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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Department of Public Lands (DPL), a governmental fund of the Commonwealth of the Northern Mariana Islands (CNMI), which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements, which collectively comprise DPL's basic financial statements.

Management's Responsibility 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 audits. We conducted our audits 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 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.

Basis for Qualified Opinion

We were unable to determine the propriety of due to CNMI balances of $1,825,839 and $1,792,935 at September 30, 2014 and 2013, respectively, or the basis for reservation of $4,819,530 and $5,242,046 of fund balances at September 30, 2014 and 2013, respectively.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Public Lands as of September 30, 2014 and 2013, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in note 1, the financial statements present only the financial position and changes in fund balances of DPL. They are not intended to present the financial position and changes in fund balances of the CNMI 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. DPL transferred $2,500,000 to the CNMI during the year ended September 30, 2010; between March 2009 and November 2010, DPL reimbursed the CNMI $1,395,459 for land compensation payments made by the CNMI and has recorded $581,669 as due to CNMI for additional reimbursements; and between June 2010 and September 2014, DPL disbursed $2,002,146 directly to the Northern Mariana Islands Retirement Fund, which may have duplicated payments made by the CNMI. The effects of potential noncompliance with the CNMI Constitution could not be determined.

Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2015 on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DPL's internal control over financial reporting and compliance.

Deloitte & Touche LLC

June 16, 2015

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

Balance Sheets
September 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 6,217,709	$ 8,617,564
Time certificate of deposit	2,665,823	387,321
Receivables, net	447,217	776,077
Total assets	$ 9,330,749	$ 9,780,962
LIABILITIES		
Accounts payable	$ 219,518	$ 447,919
Accrued liabilities	133,091	126,358
Due to CNMI	1,825,839	1,792,935
Accrued annual leave payable	122,494	125,658
Security deposits	400,000	-
Claims and judgments	-	567,543
Unearned revenues	654,682	481,760
Due to MPLT	1,155,595	996,743
Total liabilities	4,511,219	4,538,916
Commitment and contingencies		
FUND BALANCES		
Fund balances:		
Reserved	4,819,530	5,242,046
Total fund balances	4,819,530	5,242,046
Total liabilities and fund balances	$ 9,330,749	$ 9,780,962

See accompanying notes to financial statements.

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

Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended September 30, 2014 and 2013

	2014	2013
Revenues:		
Land leases	$ 4,179,477	$ 3,178,655
Temporary permits	270,379	235,818
Submerged land	45,000	60,000
Agriculture/grazing permits	3,930	6,157
Commercial permits	3,501	2,838
Filing fees and others	35,868	55,590
Other	92,770	20,188
	4,630,925	3,559,246
Bad debts	(616,441)	(125,723)
Net revenues	4,014,484	3,433,523
Expenditures:		
Administrative:		
Salaries and wages	1,570,794	1,637,986
Homestead development	579,908	-
Personnel benefits	265,140	276,634
Professional fees	110,967	133,740
Rental	105,516	103,925
Utilities	97,960	99,954
Travel and transportation	65,067	56,499
Supplies	26,044	34,448
Repairs and maintenance	21,552	19,548
Communications	21,353	21,529
Fuel and lubricants	19,450	31,232
Insurance	14,295	13,824
Judgments	10,293	-
Advertising	5,054	4,050
Miscellaneous	73,587	216,066
Total expenditures	2,986,980	2,649,435
Excess of revenues over expenditures	1,027,504	784,088
Other financing sources (uses):		
Interest income	12,684	13,182
Transfer to MPLT	(1,462,704)	(689,634)
Total other financing sources (uses), net	(1,450,020)	(676,452)
Net change in fund balances	(422,516)	107,636
Fund balances at beginning of year	5,242,046	5,134,410
Fund balances at end of year	$ 4,819,530	$ 5,242,046

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 Lands Authority (MPLA) and is responsible for the management, use and disposition of public lands in the Northern Marianas through lease and permit arrangements and also administration of the homestead program for qualifying Northern Mariana 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; as such DPL has recorded liabilities to MPLT of $1,155,595 and $996,743 as of September 30, 2014 and 2013, respectively. On June 6, 2014 and December 31, 2013, DPL transferred $996,743 and $307,109, respectively, to MPLT in accordance with requirements of the CNMI Constitution.

(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 balance sheets and statements of revenues, expenditures and changes in fund balances. The assets, liabilities and fund balances 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, 2014 and 2013, 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 and Time Certificates of Deposit

For purposes of the balance sheets and the statements of revenues, expenditures and changes in fund balances, 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 sheets. At September 30, 2014 and 2013, total cash and cash equivalents and time certificate of deposits, and the corresponding bank balances, were $8,883,532 and $9,004,885, respectively. Of the bank balances, $7,594,980 and $7,220,410 are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance as of September 30, 2014 and 2013, respectively and deposits of $250,000 were FDIC insured as of those dates. Bank balances of $1,288,552 and $1,784,475 were held in a financial institution not subject to FDIC, and thus are uncollateralized as of September 30, 2014 and 2013, respectively. 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, 2014 and 2013 is presently not determinable. Accordingly, DPL deposits are exposed to custodial credit risk.

(2) Summary of Significant Accounting Policies, Continued

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.

Unearned Revenues

Unearned revenues represent prepaid lease income.

Compensated Absences

Vested or accumulated vacation leave is recorded as benefits accrue to employees. The liability at September 30, 2014 and 2013 amounted to $122,494 and $125,658, respectively. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Accumulated sick pay benefits as of September 30, 2014 and 2013 were $141,428 and $181,697, respectively.

Reserved Fund Balance

Reserved fund balance amounts are constrained for specific purposes which are externally imposed. DPL has reserved fund balance of $1,420,092 and $2,000,000 for homestead development and $3,399,438 and $3,242,046 for the ensuing years budget at September 30, 2014 and 2013, respectively.

Homestead Development

During the years ended September 30, 2014 and 2013, DPL expended $579,908 and $-0-, respectively, on land surveying, road construction and right-of-ways for homestead development.

Retirement Plan

DPL contributed to the Northern Mariana Islands Retirement Fund's (NMIRF) defined benefit plan (DB Plan), a cost-sharing, multiple-employer plan established and administered by the CNMI. On September 30, 2013, the DB Plan was transferred to Northern Mariana Islands Settlement Fund (NMISF) and DPL now contributes to NMISF. DPL also contributes to a defined contribution plan (DC Plan).

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, 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. 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.

On March 11, 2013, Public Law 18-02 was enacted to amend Public Law 17-82 to clarify those provisions necessary to expedite the refunds and to prevent any further frustration of the process. Included in the public law is the amendment of Section 203(a) of Title 1, Division 8, Part 3, which states that the government obligation to withhold and remit the employee's portion to the employee's defined account shall continue with respect to employees who do not terminate membership in the DB Plan. All but four active DPL employees voluntarily terminated membership in the DB Plan and DPL contributed $40,901 and $52,128 to the DB Plan during the years ended September 30, 2014 and 2013, respectively.

For the years ended September 30, 2014 and 2013, DPL contributed social security benefits of $121,155 and $99,005, respectively.

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, 2014, 2013 and 2012 were $11,760, $1,341 and $19,640, respectively, equal to the required contributions for each year.

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.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2014, DPL implemented the following pronouncements:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions,* which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Statement 68 will require DPL to recognize a net pension liability based on the percentage of the actuarial present value of projected benefit payments allocated to DPL by the Northern Mariana Islands Settlement Fund (the Settlement Fund). The Settlement Fund has not communicated amounts to DPL which may be material and will be recorded on October 1, 2014. The implementation of this statement may have a material effect on the financial statements of DPL and may require a restatement disclosure upon implementation.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations,* which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of DPL.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68,* which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of DPL.

Reclassifications

Certain 2013 balances in the accompanying financial statements have been reclassified to conform to the 2014 presentation.

(3) Receivables

A summary of receivables as of September 30, 2014 and 2013 is as follows:

	2014	2013
Notes	$ 11,696,562	$ 11,707,227
Lease and permits	9,293,173	9,022,499
Other receivables	27,572	-
	21,017,307	20,729,726
Less allowance for doubtful accounts	(20,570,090)	(19,953,649)
	$ 447,217	$ 776,077

During the years ended September 30, 2014, 2013, 2012, 2011 and 2010, DPL directly disbursed $6,324, $38,307, $690,898, $17,157 and $1,249,460, respectively, to NMIRF. The disbursements may have duplicated payments made by the CNMI but, as reimbursement from NMIRF is uncertain, DPL has not recorded the amounts as receivable.

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 but has not recorded the $262,944 as a receivable as collectability is uncertain.

(4) Due from/to CNMI

Effective October 1, 2007, disbursement of certain DPL expenses was centralized at the CNMI Department of Finance (DOF). DPL reimburses the CNMI for expenses paid on behalf of DPL. DPL reimbursed DOF $3,705,761 and $2,406,014 during the years ended September 30, 2014 and 2013, respectively. Due to CNMI of $1,825,839 and $1,792,935 as of September 30, 2014 and 2013, respectively, represent DPL expenses paid by the CNMI which have not been reimbursed, including land claims of $581,669.

(5) Claims and Judgments

The claims and judgments liability related to a land compensation judgment issued against the CNMI and DPL in 2009 regarding private land that MPLA leased to three companies without proper title. The total judgment of $2,690,020 was comprised of $567,543, which MPLA/DPL collected from the three companies, and $2,122,477 in just compensation, owed to the landowners. Management of DPL has determined that just compensation judgments are the liability of the CNMI and has only recorded $567,543 as a liability. The amount was fully paid as of September 30, 2014.

(6) Lease and Permit Income

On August 31, 2001, DPL entered into a *Special Concession Agreement* (the Agreement) for special recreational concession on Managaha Island with a local tour company. The Agreement was established under Public Law No. 12-33 which granted the tour company an exclusive concession area for a term of five years effective September 1, 2001.

On July 3, 2002, Public Law No. 13-16 required that collections of the Managaha Island landing and user fees be deposited into a special trust account maintained by the tour company. Such fees are used for costs incurred for construction, maintenance, upkeep and repair of the facilities, improvements to the Managaha Island infrastructure, to provide public safety, or maintain the cleanliness and appearance of Managaha Island. Fees in excess of costs are disbursed by the tour company to DPL. DPL recorded receivables of $90,993 and $113,570 related to net fee collections as of September 30, 2014 and 2013, respectively.

On October 4, 2006, the terms of the Agreement were amended extending the concession for an additional ten years commencing on September 1, 2006. Upon execution of the amended Agreement, the tour company advanced minimum annual base rent of $1,560,000 ($312,000 per annum) to DPL. The amended Agreement also requires the tour company to pay DPL additional gross receipts rent based on the greater of the annual base rent or 3% of annual gross receipts from concessions. During the years ended September 30, 2014 and 2013, DPL did not receive additional gross receipts.

(6) Lease and Permit Income, Continued

Effective August 31, 2011, the terms of the Agreement were amended again to reduce the minimum annual base rent for the five year period from September 1, 2011 to September 1, 2016 to $1,450,800 ($290,160 per annum). Upon execution, the tour company was required to pay $290,160 in advance for the first year, with the remaining balance of $1,160,640 to be paid on September 1, 2012.

The tour company asserted it was not receiving the exclusive right to conduct tours "from" Managaha Island pursuant to the Agreement insofar as other marine sports operators are allowed to pick up their customers from Managaha Island. In June 2012, five marine sports operators sued DPL under *Island Marine Sports v. DPL* (Civ. No. 12-0151). The CNMI Superior Court ruled in favor of the other marine sports operators in finding that several letters published by DPL regarding the right to conduct tours "from" Managaha Island constituted unlawful agency actions made without observance of required administrative procedures. DPL's appeal to the CNMI Supreme Court was dismissed at DPL's request on July 9, 2014. The tour company refused to pay the balance of $1,160,640 but offered annual payments of $229,778, with the difference of $60,382 to be abated. A second addendum to the Agreement was entered into on February 10, 2014. The tour company agreed that rent shall be abated only so long as the marine sports operators other than the tour company pick up customers from Managaha Island for water sports tours. The base rent owed from September 1, 2012 to August 31, 2013 shall be $229,778. This shall be the sum due for each of the remaining years under the concession so long as there is rent abatement. Further, if at any time during the remainder of the concession, marine sports operators other than the tour company cease picking up customers at Managaha Island for marine sports tours, the base rent shall revert to $290,160. On October 24, 2014 and February 10, 2014, the tour company paid DPL $229,788 and $459,556, respectively, as base rent for the period September 1, 2012 to August 31, 2015. Future payment of $229,778 will be due on September 1, 2015.

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 years ended September 30, 2014 and 2013 amounted to $4,538,155 and $3,539,058, respectively. Minimum future lease income is as follows:

Year ending September 30,	Minimum Lease Income Due
2015	$ 2,429,841
2016	1,902,440
2017	1,515,160
2018	1,327,185
2019	1,037,256
2019 - 2023	4,856,434
2024 - 2028	3,260,045
2029 - 2033	1,540,355
2034 - 2038	121,980
	$ 17,990,696

(7) Commitment

DPL leases office space in Saipan, Rota and Tinian. The lease agreements provide for an annual rental of $85,374 on Saipan, $8,100 on Rota and $7,200 on Tinian during the terms of the leases. Total future minimum lease payments under these leases for subsequent years ending September 30 are as follows:

Year ending September 30,	
2015	$ 100,614
2016	92,114
	$ 192,728

(8) 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. In October 2004, DPL signed a Depository and Non-Withdrawal Agreement with the Bank, which requires the Bank to disburse $30,000 per month to DPL beginning the effective date of the agreement. DPL's deposits with the Bank amounted to $1,288,552 and $1,784,475 as of September 30, 2014 and 2013, respectively.

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. Management of DPL has determined that the following transactions may have violated DPL's constitutional mandate:

- DPL transferred $2,500,000 to the CNMI during the year ended September 30, 2010;
- Between March 2009 and November 2010, DPL reimbursed the CNMI $1,395,459 for land compensation payments made by the CNMI and has recorded $581,669 as due to CNMI for additional reimbursements.
- Between June 2010 and September 2014, DPL disbursed $2,002,146 directly to the Northern Mariana Islands Retirement Fund which may have duplicated payments made by the CNMI and has subsequently recorded the amount as a fully reserved receivable

The effects of potential noncompliance with the CNMI Constitution could not be determined by DPL management and are not reflected in the accompanying financial statements.

(8) Contingencies, Continued

Landing fees maintained in cash accounts by DPL relate to prior year collection of landing fees for the island of Managaha. Collections of the Managaha Island landing and user fees were deposited in the Managaha Island Land and User Fee cash account. On July 21, 2014, Saipan Local Law 18-19 was enacted which appropriated $1,000,000 of Managaha landing and user fees for the Commonwealth Museum, payment of land compensation and other purposes. DPL has taken the position that the constitutionality of Saipan Local Law 18-19 should be determined by the CNMI Supreme Court in response to a certified question. This position was based on advice from the CNMI Office of the Attorney General. DPL is in the process of issuing that certified question. Although not considered reserved, DPL has maintained the landing fees in separate cash accounts. As of September 30, 2014 and 2013, landing fees held in cash accounts amounted to $3,209,457 and $2,757,823, respectively.

(9) 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.

(10) Subsequent Events

On December 24, 2014, Public Law 18-71 was enacted to appropriate future MPLT interest distributions to the CNMI to meet CNMI obligations under a court order requiring the CNMI to deposit $5,000,000 in the Court Registry no later than December 31, 2014. Public Law 18-71 authorized DPL to transfer $5,000,000 to MPLT which was transferred on December 29, 2014.