an office building, which is no longer occupied. The asset has a net book value of $104,201 as of September 30, 2010.

As discussed in note 1, DPL is a governmental fund of the CNMI and, accordingly, property and equipment are not included in the accompanying financial statements.

(5) Due to CNMI

Effective October 1, 2007, disbursement of DPL expenses, including land compensation claims, was centralized at the CNMI Department of Finance. DPL reimburses the CNMI for expenses paid on behalf of DPL. Due to CNMI of $1,031,097 represents DPL expenses paid by the CNMI which have not been reimbursed, including land claims of approximately $583,508 as of September 30, 2010.

(6) Claims and Judgments

The claims and judgments liability relates to a land compensation judgment issued against the CNMI and DPL in 2009 regarding private land that MPLC leased to three companies. The total judgment of $2,690,020 was comprised of $567,543, which MPLC/DPL collected from the three companies, and $2,122,477 in just compensation. Management of DPL has determined that just compensation judgments are the liability of the CNMI and has only recorded $567,543 as a liability of DPL. Cash and cash equivalents have not been reserved for this liability.

(7) Lease and Permit Income

On August 31, 2001, DPL entered into an agreement for special recreational concession on Managaha Island with a local tour company. The agreement was established under Public Law No. 12-33 which grants the tour company an exclusive concession area in return for a base rent of $2,600,000 for a period of five years effective September 1, 2001. On October 4, 2006, the term of concession was amended to extend for a period of fifteen years, which shall be deemed to have commenced on the effective date of the original agreement. In addition, the minimum annual base rent was changed to $312,000 for each year of the balance of the fifteen-year term. The advance minimum rent for the second five-year term was collected on October 4, 2006 and is amortized over five years. The minimum rent for the third five-year term is payable in full on September 1, 2011.

DPL leases and grants permits for the use of public lands. Lease and permit terms range from one to twenty-five years and in most instances contain provisions for percentage rent. Lease and permit income for the year ended September 30, 2010 amounted to $3,114,111. Minimum future lease income is as follows:

Year ending September 30,	Minimum Lease Income Due
2011	$ 2,192,635
2012	1,943,110
2013	1,964,184
2014	1,903,129
2015	1,856,760
2016 - 2020	5,288,854
2021 - 2025	3,528,621
2026 - 2030	2,189,935
2031 - 2035	1,718,729
2036 - 2040	959,889
2041	187,430
	$ 23,733,276

(8) Distributions to the CNMI

On June 10, 2010, DPL transferred $2,500,000 to CNMI pursuant to Public Law 17-6, which authorized the Governor to reprogram available funds including those funds available to all public corporations, agencies and entities of the CNMI, in order to help sustain public services during the State of Emergency declared in June 2010 in accordance with Article III, Section 10 of the CNMI Constitution. This is classified under nonoperating expenses in the accompanying financial statements.

(9) Contingencies

DPL maintained deposits in the Bank of Saipan (the Bank). On April 30, 2002, the Bank went into receivership. On May 27, 2003, the Bank officially reopened for business; however, DPL has been restricted from full access to the deposits held at the Bank. The Northern Mariana Islands Retirement Fund (NMIRF) has similar deposits with the Bank. In October 2004, DPL signed a Depository and Non-Withdrawal Agreement with the Bank, which requires the Bank to disburse $50,000 per month to DPL beginning on the effective date of the agreement. DPL's deposits with the Bank amounted to $2,588,702 as of September 30, 2010.

On August 12, 2005, DPL entered into an agreement with the Commonwealth Utilities Corporation (CUC) for designation of use of public domain lands. The agreement provides that CUC will waive DPL's monthly utility consumption charges effective April 1, 2001. Based on the agreement, the waived utility charges will continue to apply for all future utility billings of DPL so long as the agreement remains in effect. CUC continues to bill DPL for utility charges. DPL is currently disputing any utility charges CUC accrued for DPL since the time the agreement was executed. DPL may agree to terminate the designation given CUC's financial situation, but will not pay any of the charge covered by the designation.

The CNMI Constitution requires that all revenues received by DPL in excess of the amount necessary to meet reasonable expenses of administration and management, land surveying, homestead development, and any other expenses reasonably necessary for the accomplishment of its functions, must be transferred to MPLT. DPL has not obtained concurrence from MPLT regarding its method for determining these amounts. As discussed in note 8, DPL transferred $2,500,000 to the CNMI during the year ended September 30, 2010. The effects of potential noncompliance with the CNMI Constitution could not be determined.

Landing fees held in cash accounts by DPL relate to landing fees for the island of Managaha. On February 18, 1999, Public Law 11-64 was enacted which required landing fee collections to be available for appropriation by the Saipan and Northern Islands Legislative Delegation. Collections of the Managaha Island landing and user fees were deposited in the Managaha Island Land and User Fee cash account. DPL has taken the position that the constitutionality of Public Law 11-64 should be determined by the CNMI Supreme Court in response to a certified question. DPL is in the process of issuing that certified question. As of September 30, 2010, landing fees held in cash accounts by DPL amounted to $2,746,377.

(10) Risk Management

DPL 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. DPL has elected to purchase commercial insurance from independent third parties for the risks of losses to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage.

(11) Subsequent Events

On November 1, 2011, DPL transferred $1,000,000 to MPLT in accordance with requirements of the CNMI Constitution.

(11) Subsequent Events, Continued

On August 30, 2012, Public Law 17-79 was enacted to amend Title I of the Commonwealth Code to include the intent of the CNMI to participate in the retirement insurance system established by Title II of the U.S. Federal Insurance Contributions Act (FICA) and for participation to be extended to elected officials, employees, political subdivisions and instrumentalities of the CNMI. Authorization of participation has not been obtained from the U.S. Government. On September 11, 2012, Public Law 17-82 *CNMI Pension Reform Recovery Act of 2012* was enacted. Unless specifically exempted or authorized by federal law, Public Law 17-82 provides for mandatory membership of CNMI Government employees and elected officials in the U.S. Social Security system and authorizes employees, who elect to, to buy quarters of service in the U.S. Social Security system from contributions made to the DB plan. In addition, Public Law 17-82 provides active and inactive DB Plan members the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the DC Plan and to participate in the U.S. Social Security system without termination of employment or penalty. Further, Public Law 17-82 allows the CNMI Government to continue remitting its 4% employer contribution to the DC Plan unless the employee ceases to contribute its employee share.

In November 2012, the Fund sought guidance from the federal court relating to the legality of certain provisions authorized by Public Law 17-82 and ceased disbursement of employee contributions pending the federal court's guidance.