

MARIANAS PUBLIC LAND TRUST
(A COMPONENT UNIT OF THE COMMONWEALTH
OF THE NORTHERN MARIANA ISLANDS)

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Marianas Public Land Trust:

Report on the Financial Statements

We have audited the accompanying financial statements of the Marianas Public Land Trust (MPLT), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), which comprise the statements of net position as of September 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the 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 audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marianas Public Land Trust as of September 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise MPLT's basic financial statements. The Combining Statements of Net Position, of Revenues, Expenses and Changes in Net Position and of Cash Flows (pages 34 through 36), the Schedules of Investments - General Fund and Park Fund (pages 37 through 48) and the Schedule of Administrative Expenses Compared to Budget (page 49) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Statements of Net Position, of Revenues, Expenses and Changes in Net Position and of Cash Flows, the Schedules of Investments - General Fund and Park Fund and the Schedule of Administrative Expenses Compared to Budget are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statements of Net Position, of Revenues, Expenses and Changes in Net Position and of Cash Flows, the Schedules of Investments - General Fund and Park Fund and the Schedule of Administrative Expenses Compared to Budget are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2019 on our consideration of MPLT'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 solely 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 effectiveness of MPLT's 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 MPLT's internal control over financial reporting and compliance.

Deloitte & Touche LLC

July 23, 2019



MARIANAS PUBLIC LAND TRUST

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED SEPTEMBER 30, 2018

As management of the Marianas Public Land Trust (MPLT), we offer readers of MPLT's financial statements this narrative overview and analysis of the financial activities of MPLT for the year ended September 30, 2018. This Management's Discussion and Analysis should be read in conjunction with the audited financial statements.

Implementing Authority

The origins of MPLT are found in both the Constitution of the Commonwealth of the Northern Mariana Islands (CNMI) and Public Law (P.L.) 94-241, Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (the Covenant). The Covenant contains key provisions, which are fundamental to MPLT's development. Article VIII, Section 802 requires that certain lands be made available to the United States Government by lease in order for it to carry out its defense responsibilities. These lands consist of 7,203 hectares on Tinian, 72 hectares at Tanapag Harbor in Saipan, and the entire island of Farallon de Medinilla, comprising of approximately 83 hectares.

Article XI, Section 6 of the Constitution as amended, provides for the establishment of MPLT upon the effective date of the Constitution. Some excerpts pertaining to the operating requirements of MPLT are:

- "... The number of trustees appointed by the Governor with the advice and consent of the Senate shall be ...[five]. Three shall be from Saipan, one from Rota and one from Tinian. At least one trustee shall be a woman and at least one trustee shall be of Carolinian descent. The trustees shall serve for a term of six years ... [shall] be staggered."
- "... The trustees shall make reasonable, careful and prudent investments."
- "... The trustees shall ...[use] the interest on the amount received for the lease of property at Tanapag Harbor for the development and maintenance of a memorial park. The trustees shall transfer to the general revenues of the Commonwealth the remaining interest accrued ...[except] that the trustees may retain the amount necessary to meet reasonable expenses of administration."
- "... The trustees shall make an annual written report to the people of the Commonwealth accounting for the revenues received and expenses incurred by the Trust and describing the investments and other transactions authorized by the trustees."
- "... The trustees shall be held to strict standards of fiduciary care."

Article VIII, Section 803 of the Covenant describes the lease terms for the above properties. The Commonwealth will lease the property to the United States for 50 years with the United States having the option of renewing the lease for all or part of the property for an additional term of 50 years. The United States will pay the Commonwealth, in full settlement of the two 50-year lease terms, the total sum of \$19,520,600 determined as follows:

Management's Discussion and Analysis, Continued
Year Ended September 30, 2018

Implementing Authority, Continued

- Tinian Island property - \$17.5 million
- Saipan Island property located at Tanapag Harbor - \$2 million
- Farallon de Medinilla Island - \$20,600

The above sum will be adjusted by a percentage, which will be the same as the percentage change in the United States Department of Commerce composite price index from the date of signing the Covenant. Additional terms and conditions of this lease are found in the Technical Agreement Regarding Use of Land to Be Leased by the United States, which was executed simultaneously with the Covenant.

This was the initial source of the funding to MPLT from the Marianas Public Land Corporation (MPLC), i.e., \$23,942,602 allocated to the MPLT General Fund and \$2,000,000 allocated to the MPLT Park Fund, was received as follows:

Initial Distributions Received From MPLC

| <u>Date</u> | <u>Amount</u> |
|-------------------|----------------------|
| July 19, 1983 | \$ 5,000,000 |
| January 20, 1984 | 100,000 |
| February 17, 1984 | 14,080,046 |
| April 13, 1984 | 5,958,700 |
| August 27, 1984 | <u>803,856</u> |
| Total | \$ <u>25,942,602</u> |

Subsequently, MPLC and its successors, including the CNMI Department of Public Lands (DPL), made additional distributions, which were treated as General Fund principal contributions, as follows:

Distributions Received From MPLC

| <u>Date</u> | <u>Amount</u> |
|--------------------|----------------------|
| May 11, 1991 | \$ 500,000 |
| December 20, 1991 | 500,000 |
| September 19, 2007 | 1,250,000 |
| August 4, 2008 | 3,500,000 |
| November 23, 2011 | 1,000,000 |
| December 31, 2013 | 307,109 |
| June 6, 2014 | 996,743 |
| December 30, 2014 | 5,000,000 |
| April 11, 2016 | 800,334 |
| February 1, 2018 | 866,339 |
| September 17, 2018 | <u>1,501,174</u> |
| Total | \$ <u>16,221,699</u> |

The total principal contributions received from the leasing of public land by MPLT from MPLC or its successor entities is \$42,164,301.

In addition to the above contributions received from DPL, MPLT believes that DPL has failed to distribute the correct net distributable income for many years. DPL has inappropriately "reserved" their fund balance in order to avoid distributing the annual funds as required by the Constitution. This finding has been supported by two Attorney General opinions, summarized as follows:

Management's Discussion and Analysis, Continued
Year Ended September 30, 2018

Implementing Authority, Continued

AG Opinion 2013-02, dated April 8, 2013, states:

DPL owes MPLT all revenue generated from public lands that is not appropriated to it pursuant to its annual budget. DPL also owes MPLT an accounting to verify that the proper sums are transferred. DPL must transfer these excess funds on a yearly basis.

AG Opinion 18-03, dated October 15, 2018, states:

The question of this opinion is whether the Legislature may appropriate to DPL supplemental funding in excess of the original budget amount allocated to DPL for fiscal year 2018? The answer is "no" as all revenues generated from public lands less the operational expenses has to be transferred to MPLT. Any statute or regulation that would deprive MPLT of the revenue from public lands violates the Constitution.

DPL's practice of underspending its budget and understating of its estimated revenues has resulted in a growing fund balance. In six years the fund balance has grown to \$10,975,000 in FY 2017. DPL justifies maintaining this significant balance to fund future homestead development, subsequent year's approved budget, and other matters to be funded in the future.

Notwithstanding the DPL transfers that have been made to MPLT, more funding must be transferred as the funds in the DPL Operations Fund has grown substantially from the additional revenues collected in excess of estimates and underspending of amounts appropriated. DPL has no legal authority to retain excess revenue.

Conclusion states that "supplemental appropriation to DPL may not be made from unobligated and unencumbered prior fiscal year balances". Those balances are public land funds that must be transferred to MPLT.

It is for these two AG Opinions that MPLT has accrued a receivable from DPL in the amount of \$6,327,685 as of September 30, 2018.

Additionally, on October 4, 2010, the Commonwealth Supreme Court rendered its opinion, Supreme Court N. 2009-SCC-0041-CQU, Slip Opinion, which found P.L. 16-31 unconstitutional as it infringes upon MPLT's constitutionally mandated functions of receiving and investing the revenues from public lands for the benefit of people of Northern Marianas Descent. It states that any attempt by the Legislature to appropriate funds from public land revenue before they reach MPLT infringes on Article XI, §6. While DPL's current practice is to withhold operating expenses from the moneys generated through the management and disposition of public lands before transferring the money to MPLT, the authority for doing so is no longer constitutionally operative and the authority for doing so must exist elsewhere.

MPLT has had a history of communicating with DPL as to their failure to remit the correct annual distribution. Failure to turn over the correct fund balance each fiscal year is a clear violation of DPL's fiduciary duty. This breach for FY 2018 has likely resulted in an annual loss of distributable net income to the CNMI General Fund in the amount of \$500,000 to \$550,000.

Management's Discussion and Analysis, Continued
Year Ended September 30, 2018

Constitutional Mandate

The Trustees are mandated to make prudent and reasonable investments derived from public land leases and transfer the interest earned, less reasonable expenses of administration, to the General Revenues of the Commonwealth for appropriation by the Legislature. The Trustees continuously monitor its investment portfolio to ensure an adequate risk-adjusted rate of return is achieved.

Financial Highlights

The following financial highlights are taken from the audited financial statements for the years ended September 30, 2018, 2017 and 2016.

- Assets of MPLT increased in 2018 by \$8,891,213 over the amount at 2017 and by \$4,675,139 in 2017 over the amount in 2016. The increase in 2018 was due primarily to the accrual of \$6,327,685¹ as additional amounts due to MPLT from DPL and the increase of the fair market value of the investments.
- Total liabilities for 2018 decreased by \$290,552 from 2017 due primarily to a decrease of \$292,755 in due to brokers and a net increase of \$2,203 in accounts payable and accrued expenses. Total liabilities for 2017 decreased by \$285,904 from 2016 primarily due to a \$268,225 decrease in due to brokers and a \$25,316 decrease in accounts payable and accrued expenses.
- The above changes resulted in increases of \$9,181,765, \$4,961,043 and \$7,540,724 in total net position for 2018, 2017 and 2016, respectively.
- Total revenues of MPLT are a combination of (1) gains (losses) attributable to the valuation of investments, (2) income earned on such investments and (3) distributions received from DPL. Total operating revenues for 2018, 2017 and 2016 were \$12,330,886, \$7,845,408 and \$9,169,129, respectively.
- Total performance of MPLT for 2018, 2017 and 2016 was 5.8%, 8.09% and 9.09%, respectively.
- Overall administrative costs increased in 2018, 2017 and 2016 by \$36,139 or 3%, \$113,627 or 12% and by \$11,245 or 1%, respectively.

MPLT General Fund Operations

Investment income (excluding net increase in fair value of investments and contributions from DPL) for 2018, 2017 and 2016 was \$2,844,386, \$2,607,508 and \$2,222,988, respectively.

Distributions to the CNMI General Fund paid for 2018, 2017 and 2016 were \$1,840,206, \$1,636,226 and \$1,331,248, respectively. The cumulative amount distributed to the CNMI General Fund since inception in 1983 has been \$61,290,772. This has occurred while growing the principal fund by \$44,084,720 for the same time-period. The General Fund's annual return for 2018 and 2017 was 5.90%, 8.11% and 9.01%, respectively.

¹ This accrual of the DPL's FY17 fund balance is in accordance with OAG 18-03.

Marianas Public Land Trust
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Management's Discussion and Analysis, Continued
Year Ended September 30, 2018

MPLT General Fund Operations, Continued

The loan made to the Northern Marianas Housing Corporation (NMHC) became non-performing when NMHC defaulted in 2007 after P.L. 10-29 and P.L. 12-27 were repealed by P.L. 15-48. MPLT negotiated a settlement agreement wherein \$2,025,000 was paid and the related loan portfolio was transferred to MPLT. MPLT is currently managing these loans and attempting to recover its \$8.9 million original principal. Due to collection uncertainty for this investment, a write-down of value amounting to \$3,341,800 was recognized by MPLT as of September 30, 2017 (net current value is \$2,186,561).

General Fund Condensed Financial Statements Summaries

STATEMENTS OF NET POSITION

| <u>Assets</u> | 2018 | 2017 | 2016 As Restated |
|---------------------------------------|----------------------|----------------------|-----------------------------|
| Current assets | \$ 10,804,752 | \$ 7,364,133 | \$ 8,299,936 |
| Others assets, restricted | 76,733,857 | 71,698,949 | 65,792,519 |
| Notes receivable - noncurrent portion | 5,350,720 | 5,040,104 | 5,785,838 |
| Foreclosed properties | - | 99,400 | |
| Capital assets | <u>304,807</u> | <u>323,047</u> | <u>323,752</u> |
| Total | \$ <u>93,194,136</u> | \$ <u>84,525,633</u> | \$ <u>80,202,045</u> |

Liabilities and Net Position

| | | | |
|----------------------------------|----------------------|----------------------|----------------------|
| Current liabilities | \$ <u>129,230</u> | \$ <u>428,274</u> | \$ <u>642,639</u> |
| Net position: | | | |
| Net investment in capital assets | 304,807 | 323,047 | 323,752 |
| Restricted | <u>92,760,099</u> | <u>83,774,312</u> | <u>79,235,654</u> |
| Net position | <u>93,064,906</u> | <u>84,097,359</u> | <u>79,559,406</u> |
| Total | \$ <u>93,194,136</u> | \$ <u>84,525,633</u> | \$ <u>80,202,045</u> |

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | 2018 | 2017 | 2016 As Restated |
|---------------------------------|----------------------|----------------------|-----------------------------|
| Operating revenues (loss), net | \$ 11,811,933 | \$ 7,145,461 | \$ 8,357,436 |
| Operating expenses | (1,004,180) | (971,282) | (867,740) |
| Non-operating income (expenses) | <u>(1,840,206)</u> | <u>(1,636,226)</u> | <u>(530,914)</u> |
| Change in net position | 8,967,547 | 4,537,953 | 6,958,782 |
| Beginning net position | <u>84,097,359</u> | <u>79,559,406</u> | <u>72,600,624</u> |
| Ending net position | \$ <u>93,064,906</u> | \$ <u>84,097,359</u> | \$ <u>79,559,406</u> |

STATEMENTS OF CASH FLOWS

| | 2018 | 2017 | 2016 |
|--|---------------------|---------------------|---------------------|
| Cash flows from operating activities | \$ 3,646,932 | \$ 1,697,096 | \$ (389,930) |
| Cash flows from noncapital financing activities | - | - | 800,334 |
| Cash flows from capital and related financing activities | 79,132 | 49,981 | (45,888) |
| Cash flows from investing activities | <u>(2,776,902)</u> | <u>(1,613,516)</u> | <u>544,820</u> |
| Net increase in cash and cash equivalents | 949,162 | 133,561 | 909,336 |
| Cash and cash equivalents at beginning of year | <u>2,397,872</u> | <u>2,264,311</u> | <u>1,354,975</u> |
| Cash and cash equivalents at end of year | \$ <u>3,347,034</u> | \$ <u>2,397,872</u> | \$ <u>2,264,311</u> |

Management's Discussion and Analysis, Continued
Year Ended September 30, 2018

General Fund Condensed Financial Statements Summaries, Continued

The statements above are inclusive of amounts due from the Park Fund of \$20,670 that are eliminated in the accompanying financial statements.

Capital Assets

At September 30, 2018, 2017 and 2016, MPLT had \$304,807, \$323,047 and \$323,752, respectively, in capital assets, net of accumulated depreciation where applicable, including land, building furniture, fixtures and equipment and vehicle, which represent net decreases of \$18,240 and \$705 in 2018 and 2017, respectively. See note 4 to the financial statements for more detailed information on MPLT's capital assets.

MPLT Park Fund Operations

The MPLT Park Fund is part of the overall trust fund but is separately managed and accounted for due to its funding source and a different beneficiary as compared to the MPLT General Fund. The Park Fund's annual return for 2018, 2017 and 2016 was 5.48%, 7.92% and 9.74%, respectively. As stated previously, the Park Fund received its initial principal funding from the lease proceeds of a portion of the Tinian, Tanapag Harbor and Farallon de Medinilla land lease revenues. The \$2,000,000 for the Tanapag Harbor in Saipan was dedicated to the formation of the American Memorial Park (AMP). The income on this principal contribution can only be used for the maintenance and development of AMP. Accordingly, this initial principal contribution has been prudently managed since 1983 and has grown to \$9,633,641.

As part of a plan to make some of the principal available for development of AMP, MPLT entered into a loan arrangement with the Commonwealth Development Authority on November 30, 2001 to lend them \$2,000,000 to be "matched" with CIP funding grants in order to make the following additions and upgrades to the Park:

| | |
|--|---------------------|
| 1. American Memorial Park Visitor/Cultural Center | \$ 1,305,200 |
| 2. American Memorial Park Marianas Memorial Garden | 514,000 |
| 3. Remodel and Upgrade Amphitheater | 1,310,800 |
| 4. Exhibit Design and Construction of Visitor Center | <u>870,000</u> |
| Total | \$ <u>4,000,000</u> |

This loan is to be repaid from future income realized on Park Fund investments. As income is received, the principal portion of the payment will be taken from the income stream and transferred to principal and re-invested. The term of the loan is fifteen years at an annual rate of 6.5% and is subject to the net operating income available each year. The remaining balance of \$113,244 will be paid in fiscal year 2019. It is through this mechanism that MPLT has been able to benefit the Park and sustain new development.

Marianas Public Land Trust
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

**Management's Discussion and Analysis, Continued
Year Ended September 30, 2018**

Park Fund Condensed Financial Statements Summaries

STATEMENTS OF NET POSITION

| <u>Assets</u> | 2018 | 2017 | 2016 As Restated |
|---------------------------------------|---------------------|---------------------|-----------------------------|
| Current assets | \$ 322,552 | \$ 480,072 | \$ 458,700 |
| Others assets, restricted | 9,343,939 | 8,965,219 | 8,368,011 |
| Notes receivable - noncurrent portion | <u>-</u> | <u>-</u> | <u>267,029</u> |
| Total | \$ <u>9,666,491</u> | \$ <u>9,445,291</u> | \$ <u>9,093,740</u> |

Liabilities and Net Position

| | | | |
|----------------------|---------------------|---------------------|---------------------|
| Total liabilities | \$ 32,850 | \$ 25,868 | \$ 97,407 |
| Net position: | | | |
| Restricted principal | <u>9,633,641</u> | <u>9,419,423</u> | <u>8,996,333</u> |
| Total | \$ <u>9,666,491</u> | \$ <u>9,445,291</u> | \$ <u>9,093,740</u> |

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | 2018 | 2017 | 2016 |
|-----------------------------|---------------------|---------------------|---------------------|
| Operating revenues | \$ 518,953 | \$ 699,947 | \$ 811,693 |
| Operating expenses | (105,910) | (102,669) | (92,584) |
| Non-operating expenses, net | <u>(198,825)</u> | <u>(174,188)</u> | <u>(137,167)</u> |
| Change in net position | 214,218 | 423,090 | 581,942 |
| Beginning net position | <u>9,419,423</u> | <u>8,996,333</u> | <u>8,414,391</u> |
| Ending net position | \$ <u>9,633,641</u> | \$ <u>9,419,423</u> | \$ <u>8,996,333</u> |

STATEMENTS OF CASH FLOWS

| | 2018 | 2017 | 2016 |
|--|-------------------|-------------------|-------------------|
| Cash flows from operating activities | \$ 183,933 | \$ 155,079 | \$ 109,043 |
| Cash flows from investing activities | <u>(164,500)</u> | <u>(174,118)</u> | <u>(103,737)</u> |
| Net increase (decrease) in cash and cash equivalents | 19,433 | (19,039) | 5,306 |
| Cash and cash equivalents at beginning of year | <u>156,159</u> | <u>175,198</u> | <u>169,892</u> |
| Cash and cash equivalents at end of year | \$ <u>175,592</u> | \$ <u>156,159</u> | \$ <u>175,198</u> |

The statements above are inclusive of amounts due to the General Fund of \$20,670 that are eliminated in the accompanying financial statements.

Mandates

It is the intention of the Trustees to continue to provide financial assistance to the American Memorial Park in accordance with the terms of the Constitution and the Covenant. It has been through MPLT's stewardship of Park Fund assets that the developments in AMP have occurred. The Trustees plan to continue this past record of achievement and use it as a basis for further enhancement of the facility, which benefits the CNMI as a whole.

Management's Discussion and Analysis, Continued
Year Ended September 30, 2018

Economic Outlook

The 2018 economy was not as strong as 2017 and was more volatile, but MPLT was still able to add value to the portfolio. The outlook for 2019 appears to continue to be volatile with more uncertainties being introduced into the economy. This will affect overall returns, which are expected to be lower than those for 2018. The Trust has a long-term time horizon. Accordingly, the Trust is continuously reviewing options to its current investment allocation in order to manage its risk-adjusted yields. The Trust may make changes to its asset allocation, but the basic investment approach will remain the same.

The Management's Discussion and Analysis for the year ended September 30, 2017 is set forth in MPLT's report on the audit of financial statements, which is dated November 29, 2018. That Discussion and Analysis explains the major factors impacting the 2017 financial statements and can be viewed at the Office of the Public Auditor's website at www.opacnmi.com.

Contacting the MPLT's Financial Management

This report is designed to provide the branches of the CNMI Government and the public at large with a general overview of MPLT's finances and to show MPLT's accountability for the money it manages. If you have questions about this report or need additional financial information, contact MPLT at P.O. Box 501089, Saipan, MP 96950-1089 or phone at (670) 322-4401 or email mplt@mplt.gov.mp.

MARIANAS PUBLIC LAND TRUST

Statements of Net Position
September 30, 2018 and 2017

| <u>ASSETS</u> | <u>2018</u> | <u>2017</u> |
|---|-----------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 3,522,626 | \$ 2,554,031 |
| Receivables: | | |
| Department of Public Lands, net | 6,327,685 | 1,501,174 |
| Notes receivable, current portion | 866,421 | 3,498,927 |
| Accrued income | 296,951 | 211,430 |
| Other | 64,645 | 14,015 |
| Due from brokers | 18,498 | 36,562 |
| Prepaid expense | 9,808 | 5,886 |
| Total current assets | <u>11,106,634</u> | <u>7,822,025</u> |
| Other assets: | | |
| Investments | <u>86,077,796</u> | <u>80,664,168</u> |
| Total other assets | <u>86,077,796</u> | <u>80,664,168</u> |
| Noncurrent assets: | | |
| Notes receivable, net of current portion and allowance for loan losses | 5,350,720 | 5,040,104 |
| Foreclosed properties | - | 99,400 |
| Depreciable capital assets, net of accumulated depreciation | 151,807 | 182,397 |
| Nondepreciable capital assets | <u>153,000</u> | <u>140,650</u> |
| Total noncurrent assets | <u>5,655,527</u> | <u>5,462,551</u> |
| | <u>\$ 102,839,957</u> | <u>\$ 93,948,744</u> |
| <u>LIABILITIES AND NET POSITION</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 61,000 | \$ 55,509 |
| Due to brokers | 76,560 | 369,315 |
| Accrued expenses | <u>3,850</u> | <u>7,138</u> |
| Total liabilities | <u>141,410</u> | <u>431,962</u> |
| Commitment and contingency | | |
| Net position: | | |
| Net investment in capital assets | 304,807 | 323,047 |
| Restricted | <u>102,393,740</u> | <u>93,193,735</u> |
| Total net position | <u>102,698,547</u> | <u>93,516,782</u> |
| | <u>\$ 102,839,957</u> | <u>\$ 93,948,744</u> |

See accompanying notes to financial statements.

MARIANAS PUBLIC LAND TRUST

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------|----------------------|
| Operating revenues: | | |
| Department of Public Lands | \$ 7,194,024 | \$ 634,835 |
| Investment income, net | 2,674,734 | 2,195,895 |
| Net increase in fair value of investments | 1,987,742 | 3,838,008 |
| Interest income from notes receivable | 471,985 | 687,870 |
| Other | 2,401 | 600 |
| | <u>12,330,886</u> | <u>7,357,208</u> |
| Recovery | - | 488,200 |
| Net operating revenues | <u>12,330,886</u> | <u>7,845,408</u> |
| Operating expenses: | | |
| Money manager fees | 331,638 | 308,109 |
| Money management administration | 195,410 | 183,089 |
| Consultancy fees | 139,861 | 134,649 |
| Salaries and benefits | 123,488 | 117,314 |
| Contract services | 71,583 | 67,000 |
| Office supplies | 60,613 | 57,530 |
| Trustees' expenses | 40,596 | 61,195 |
| Depreciation | 38,508 | 38,724 |
| Professional fees | 37,841 | 36,283 |
| Loan administration fee | 32,503 | 34,126 |
| Audit | 15,000 | 17,716 |
| Rent and utilities | 11,789 | 16,556 |
| Annual report preparation | 10,000 | - |
| Repairs and maintenance | 1,260 | 1,660 |
| Total operating expenses | <u>1,110,090</u> | <u>1,073,951</u> |
| Operating income | <u>11,220,796</u> | <u>6,771,457</u> |
| Other nonoperating expenses: | | |
| Net distribution to the CNMI General Fund/ American Memorial Park | <u>(2,039,031)</u> | <u>(1,810,414)</u> |
| Total nonoperating expenses | <u>(2,039,031)</u> | <u>(1,810,414)</u> |
| Change in net position | 9,181,765 | 4,961,043 |
| Net position at beginning of year | <u>93,516,782</u> | <u>88,555,739</u> |
| Net position at end of year | <u>\$ 102,698,547</u> | <u>\$ 93,516,782</u> |

See accompanying notes to financial statements.

MARIANAS PUBLIC LAND TRUST

Statements of Cash Flows
Years Ended September 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Cash received from operations | \$ 5,198,431 | \$ 3,173,557 |
| Cash payments to suppliers for goods and services | <u>(1,367,566)</u> | <u>(1,321,382)</u> |
| Net cash provided by operating activities | <u>3,830,865</u> | <u>1,852,175</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition of capital assets | (20,268) | (38,019) |
| Write-off of foreclosed properties | 99,400 | - |
| Sale of foreclosed properties | <u>-</u> | <u>88,000</u> |
| Net cash provided by capital and related financing activities | <u>79,132</u> | <u>49,981</u> |
| Cash flows from investing activities: | | |
| Net decrease in notes receivable | 484,486 | 1,065,396 |
| Net increase in investments | <u>(3,425,888)</u> | <u>(2,853,030)</u> |
| Net cash used for investing activities | <u>(2,941,402)</u> | <u>(1,787,634)</u> |
| Net increase in cash and cash equivalents | 968,595 | 114,522 |
| Cash and cash equivalents at beginning of year | <u>2,554,031</u> | <u>2,439,509</u> |
| Cash and cash equivalents at end of year | <u>\$ 3,522,626</u> | <u>\$ 2,554,031</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 11,220,796 | \$ 6,771,457 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Net increase in fair value of investments | (1,987,742) | (3,838,008) |
| Recovery | - | (488,200) |
| Noncash interest income | (201,627) | (303,223) |
| Depreciation | 38,508 | 38,724 |
| (Increase) decrease in assets: | | |
| Receivable - Department of Public Lands | (4,826,511) | (634,835) |
| Receivable - accrued income | (85,521) | 5,413 |
| Other receivable | (50,630) | (6,339) |
| Due from brokers | 18,064 | 600,978 |
| Prepaid expense | (3,920) | (251) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 5,491 | (10,567) |
| Payable to brokers | (292,755) | (268,225) |
| Accrued expenses | <u>(3,288)</u> | <u>(14,749)</u> |
| Net cash provided by operating activities | <u>\$ 3,830,865</u> | <u>\$ 1,852,175</u> |
| Supplemental schedule of noncash operating, financing and investing activities: | | |
| MPLT applied \$1,840,206 and \$1,636,226 of the required income distribution to the CNMI General Fund for the years ended September 30, 2018 and 2017, respectively, as a repayment of the CNMI's note receivable and related interest. | | |
| Decrease in notes receivable | \$ (1,653,665) | \$ (1,354,846) |
| Increase in interest expense | (186,541) | (281,380) |
| Increase in net contribution | <u>1,840,206</u> | <u>1,636,226</u> |
| | <u>\$ -</u> | <u>\$ -</u> |
| MPLT applied \$198,825 and \$174,188 of the required income distribution of the American Memorial Park Fund for the years ended September 30, 2018 and 2017, respectively, as a repayment of CDA's note receivable and related interest. | | |
| Decrease in notes receivable | \$ (183,739) | \$ (152,345) |
| Increase in interest expense | (15,086) | (21,843) |
| Increase in net contribution | <u>198,825</u> | <u>174,188</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(1) Organization and Purpose

The Marianas Public Land Trust (MPLT), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), was formed on January 9, 1978, pursuant to the ratification and adoption of the Constitution of the CNMI, Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (the Covenant), and Technical Agreement Regarding Use of Land to be Leased by the United States in the Northern Mariana Islands.

MPLT did not become operational until May 17, 1983, when its Trustees were appointed by the Governor with confirmation by the Senate.

The purpose of MPLT is to manage all monies received by it from the CNMI Department of Public Lands (DPL) for the use of public lands. DPL has the responsibility to manage the public lands and distribute to MPLT all revenues net of reasonable expenses of administration. Additionally, as discussed in note 11, the CNMI Office of the Attorney General issued an opinion on the constitutionality of DPL's expenditure of revenues from public lands to cover its operating expenses and has recommended that a certified question be presented to the CNMI Supreme Court. DPL has reserved fund balance amounts for its ensuing year's budget of \$4,550,453 and has taken the position that the allowability of restrictions of fund balance can only be determined through a certified question. MPLT recorded net receivables from DPL of \$6,327,685 (net of an allowance of \$4,550,453) and \$1,501,174 as of September 30, 2018 and 2017, respectively, and recorded revenues from DPL of \$7,194,024 and \$634,835 for the years ended September 30, 2018 and 2017, respectively.

MPLT's responsibility, with respect to monies received by it from DPL, requires it to make reasonable, careful and prudent investments. The Trustees have taken the position that their duty to the beneficiaries is not only to provide income to the general fund of the CNMI but also to preserve the principal of MPLT. As such, MPLT is currently allocating capital gains and losses on equity investments to principal fund balance. These capital gains and losses are not considered to be available for distribution to the general fund of the CNMI. Other forms of income on investments, after deduction of amounts necessary to meet reasonable administrative expenses, are distributed to the general fund of the CNMI.

Additionally, MPLT is responsible for carrying out the intention of Article VIII, Section 803(e) of the Covenant, by establishing a separate trust fund for the development and maintenance of an American Memorial Park. The Trustees are allocating capital gains and losses on equity investments of this trust fund to the principal of the trust fund. Other forms of income on investments, after deduction of amounts necessary to meet reasonable administrative expenses, are to be used for the development and maintenance of the American Memorial Park.

(2) Summary of Significant Accounting Policies

The accounting policies of MPLT conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically trust funds. MPLT utilizes the flow of economic resources measurement focus. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

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

Basis of Accounting

The financial statements of MPLT for the years ended September 30, 2018 and 2017 have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which requires the use of management estimates. Under this method, revenues are recorded when earned and expenses recorded at the time liabilities are incurred.

Concentrations of Credit Risk

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

At September 30, 2018 and 2017, MPLT has cash deposits and investments in bank accounts that exceed federal depository insurance limits. MPLT has not experienced any losses in such accounts.

Cash and Cash Equivalents

For purposes of the statements of net position and cash flows, MPLT considers all cash held in demand accounts with initial maturities of ninety days or less, to be cash and cash equivalents. At September 30, 2018 and 2017, total cash and cash equivalents was \$3,522,626 and \$2,554,031, respectively, and the corresponding bank balances were \$325,605 and \$239,115, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2018 and 2017, unrestricted cash and cash equivalents consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|---------------------|---------------------|
| Custodian money market sweep deposits | \$ 3,183,672 | \$ 2,252,883 |
| Deposits with federally insured banks | 325,605 | 292,893 |
| Uninsured deposits | <u>13,349</u> | <u>8,255</u> |
| | <u>\$ 3,522,626</u> | <u>\$ 2,554,031</u> |

As of September 30, 2018 and 2017, custodian money market sweep deposits of \$3,183,672 and \$2,252,883, respectively, are held and administered by an investment manager subject to Securities Investor Protection Corporation (SIPC) insurance up to \$250,000 with coverage in excess of SIPC provided by a supplemental insurance policy through certain underwriters with a per client aggregate limit of \$1.9 million.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents, Continued

CNMI law does not require component unit funds to be collateralized and thus MPLT's funds are uncollateralized. Accordingly, the deposits are exposed to custodial credit risk.

Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, MPLT will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for MPLT. As of September 30, 2018, MPLT's investment in U.S. Treasury government bonds constituted 13% of its total investments. As of September 30, 2017, MPLT's investment in U.S. Treasury government bonds and U.S. agency obligations of the Federal Farm Credit Banks Fund Corp. constituted 7% and 6%, respectively, of its total investments.

Marketable securities held for investment purposes are stated at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined. Fixed income securities are reported at amortized cost with discounts or premiums amortized using the effective interest method subject to adjustment for market declines judged to be other than temporary.

MPLT values its investments at fair value in accordance with GASB Statement 72. MPLT's investments as of September 30, 2018 and 2017 (with combining information as of September 30, 2018) are as follows:

| | <u>General Fund</u> | <u>Park Fund</u> | <u>2018</u> | <u>2017</u> |
|--------------------------------------|----------------------|---------------------|----------------------|----------------------|
| Mutual funds | \$ 7,867,871 | \$ 925,889 | \$ 8,793,760 | \$ 8,994,916 |
| Equities: | | | | |
| Domestic common stock | 21,556,281 | 2,597,161 | 24,153,442 | 20,477,758 |
| International common stock | 4,291,129 | 509,197 | 4,800,326 | 4,781,059 |
| Master limited partnerships | 7,990,555 | 957,917 | 8,948,472 | 8,667,331 |
| Real estate investment trusts | 8,760,725 | 1,017,409 | 9,778,134 | 9,281,851 |
| Fixed income securities: | | | | |
| Mortgage and asset backed securities | 3,430,440 | 518,751 | 3,949,191 | 11,110,238 |
| Government bonds | 10,120,033 | 1,283,286 | 11,403,319 | 5,244,501 |
| Corporate bonds | <u>12,716,823</u> | <u>1,534,329</u> | <u>14,251,152</u> | <u>12,106,514</u> |
| | \$ <u>76,733,857</u> | \$ <u>9,343,939</u> | \$ <u>86,077,796</u> | \$ <u>80,664,168</u> |

GASB Statement No. 40 requires entities to provide information about the credit risk associated with their investments by disclosing the credit quality ratings. The following is a listing of MPLT's fixed income securities at September 30, 2018 and 2017:

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

| Investment Type | Fair Value | 2018 | | | | Credit Rating |
|--------------------------------------|----------------------|----------------------------------|----------------------|----------------------|---------------------|---------------|
| | | Investment Maturities (In Years) | | | | |
| | | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 | |
| Mortgage and asset backed securities | \$ 3,949,191 | \$ 1,894,886 | \$ - | \$ 1,280,416 | \$ 773,889 | AA+ |
| Government bonds | 11,403,319 | - | 1,359,550 | 5,372,219 | 4,671,550 | AA+ |
| Corporate bonds | 510,857 | 510,857 | - | - | - | AA+ |
| Corporate bonds | 1,901,018 | 45,137 | 1,855,881 | - | - | A+ |
| Corporate bonds | 2,038,267 | - | 1,314,096 | 724,171 | - | A |
| Corporate bonds | 3,851,347 | - | 3,219,040 | 632,307 | - | A- |
| Corporate bonds | 1,277,825 | - | - | 1,277,825 | - | BBB+ |
| Corporate bonds | 42,313 | - | 42,313 | - | - | BBB- |
| Corporate bonds | 624,599 | - | 350,502 | 274,097 | - | BB+ |
| Corporate bonds | 691,421 | - | 340,271 | 351,150 | - | BB- |
| Corporate bonds | 529,870 | - | 291,245 | 238,625 | - | BB |
| Corporate bonds | 1,025,548 | - | 490,741 | 534,807 | - | B+ |
| Corporate bonds | 624,855 | - | 534,937 | 89,918 | - | B- |
| Corporate bonds | 967,389 | - | 448,669 | 518,720 | - | B |
| Corporate bonds | 165,843 | - | 165,843 | - | - | CCC+ |
| | <u>\$ 29,603,662</u> | <u>\$ 2,450,880</u> | <u>\$ 10,413,088</u> | <u>\$ 11,294,255</u> | <u>\$ 5,445,439</u> | |

| Investment Type | Fair Value | 2017 | | | | Credit Rating |
|--------------------------------------|----------------------|----------------------------------|----------------------|---------------------|---------------------|---------------|
| | | Investment Maturities (In Years) | | | | |
| | | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 | |
| Mortgage and asset backed securities | \$ 11,110,238 | \$ 3,738,671 | \$ 4,461,629 | \$ 1,325,002 | \$ 1,584,936 | AA+ |
| Government bonds | 5,244,501 | - | - | - | 5,244,501 | AA+ |
| Corporate bonds | 512,035 | - | 512,035 | - | - | AA+ |
| Corporate bonds | 1,330,955 | - | 978,248 | 352,707 | - | A+ |
| Corporate bonds | 1,449,591 | - | 1,362,749 | 86,842 | - | A- |
| Corporate bonds | 2,981,421 | - | 1,708,875 | 1,272,546 | - | A |
| Corporate bonds | 1,272,045 | - | - | 1,272,045 | - | BBB+ |
| Corporate bonds | 100,775 | - | 100,775 | - | - | BBB- |
| Corporate bonds | 95,823 | - | - | 95,823 | - | BBB |
| Corporate bonds | 861,325 | - | 485,778 | 375,547 | - | BB+ |
| Corporate bonds | 975,297 | - | 522,709 | 358,238 | 94,350 | BB- |
| Corporate bonds | 611,663 | 94,275 | 68,170 | 449,218 | - | BB |
| Corporate bonds | 921,495 | - | 465,757 | 455,738 | - | B+ |
| Corporate bonds | 370,397 | - | 179,550 | 190,847 | - | B- |
| Corporate bonds | 532,225 | - | 439,525 | 92,700 | - | B |
| Corporate bonds | 91,467 | - | 91,467 | - | - | CCC+ |
| | <u>\$ 28,461,253</u> | <u>\$ 3,832,946</u> | <u>\$ 11,377,267</u> | <u>\$ 6,327,253</u> | <u>\$ 6,923,787</u> | |

MPLT categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. MPLT has the following fair value measurements:

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

| Investments by fair value level | Total | 2018 | | |
|--|----------------------|------------------------------|----------------------|-------------|
| | | Fair Value Measurement Using | | |
| | | Level 1 | Level 2 | Level 3 |
| Debt securities: | | | | |
| Mortgaged and asset backed securities | \$ 3,949,191 | \$ - | \$ 3,949,191 | \$ - |
| Government bonds | 11,403,319 | 11,403,319 | - | - |
| Corporate bonds | <u>14,251,152</u> | <u>-</u> | <u>14,251,152</u> | <u>-</u> |
| Total debt securities | <u>29,603,662</u> | <u>11,403,319</u> | <u>18,200,343</u> | <u>-</u> |
| Equity securities: | | | | |
| Domestic common stock | 24,153,442 | 24,153,442 | - | - |
| International common stock | 4,800,326 | 4,800,326 | - | - |
| Master limited partnerships | 8,948,472 | 8,948,472 | - | - |
| Real estate investment trusts | <u>9,778,134</u> | <u>9,778,134</u> | <u>-</u> | <u>-</u> |
| Total equity securities | <u>47,680,374</u> | <u>47,680,674</u> | <u>-</u> | <u>-</u> |
| Total investments by fair value level | \$ <u>77,284,036</u> | \$ <u>59,083,693</u> | \$ <u>18,200,343</u> | \$ <u>-</u> |
| Investments measured at net asset value (NAV): | | | | |
| Mutual funds | \$ <u>8,793,760</u> | | | |

| Investments by fair value level | Total | 2017 | | |
|--|----------------------|------------------------------|----------------------|-------------|
| | | Fair Value Measurement Using | | |
| | | Level 1 | Level 2 | Level 3 |
| Debt securities: | | | | |
| Mortgaged and asset backed securities | \$ 11,110,238 | \$ - | \$ 11,110,238 | \$ - |
| Government bonds | 5,244,501 | 5,244,501 | - | - |
| Corporate bonds | <u>12,106,514</u> | <u>-</u> | <u>12,106,514</u> | <u>-</u> |
| Total debt securities | <u>28,461,253</u> | <u>5,244,501</u> | <u>23,216,752</u> | <u>-</u> |
| Equity securities: | | | | |
| Domestic common stock | 20,477,758 | 20,477,758 | - | - |
| International common stock | 4,781,059 | 4,781,059 | - | - |
| Master limited partnerships | 8,667,331 | 8,667,331 | - | - |
| Real estate investment trusts | <u>9,281,851</u> | <u>9,281,851</u> | <u>-</u> | <u>-</u> |
| Total equity securities | <u>43,207,999</u> | <u>43,207,999</u> | <u>-</u> | <u>-</u> |
| Total investments by fair value level | \$ <u>71,669,252</u> | \$ <u>48,452,500</u> | \$ <u>23,216,752</u> | \$ <u>-</u> |
| Investments measured at net asset value (NAV): | | | | |
| Mutual funds | \$ <u>8,994,916</u> | | | |

MPLT has selected a custodian for both funds who shall maintain custody of all cash, securities and other assets of MPLT and shall credit interest and dividends on said securities and credit principal paid on called or matured securities of MPLT. The custodian shall provide, on a timely basis, a monthly statement of all assets, to include an accounting of all activity during that month. The investment held and administered by the investment manager is subject to SIPC of up to \$500,000 (inclusive of the \$250,000 cash balance protection coverage) and supplemental insurance for amounts in excess of SIPC coverage through certain underwriters, subject to an aggregate firm-wide cap of \$1 billion with no per client sublimit.

The Trustees may engage the services of an investment consultant after a competitive search process. The investment consultant chosen shall demonstrate professional experience of at least ten (10) years with exclusive focus on Institutional Management Consulting.

When evaluating potential Investment Management Consulting Firms, the Trustees will consider at a minimum the following criteria:

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

- Must be a Registered Investment Advisor with exclusive focus on providing objective investment management consulting at an institutional level, having the support of a staff and/or organization, focused and experienced in consulting only.
- The candidate should be objective, free of conflict of interest and free to secure services from leading third party providers that will best suit the interest of MPLT.
- Firms must demonstrate experience in the breadth and depth of its professional staff.
- Ability to provide unbiased fiduciary and financial advice to public trusts.
- Knowledge of legislative, operational and legal aspects of the local public trusts.
- Ownership or ready access to relevant and comprehensive performance databases with proven and verifiable process for the institutional client.
- Ability to provide quantitative analysis of manager and total fund performance. In particular, attribution analysis to maintain the interests of the management styles and strategic asset allocation.
- Ability to provide on-going training.
- Firms must be recognized as having substantial experience in the institutional level investment management consulting field. Firms offering consulting as incidental to their securities business may not be considered.
- May not be an investment manager with discretion over MPLT assets.

The Trustees have determined that the following investment policy will govern the investment of assets of MPLT.

- (i) The Trustees, with the assistance of the investment consultant, will select appropriate investment managers to manage MPLT assets. Investment managers must meet the following minimum criteria:
 1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940 or equivalent as might be determined appropriate by the Trustees.
 2. Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, reported gross of fees.
 3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of comparable investment style.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel.
 5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
 6. Selected firms shall have no outstanding legal judgments or past judgments that may reflect negatively upon the firm.
- (ii) Every money manager selected to manage MPLT assets must adhere to the following guidelines.
1. The following securities and transactions are not authorized unless receiving prior Trustees approval:
 - Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions.
 - Securities lending; pledging or hypothecating securities.
 - Investments in the equity securities of any company with a record of less than three years of continuous operation (including the operation of any predecessor) and investments for the purpose of exercising control of management are all restricted.
 2. Domestic Equities:
 - Equity holdings in any one company should not exceed more than 10% of the market value of MPLT's equity portfolio.
 - Investments in any one sector should not be excessive.
 - The manager may emphasize quality in security selection of the specific style hired to manage and may avoid risk of large loss through diversification within its mandated style.
 - The managers may have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the managers will be evaluated against their peers on the performance of the total funds under their direct management.
 - Holdings of individual securities may be large enough (round lots) for easy liquidation.
 3. Domestic Fixed Income:
 - All fixed-income securities held in the portfolio may have a nationally recognized credit quality rating of no less than "BBB" from Moody's, Standard & Poor's and/or Fitch's. U.S. Treasury and U.S. government agencies, which are unrated securities, are qualified for inclusion in the portfolio.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

3. Domestic Fixed Income, Continued:

- No more than 20% of the market value of the fixed income portfolio may be rated less than single "A" quality, unless the manager has specific written authorization.
- The exposure of the portfolio to any other issuer, other than securities of the U.S. government or agencies, may not exceed 10% of the market value of the fixed income portfolio.

4. Diversified Local Investments:

MPLT establishes within the Domestic Fixed Income Asset Class a class for Diversified Local Investments ("DLI"). DLIs are those investments which originate from within the CNMI without regard to each island. The touchstone of classification within DLI is that investment vehicles in this class may be unique or specially targeted towards the CNMI economy or market.

DLI refers to investments that are structured or designed to encourage a diversification of investments by MPLT within the CNMI. With DLIs, MPLT seeks to structure or consider investment vehicles which provide minimal rates of market return with attending corollary benefits. Such corollary benefits may include, but are not limited to, economic development; government stabilization or stimulus programs; affordable housing programs; and scholarships. In the DLI class, the MPLT Trustees may allow for a prudent rate of return where the corollary benefits provide an attending quantifiable return to the CNMI community, particularly to persons of Northern Marianas Descent or benefit persons of Northern Marianas Descent.

To be clear, by having DLIs within this IPS MPLT does not warrant nor guarantee that it may favor investments in DLIs over more competitive investment vehicles, but only that MPLT may weigh the attending corollary benefits in determining whether to make such an investment. Expressed more emphatically, MPLT considers DLIs to be a rarely considered exception and every DLI proposal must be compelling as to its mission and purpose and beneficial in its scope and impact to the people of the CNMI. At all times full fiduciary prudence analysis and proper due diligence is required in both program development and shall be conducted on an investment-by-investment basis.

The MPLT Trustees recognize the importance of establishing a competitive risk-adjusted rate of return policy as part of consideration of a DLI. Every DLI proposal under consideration shall, as part of the investment analysis, identify the source of repayment of a fixed-income security such as a mortgage; surety bond; promissory note; or other security as primary consideration. Evaluating the credit-rating or the risk of the DLI or its proposer is also necessary. MPLT also anticipates that such DLI's may not be marketable so that an "illiquidity premium" should be recognized or considered and added to the risk-adjusted rate.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

4. Diversified Local Investments, Continued:

MPLT may require that the risk-adjusted rate may be a floating rate to the appropriate pricing index and adjusted on a quarterly or semi-annual basis. MPLT may also impose a loan origination fee and assess charges for costs of administration at no less than 2% per annum; legal fees; travel/accommodations; and other necessary fees. The Local Investment program applies to the MPLT General Fund and on a limited basis to the American Memorial Park Fund. With respect to the American Memorial Park Fund, it is the Trustees' policy to entertain local investment that only benefits the American Memorial Park beneficiary.

The following constitute the basic standards of review for investments by MPLT in DLI's which remain subject to the prudent investment standard and discretion of the MPLT Trustees.

- An opinion of legal counsel in standards of fiduciary care considering the prospective DLI and its terms under the applicable prudent investor standard.
- A thorough review and analysis by MPLT's financial consultant and/or investment manager as to the prospective DLI. The analysis shall examine all economic factors and address any potential or actual conflicts of interest for MPLT or its Trustees. The analysis shall also give primary attention to risk-adjusted market rates of return with particular attention as to whether the DLI involves a significantly greater than prudent financial risk of loss.
- Documentation of a complete submission of a proposed DLI meeting the requirements of a detailed business plan (if applicable).
- Every DLI shall be considered with respect to fiduciary prudence and without regard to political, social, or emotional factors with particular attention to the founding provisions guiding MPLT's creation: to remit interest income on investments to the General Fund.
- Trustees shall formulate and articulate the specific and detailed investment guidelines for investments under any prospective DLI for which MPLT may wish to solicit. Such guidelines shall include the mechanics of the administration of the DLI; the findings as to the social or economic corollary benefits to the CNMI as a whole; and the consistency or adherence with MPLT's mission.
- Each specific DLI may be evaluated against investments of a similar asset class.
- MPLT may require additional conditions or impose additional terms for any DLI under consideration as part of its fiduciary analysis and no DLI may be approved until and unless it meets all the requirements imposed by MPLT.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

5. International (Developed & Emerging Markets) Equities:
 - Equity holdings in any one company may not exceed more than 10% of the International Equity portfolio.
 - Investments in any one industry category should not be excessive.
 - Allocations to any specific country may not be excessive relative to a broadly diversified international equity manager peer group. It is expected that the non-U.S. equity portfolio will have no more than 40% of its mandated style in any one country.
 - The manager may enter into foreign exchange contracts on currency, provided that use of such contracts is limited to hedging currency exposure existing within the manager's portfolio. There may be no direct foreign currency speculation or any related investment activity.
6. International (Developed and Emerging Markets) Fixed Income:
 - Investments in a registered mutual fund may not be held to the same restrictions as set forth below for the respective asset classes. The Trustees instead will evaluate the risk and return merits of each mutual fund employing research as provided by third party service providers such as Consultant or Morningstar.
 - Allocations to any specific country may not be excessive relative to a broadly diversified international fixed income manager peer group. It is expected that the non-U.S. fixed income portfolio will have no more than 40% of its mandated style in any one country.
 - The manager may enter into foreign exchange contracts on currency, provided that use of such contracts is limited to hedging currency exposure existing within the manager's portfolio. There may be no direct foreign currency speculation or any related investment activity.
7. Cash/Cash Equivalents:
 - Cash equivalent reserves may consist of cash instruments having a quality rating of A-1, P-1 or higher. Eurodollar Certificates of Deposits, time deposits, and repurchase agreements are also acceptable investment vehicles.
 - Idle cash not invested by the investment managers may be invested daily through an automatic interest-bearing sweep vehicle selected by the manager available and/or managed by the custodian.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

8. Master Limited Partnerships (MLPS):

- The actively managed U.S. master limited partnership portfolio will consist primarily of U.S. master limited partnerships, publicly traded limited liability companies, midstream energy C-corporations and in natural resource transportation and operating company securities associated with MLPs or with MLP-able assets and cash equivalents.
- The Trustees' expectations are that this portfolio be actively managed within the spirit of an actively managed U.S. Master Limited Partnership mandate.
- Equity holdings in any one company should not exceed more than 10% of the market value of the Trust's equity portfolio.
- The manager may emphasize quality in security selection of the specific style hired to manage and may avoid risk of large loss through diversification within its mandated style.
- The manager may have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the managers will be evaluated against their peers on the performance of the total funds under their direct management.
- Holdings of individual securities may be large enough (round lots) for easy liquidation.
- The manager is permitted to purchase U.S. master limited partnership units issued in PIPE (private investment in public equity) transactions. Investments in stocks obtained through PIPE transactions that are not yet registered are limited to 20% of the portfolio at market value. Investments in stocks obtained through PIPE transactions that are registered are permissible without limitation.
- To achieve the quality and liquidity levels desirable, at least 80% of the U.S. equity securities owned in the portfolio must be listed on the New York, American, and/or NASDAQ Stock Exchanges. Convertible bonds, convertible into common stock listed on any of the above-mentioned exchanges, will be considered a listed equity security for this purpose.
- Positions in letter stock, private placements (excluding 144A securities), physical real estate, physical commodities, and any other positions unable to be liquidated promptly without severe market impact are prohibited.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

9. Real Estate Investment Trusts (REITS):

- Investments in a registered mutual fund may not be held to the same restrictions as set forth below for the respective asset classes. The Trustees instead will evaluate the risk and return merits of each mutual fund employing research as provided by third party service providers such as Consultant or Morningstar.
- Investments in publicly-traded vehicles can offer the total real estate portfolio greater liquidity over private market opportunities; however, they tend to be more correlated with equities than private real estate investments.
- These investments also offer tactical return opportunities with the potential to achieve higher nominal rates of return at a level of risk equal to or lower than the private markets.
- The maximum equity investment allocable to the public real estate portfolio shall be 10% so as to avoid the composite real estate portfolio becoming unduly correlated with the public equity markets.

(iii) Asset allocation of the two funds is as follows:

| | General Fund | | | Park Fund | | |
|--------------------------------|--------------|----------------------|-------------|-------------|----------------------|-------------|
| | Lower Limit | Strategic Allocation | Upper Limit | Lower Limit | Strategic Allocation | Upper Limit |
| Domestic Equities: | | | | | | |
| <i>Large Cap Value</i> | 0% | 10% | 20% | 0% | 10% | 20% |
| <i>Large Cap Core</i> | 0% | 10% | 20% | 0% | 10% | 20% |
| International Equities: | | | | | | |
| <i>Developed Markets</i> | 0% | 5% | 15% | 0% | 5% | 15% |
| Domestic Fixed Income: | | | | | | |
| <i>Core</i> | 20% | 30% | 40% | 20% | 30% | 40% |
| <i>High Yield</i> | 0% | 5% | 15% | 0% | 5% | 15% |
| <i>DLI</i> | 0% | 10% | 20% | 0% | 10% | 20% |
| Non U.S. Fixed Income: | | | | | | |
| <i>International Bonds</i> | 0% | 10% | 20% | 0% | 10% | 20% |
| Alternatives: | | | | | | |
| <i>MLPS</i> | 0% | 10% | 20% | 0% | 10% | 20% |
| <i>REITS</i> | 0% | 10% | 20% | 0% | 10% | 20% |

Rebalancing Policy

The percentage allocation to each asset class may vary as much as approximately 10% depending upon the market conditions.

When necessary and/or available, cash flows will be distributed following the strategic asset allocation of MPLT. If there are no cash flows, the allocation of MPLT will be reviewed quarterly.

If the Trustees judge cash flows to be insufficient in bringing MPLT within the strategic allocation ranges, the Trustees may decide whether to effect transactions so that MPLT would fall within the allocated threshold ranges.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

Frequency

In two instances, portfolio rebalancing will be necessary to remain within the target asset allocation ranges:

1. Cash Flow Requirements
2. Significant Market Action

Positive cash flows should be directed to the under-weighted asset class, while negative cash flows (disbursements) should be directed away from the over-weighted asset class. This procedure is likely to be fairly routine and predictable.

Significant Market Action requires immediate action to restore asset allocation. This is neither predictable nor routine.

Liquidity

The Board Consultant may prepare anticipated expenditure requirements for each disbursement period and communicate these disbursement requirements to all affected managers with as much advance notice as possible. It is anticipated that MPLT's fixed income manager will be the initial and main conduit for contributions and disbursements. It is further anticipated that most of all such disbursements will be made from "income" generated from each account.

Social Responsibility Policy

The Trust demonstrates its concern for preservation of the environment and other social causes through its programs and activities. However, no specific constraint in regards to social causes is to be placed on its investment portfolio at this time. Constraints can be added in the future as deemed advisable by the Trustees.

Notes Receivable and Allowance for Loan Losses

Notes receivable are stated at the amount of unpaid principal, reduced by an allowance for loan losses. The allowance for loan losses is established through a provision for doubtful accounts charged to principal fund. Loans are charged against the allowance for loan losses when management believes that the collection of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may be uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay. Write-offs against the allowance are based on the specific identification method.

Management cannot currently determine the effects of the potential foreclosure of collateralized properties associated with the loans. Accordingly, the allowance for loan losses included in the accompanying financial statements excludes the value of the possible recovery of certain loans through foreclosure.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value at the date of foreclosure less estimated selling costs establishing a new cost basis. Valuations are periodically performed by management and adjustments are made to reflect the real estate at the lower of the carrying amount or fair value less estimated costs to sell. Operating expenses or income, reductions in estimated values, and gains or losses on disposition of such properties are charged to current operations.

Capital Assets

Capital assets are stated at cost. Depreciation is provided over the estimated useful lives of the assets through use of the straight-line method and is charged as a reduction in the investment. Current policy is to capitalize items in excess of \$250.

Retirement 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. MPLT is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. MPLT's recorded DC contributions for the years ended September 30, 2018 and 2017 were \$4,157 and \$3,622, 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.

Net Position

MPLT's net position is classified as follows:

- Net investment in capital assets; capital assets, net of accumulated depreciation.
- Restricted: net position subject to externally imposed stipulations that can be fulfilled by actions pursuant to those stipulations or that expire by the passage of time. MPLT has net position restricted for principal and income.
- Unrestricted: net position that is not subject to externally imposed stipulations. As MPLT considers all assets except investments in capital assets, to be restricted, MPLT does not have unrestricted net position at September 30, 2018 and 2017.

Operating and Non-Operating Revenue and Expenses

Operating revenue and expenses include all direct and administrative revenue and expenses associated with the investments.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Operating and Non-Operating Revenue and Expenses, Continued

Nonoperating revenues and expenses result from capital and noncapital financing activities.

New Accounting Standards

During the year ended September 30, 2018, MPLT implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

The implementation of these statements did not have a material effect on MPLT's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(3) Notes Receivable

| | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|
| Notes receivable (Home Loan Program) from various individuals obtained through a settlement agreement with the Northern Marianas Housing Corporation (NMHC) dated December 31, 2007, interest at 2% (5.5% to 8.5% prior to January 1, 2009) and terms from ten to thirty years. | \$ 5,584,499 | \$ 6,068,982 |
| Note receivable from Adelantun Publickun Luta Enteramente, Incorporated (APLE 501, Inc.), interest at 5% per annum, due on October 18, 2017, with monthly principal and interest payments in the amount of \$1,225, collateralized by a loan portfolio. Proceeds were used to fund an independently administered individual or parent-student loan program. MPLT has ceased future loan commitments and disbursements to APLE 501, Inc. | 53,588 | 59,247 |

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(3) Notes Receivable, Continued

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Note receivable from the Commonwealth Development Authority (CDA), interest at 6.5% per annum, due on June 1, 2018, collateralized by future distributable net income for the maintenance and development of the American Memorial Park and is to be repaid from earnings of the investments pursuant to CNMI Public Law 11-72. Distributions were not sufficient to satisfy the note at maturity but will continue until the note is fully repaid. | 113,244 | 296,984 |
| Note receivable from the CNMI Government, interest at 7% per annum, due on December 28, 2019. Public Law 18-71 earmarks and appropriates from future interest income distributions starting fiscal year 2016 until the note is fully reimbursed. Interest is due annually. | 1,011,198 | 2,664,865 |
| Note receivable from the Commonwealth Healthcare Corporation (CHCC), with interest at 5% per annum, due on October 31, 2023. Collateralized by CHCC's real properties for operational and bridge capital pursuant to CNMI Public Law 17-76. | <u>2,850,000</u> | <u>2,850,000</u> |
| | 9,612,529 | 11,940,078 |
| Less allowance for loan losses | <u>(3,395,388)</u> | <u>(3,401,047)</u> |
| | 6,217,141 | 8,539,031 |
| Less current portion | <u>(866,421)</u> | <u>(3,498,927)</u> |
| Long-term portion | \$ <u>5,350,720</u> | \$ <u>5,040,104</u> |

An analysis of the change in the allowance for loan losses is as follows:

| | <u>General Fund</u> | <u>Park Fund</u> | <u>2018</u> | <u>2017</u> |
|-----------------------------|---------------------|------------------|---------------------|---------------------|
| Balance - beginning of year | \$ 3,401,047 | \$ - | \$ 3,401,047 | \$ 3,910,433 |
| Recovery of loan losses | - | - | - | (488,200) |
| Other | <u>(5,659)</u> | <u>-</u> | <u>(5,659)</u> | <u>(21,186)</u> |
| Balance - end of year | \$ <u>3,395,388</u> | \$ <u>-</u> | \$ <u>3,395,388</u> | \$ <u>3,401,047</u> |

(4) Capital Assets

A summary of capital assets as of September 30, 2018 and 2017, is as follows:

| | <u>Estimated Useful Lives</u> | <u>Balance at October 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at September 30, 2018</u> |
|--|-------------------------------|-----------------------------------|--------------------|------------------|--------------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | | \$ <u>140,650</u> | \$ <u>12,350</u> | \$ <u>-</u> | \$ <u>153,000</u> |
| Capital assets being depreciated: | | | | | |
| Building | 5 - 10 years | 243,075 | - | - | 243,075 |
| Furniture, fixtures and equipment | 3 - 10 years | 164,994 | 7,918 | - | 172,912 |
| Vehicle | 3 - 10 years | <u>79,319</u> | <u>-</u> | <u>-</u> | <u>79,319</u> |
| | | 487,388 | 7,918 | - | 495,306 |
| Less accumulated depreciation | | <u>(304,991)</u> | <u>(38,508)</u> | <u>-</u> | <u>(343,499)</u> |
| Total capital assets being depreciated | | <u>182,397</u> | <u>(30,590)</u> | <u>-</u> | <u>151,807</u> |
| Total capital assets, net | | \$ <u>323,047</u> | \$ <u>(18,240)</u> | \$ <u>-</u> | \$ <u>304,807</u> |

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(4) Capital Assets, Continued

| | Estimated Useful Lives | Balance at October 1, 2016 | Additions | Deletions | Balance at September 30, 2017 |
|--|---------------------------|----------------------------------|-----------------|-----------------|-------------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | | \$ 140,650 | \$ - | \$ - | \$ 140,650 |
| Construction in progress | | <u>10,464</u> | - | <u>(10,464)</u> | - |
| Total capital assets not being depreciated | | <u>151,114</u> | - | <u>(10,464)</u> | <u>140,650</u> |
| Capital assets being depreciated: | | | | | |
| Building | 5 - 10 years | 194,592 | 38,019 | 10,464 | 243,075 |
| Furniture, fixtures and equipment | 3 - 10 years | 164,994 | - | - | 164,994 |
| Vehicle | 3 - 10 years | <u>79,319</u> | - | - | <u>79,319</u> |
| | | 438,905 | 38,019 | 10,464 | 487,388 |
| Less accumulated depreciation | | <u>(266,267)</u> | <u>(38,724)</u> | - | <u>(304,991)</u> |
| Total capital assets being depreciated | | <u>172,638</u> | <u>(705)</u> | <u>10,464</u> | <u>182,397</u> |
| Total capital assets, net | | \$ <u>323,752</u> | \$ <u>(705)</u> | \$ - | \$ <u>323,047</u> |

(5) Net Position

In accordance with MPLT's accounting policies, gains and losses on investments are allocated to principal. Additionally, a portion of the distribution to the CNMI government is specifically designated as an increase in principal. Movement in principal and interest accounts for the years ended September 30, 2018 and 2017, is summarized as follows:

| | Principal | Interest | 2018 | 2017 |
|---|----------------------|--------------------|----------------------|----------------------|
| <u>General Fund</u> | | | | |
| Balance at beginning of year | \$ 84,097,359 | \$ - | \$ 84,097,359 | \$ 79,559,406 |
| Net increase in the fair value of investments | 8,967,547 | - | 8,967,547 | 4,537,953 |
| Other operating net income | - | 1,840,206 | 1,840,206 | 1,636,226 |
| Transfers | - | <u>(1,840,206)</u> | <u>(1,840,206)</u> | <u>(1,636,226)</u> |
| Balance at end of year | \$ <u>93,064,906</u> | \$ - | \$ <u>93,064,906</u> | \$ <u>84,097,359</u> |
| <u>Park Fund</u> | | | | |
| Balance at beginning of year | \$ 9,419,423 | \$ - | \$ 9,419,423 | \$ 8,996,333 |
| Net increase in the fair value of investments | 214,218 | - | 214,218 | 423,090 |
| Other operating net income | - | 198,825 | 198,825 | 174,188 |
| Transfers | - | <u>(198,825)</u> | <u>(198,825)</u> | <u>(174,188)</u> |
| Balance at end of year | \$ <u>9,633,641</u> | \$ - | \$ <u>9,633,641</u> | \$ <u>9,419,423</u> |

(6) Contributions To/From Primary Government

In accordance with Article XI of the Constitution of the CNMI, MPLT makes distributions to the CNMI general fund from investment income. During the years ended September 30, 2018 and 2017, MPLT recorded \$1,840,206 and \$1,636,226, respectively, of distributions to the CNMI general fund, which was offset against payments on a note receivable from the CNMI Government.

In accordance with Article VIII, Section 803(e) of the Covenant, MPLT makes operating transfers out for the development and maintenance of the American Memorial Park. During the years ended September 30, 2018 and 2017, MPLT recorded \$198,825 and \$174,188, respectively, for transfers out for this purpose.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2018 and 2017

(7) Risk Management

MPLT 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. MPLT has elected to purchase commercial insurance from independent third parties for the risks of losses to which it is exposed with respect to the use of motor vehicles. Settled claims have not exceeded this commercial insurance coverage during the past three years.

(8) Related Parties

The legal counsel of MPLT has a home loan outstanding of \$7,851 and \$21,541 as of September 30, 2018 and 2017, respectively. The home loan was obtained from NMHC in the ordinary course of business and is classified as notes receivable in the accompanying financial statements. This loan predates the assumption of the portfolio by MPLT from NMHC.

(9) Commitment

In accordance with the addendum of memorandum of agreement between the CNMI and the U.S. Department of the Interior for development and management of the American Memorial Park, MPLT is obligated to contribute \$150,000 annually, to the extent of available income, for development and maintenance of the American Memorial Park.

(10) Contingency

In accordance with the Settlement Agreement with NMHC, MPLT guarantees Service Released Loans that were issued by financial institutions. At September 30, 2018 and 2017, MPLT was contingently liable to these institutions for \$564,951 and \$621,086, respectively.

(11) Subsequent Events

On October 15, 2018, the CNMI Office of the Attorney General (OAG) issued an opinion on the constitutionality of DPL's expenditure of revenues from public lands to cover its operating expenses. The opinion concluded that supplemental appropriations to DPL may not be made from unobligated and unencumbered prior fiscal year balances and that these balances must be transferred to MPLT. DPL disbursed \$3,345,700 on May 3, 2019 and \$2,414,477 on May 13, 2019 to MPLT.

The OAG opinion also questioned how much, if any, and for what may the Legislature appropriate from public land revenues to DPL and recommended that a certified question be presented to the CNMI Supreme Court.

MARIANAS PUBLIC LAND TRUST

Combining Statement of Net Position
September 30, 2018

| <u>ASSETS</u> | <u>General Fund</u> | <u>Park Fund</u> | <u>Eliminations</u> | <u>Total</u> |
|---|-------------------------|----------------------|---------------------|-----------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 3,347,034 | \$ 175,592 | \$ - | \$ 3,522,626 |
| Receivables: | | | | |
| Department of Public Lands, net | 6,327,685 | - | - | 6,327,685 |
| Notes, current portion | 753,177 | 113,244 | - | 866,421 |
| Accrued income | 265,208 | 31,743 | - | 296,951 |
| Other | 64,645 | - | - | 64,645 |
| Due from other funds | 20,670 | - | (20,670) | - |
| Due from brokers | 16,525 | 1,973 | - | 18,498 |
| Prepaid expense | 9,808 | - | - | 9,808 |
| Total current assets | <u>10,804,752</u> | <u>322,552</u> | <u>(20,670)</u> | <u>11,106,634</u> |
| Other assets: | | | | |
| Investments | <u>76,733,857</u> | <u>9,343,939</u> | <u>-</u> | <u>86,077,796</u> |
| Total other assets | <u>76,733,857</u> | <u>9,343,939</u> | <u>-</u> | <u>86,077,796</u> |
| Noncurrent assets: | | | | |
| Notes receivable, net of current portion and allowance for loan losses | 5,350,720 | - | - | 5,350,720 |
| Depreciable capital assets, net of accumulated depreciation | 151,807 | - | - | 151,807 |
| Nondepreciable capital assets | <u>153,000</u> | <u>-</u> | <u>-</u> | <u>153,000</u> |
| Total noncurrent assets | <u>5,655,527</u> | <u>-</u> | <u>-</u> | <u>5,655,527</u> |
| | <u>\$ 93,194,136</u> | <u>\$ 9,666,491</u> | <u>\$ (20,670)</u> | <u>\$ 102,839,957</u> |
| <u>LIABILITIES AND NET POSITION</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 57,210 | \$ 3,790 | \$ - | \$ 61,000 |
| Due to other funds | - | 20,670 | (20,670) | - |
| Due to brokers | 68,170 | 8,390 | - | 76,560 |
| Accrued expenses | <u>3,850</u> | <u>-</u> | <u>-</u> | <u>3,850</u> |
| Total liabilities | <u>129,230</u> | <u>32,850</u> | <u>(20,670)</u> | <u>141,410</u> |
| Net position: | | | | |
| Net investment in capital assets | 304,807 | - | - | 304,807 |
| Restricted | <u>92,760,099</u> | <u>9,633,641</u> | <u>-</u> | <u>102,393,740</u> |
| Total net position | <u>93,064,906</u> | <u>9,633,641</u> | <u>-</u> | <u>102,698,547</u> |
| | <u>\$ 93,194,136</u> | <u>\$ 9,666,491</u> | <u>\$ (20,670)</u> | <u>\$ 102,839,957</u> |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2018

| | General Fund | Park Fund | Eliminations | Total |
|--|----------------------|---------------------|--------------|-----------------------|
| Operating revenues: | | | | |
| Department of Public Lands | \$ 7,194,024 | \$ - | \$ - | \$ 7,194,024 |
| Investment income, net | 2,383,726 | 291,008 | - | 2,674,734 |
| Net increase in fair value of investments | 1,773,523 | 214,219 | - | 1,987,742 |
| Interest income from notes receivable | 458,497 | 13,488 | - | 471,985 |
| Other | 2,163 | 238 | - | 2,401 |
| Total operating revenues | <u>11,811,933</u> | <u>518,953</u> | <u>-</u> | <u>12,330,886</u> |
| Operating expenses: | | | | |
| Money manager fees | 295,517 | 36,121 | - | 331,638 |
| Money management administration | 175,283 | 20,127 | - | 195,410 |
| Consultancy fees | 124,502 | 15,359 | - | 139,861 |
| Salaries and benefits | 110,768 | 12,720 | - | 123,488 |
| Contract services | 64,210 | 7,373 | - | 71,583 |
| Office supplies | 54,360 | 6,253 | - | 60,613 |
| Trustees' expenses | 36,428 | 4,168 | - | 40,596 |
| Depreciation | 38,508 | - | - | 38,508 |
| Professional fees | 37,841 | - | - | 37,841 |
| Loan administration fee | 32,503 | - | - | 32,503 |
| Audit | 13,455 | 1,545 | - | 15,000 |
| Rent and utilities | 10,575 | 1,214 | - | 11,789 |
| Annual report preparation | 8,970 | 1,030 | - | 10,000 |
| Repairs and maintenance | 1,260 | - | - | 1,260 |
| Total operating expenses | <u>1,004,180</u> | <u>105,910</u> | <u>-</u> | <u>1,110,090</u> |
| Operating income | <u>10,807,753</u> | <u>413,043</u> | <u>-</u> | <u>11,220,796</u> |
| Other nonoperating expenses: | | | | |
| Net distribution to the CNMI General Fund/ American Memorial Park | <u>(1,840,206)</u> | <u>(198,825)</u> | <u>-</u> | <u>(2,039,031)</u> |
| Total nonoperating expenses | <u>(1,840,206)</u> | <u>(198,825)</u> | <u>-</u> | <u>(2,039,031)</u> |
| Change in net position | 8,967,547 | 214,218 | - | 9,181,765 |
| Net position at beginning of year | <u>84,097,359</u> | <u>9,419,423</u> | <u>-</u> | <u>93,516,782</u> |
| Net position at end of year | <u>\$ 93,064,906</u> | <u>\$ 9,633,641</u> | <u>\$ -</u> | <u>\$ 102,698,547</u> |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Combining Statement of Cash Flows
Year Ended September 30, 2018

| | General Fund | Park Fund | Eliminations | Total |
|---|---------------------|-------------------|--------------|---------------------|
| Cash flows from operating activities: | | | | |
| Cash received from operations | \$ 4,915,569 | \$ 282,862 | \$ - | \$ 5,198,431 |
| Cash payments to suppliers for goods and services | (1,268,637) | (98,929) | - | (1,367,566) |
| Net cash provided by operating activities | <u>3,646,932</u> | <u>183,933</u> | <u>-</u> | <u>3,830,865</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | (20,268) | - | - | (20,268) |
| Write-off of foreclosed properties | 99,400 | - | - | 99,400 |
| Net cash provided by capital and related financing activities | <u>79,132</u> | <u>-</u> | <u>-</u> | <u>79,132</u> |
| Cash flows from investing activities: | | | | |
| Net decrease in notes receivable | 484,485 | 1 | - | 484,486 |
| Net increase in investments | (3,261,387) | (164,501) | - | (3,425,888) |
| Net cash used for investing activities | <u>(2,776,902)</u> | <u>(164,500)</u> | <u>-</u> | <u>(2,941,402)</u> |
| Net increase in cash and cash equivalents | 949,162 | 19,433 | - | 968,595 |
| Cash and cash equivalents at beginning of year | <u>2,397,872</u> | <u>156,159</u> | <u>-</u> | <u>2,554,031</u> |
| Cash and cash equivalents at end of year | <u>\$ 3,347,034</u> | <u>\$ 175,592</u> | <u>\$ -</u> | <u>\$ 3,522,626</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | \$ 10,807,753 | \$ 413,043 | \$ - | \$ 11,220,796 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Net increase in fair value of investments | (1,773,523) | (214,219) | - | (1,987,742) |
| Noncash interest income | (186,541) | (15,086) | - | (201,627) |
| Depreciation | 38,508 | - | - | 38,508 |
| (Increase) decrease in assets: | | | | |
| Receivable - Department of Public Lands | (4,826,511) | - | - | (4,826,511) |
| Receivable - accrued income | (77,003) | (8,518) | - | (85,521) |
| Other receivable | (50,630) | - | - | (50,630) |
| Due from other funds | 1,510 | - | (1,510) | - |
| Due from brokers | 16,333 | 1,731 | - | 18,064 |
| Prepaid expense | (3,920) | - | - | (3,920) |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | 5,389 | 102 | - | 5,491 |
| Due to other funds | - | (1,510) | 1,510 | - |
| Due to brokers | (301,145) | 8,390 | - | (292,755) |
| Accrued expenses | (3,288) | - | - | (3,288) |
| Net cash provided by operating activities | <u>\$ 3,646,932</u> | <u>\$ 183,933</u> | <u>\$ -</u> | <u>\$ 3,830,865</u> |
| Supplemental schedule of noncash operating, financing and investing activities: | | | | |
| MPLT applied \$1,840,206 of the required income distribution to the CNMI General Fund for the year ended September 30, 2018 as a repayment of the CNMI's note receivable and related interest. | | | | |
| Decrease in notes receivable | \$ (1,653,665) | \$ - | \$ - | \$ (1,653,665) |
| Increase in interest income | (186,541) | - | - | (186,541) |
| Increase in net contribution | <u>1,840,206</u> | <u>-</u> | <u>-</u> | <u>1,840,206</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| MPLT applied \$198,825 of the required income distribution of the American Memorial Park Fund for the year ended September 30, 2018 as a repayment of CDA's note receivable and related interest. | | | | |
| Decrease in notes receivable | \$ - | \$ (183,739) | \$ - | \$ (183,739) |
| Increase in interest income | - | (15,086) | - | (15,086) |
| Increase in net contribution | <u>-</u> | <u>198,825</u> | <u>-</u> | <u>198,825</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - General Fund
September 30, 2018

| Mutual Funds | <u>Cost</u> | <u>Fair Value</u> |
|----------------------------------|------------------|-------------------|
| Templeton GI Bond Adv | \$ 8,964,843 | \$ 7,867,871 |
| Total Mutual Funds | <u>8,964,843</u> | <u>7,867,871</u> |
| Equities | | |
| Domestic Common Stock | | |
| Abbott Laboratories Ord | 200,192 | 253,459 |
| Adobe System Ord | 109,740 | 275,349 |
| Alibaba Group Holding ADR Rep 1 | 105,026 | 148,284 |
| Alphabet CL A Ord | 295,760 | 481,625 |
| Amazon Com Ord | 217,614 | 642,963 |
| Apple Ord | 319,385 | 632,072 |
| AT&T Ord | 235,942 | 241,440 |
| Bank of America Ord | 266,346 | 444,257 |
| Becton Dickinson Ord | 177,403 | 236,205 |
| Boeing Ord | 259,370 | 284,504 |
| Boston Scientific Ord | 65,703 | 151,113 |
| Chevron Ord | 191,396 | 217,658 |
| Cisco Systems Ord | 98,777 | 173,924 |
| Citigroup Ord | 173,694 | 195,133 |
| Coca-Cola Ord | 83,074 | 89,840 |
| Conocophillips Ord | 157,697 | 200,853 |
| CSX Ord | 62,611 | 144,027 |
| Dollar General Ord | 153,494 | 172,694 |
| DowDupont Ord | 169,090 | 200,326 |
| Eli Lilly Ord | 110,556 | 130,382 |
| EOG Resources Ord | 271,847 | 354,007 |
| Facebook CL A Ord | 94,643 | 152,783 |
| Fedex Ord | 145,539 | 216,711 |
| Gilead Sciences Ord | 112,126 | 110,410 |
| Home Depot Ord | 104,001 | 266,188 |
| Honeywell International Ord | 119,898 | 169,728 |
| Iqvia Holdings Ord | 164,791 | 176,446 |
| Johnson & Johnson Ord | 180,527 | 189,984 |
| JPMorgan Chase Ord | 215,756 | 404,531 |
| Medtronic Ord | 107,562 | 117,552 |
| Microsoft Ord | 267,874 | 581,571 |
| Morgan Stanley Ord | 144,381 | 199,087 |
| Netflix Ord | 138,126 | 151,897 |
| Nvidia Ord | 71,795 | 185,473 |
| Pepsico Ord | 99,902 | 110,123 |
| Pfizer Ord | 97,656 | 128,905 |
| PNC Financial Services Group Ord | 100,631 | 96,695 |
| Raytheon Ord | 136,407 | 196,327 |
| Roper Technologies Ord | 92,174 | 107,820 |
| Salesforce.com Ord | 139,309 | 245,701 |
| TJX Ord | 150,295 | 210,598 |
| United Technologies Ord | 111,873 | 113,246 |
| United HealthGrp Ord | 115,810 | 279,342 |
| Valero Energy Ord | 166,809 | 158,112 |
| Vertex Pharmaceuticals Ord | 149,531 | 201,413 |
| Visa CL A Ord | 234,016 | 378,977 |
| Walt Disney Ord | 114,183 | 115,771 |
| Wells Fargo Ord | 161,100 | 148,482 |
| Subtotal - Atalanta | <u>7,461,432</u> | <u>11,083,988</u> |
| Abbvie Ord | 107,181 | 178,189 |
| Acadia Healthcare Company Ord | 214,781 | 168,256 |
| Adobe System Ord | 150,328 | 555,827 |
| Ameriprise Finance Ord | 180,258 | 280,554 |
| Amgen Ord | 253,443 | 327,518 |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - General Fund
September 30, 2018

| Equities, Continued | <u>Cost</u> | <u>Fair Value</u> |
|---|-------------------|-------------------|
| Domestic Common Stock, Continued | | |
| Ansys Ord | 179,119 | 356,559 |
| Banco Bilbao Vizcaya Argentaria | 232,411 | 190,273 |
| Bank of America Ord | 193,128 | 362,358 |
| BOK Financial Ord | 81,390 | 145,920 |
| Capital One Financial Ord | 201,766 | 241,597 |
| Chubb Ord | 181,945 | 206,607 |
| Coca-Cola Ord | 259,194 | 285,131 |
| Cullen Frost Bankers Ord | 113,745 | 161,882 |
| Danaher Ord | 243,566 | 338,258 |
| East West Bancorp Ord | 194,094 | 214,495 |
| Equity Lifestyle Prop Reit Ord | 126,279 | 138,599 |
| General Dynamics Ord | 163,030 | 286,608 |
| Halliburton Ord | 311,962 | 196,854 |
| Home Depot Ord | 118,475 | 299,953 |
| Johnson Controls International | 233,114 | 225,645 |
| JPMorgan Chase Ord | 106,504 | 208,754 |
| Kroger Ord | 211,554 | 212,561 |
| Lennar Cl A Ord | 184,029 | 205,436 |
| Lennar Cl B Ord | 3,129 | 3,388 |
| Martin Marietta Materials Ord | 157,431 | 227,437 |
| Medtronic Ord | 238,545 | 304,947 |
| Microchip Technology Ord | 156,787 | 291,967 |
| Microsoft Ord | 171,667 | 468,917 |
| Mitsubishi Ufj Fncl Grp Ads Rep | 138,346 | 136,799 |
| Mondelez International Cl A Ord | 166,628 | 189,024 |
| Natl Fuel Gas Ord | 216,458 | 197,892 |
| Novartis Adr Repsg 1 Ord | 231,096 | 215,400 |
| Oshkosh Ord | 186,577 | 242,216 |
| Parker Hannifin Ord | 257,396 | 279,574 |
| Paypal Holdings Ord | 110,466 | 325,008 |
| Phillips 66 Ord | 217,620 | 304,344 |
| Pioneer Natural Resource Ord | 206,259 | 174,190 |
| PPG Industries Ord | 248,443 | 262,021 |
| Sony Adr Rep 1 Ord | 244,142 | 296,760 |
| Sun Communities Reit Ord | 125,381 | 139,110 |
| Twitter Ord | 216,488 | 188,035 |
| Unilever Adr Rep 1 Ord | 184,338 | 233,310 |
| Walgreen Boots Alliance Ord | 206,584 | 204,120 |
| Subtotal - Aristotle | <u>7,925,077</u> | <u>10,472,293</u> |
| Total Domestic Common Stock | <u>15,386,509</u> | <u>21,556,281</u> |
| International Common Stock | | |
| 58.com Adr Rep 2 Cl A Ord | 49,983 | 46,589 |
| ABB Adr Rep 1 Ord | 50,896 | 45,488 |
| ABN Amro Group Nv Unsponsored Ne Adr | 59,163 | 53,700 |
| Accenture Cl A Ord | 85,279 | 118,970 |
| Anheuser Busch Adr Rep 1 Ord | 88,893 | 63,401 |
| Aon Cl A Ord | 59,537 | 86,424 |
| Ashtead Group Adr | 19,154 | 46,144 |
| Assa Abloy Adr | 81,503 | 81,015 |
| BB Seguridade Participacoes Adr | 54,339 | 34,927 |
| BHP Billiton Adr Rep 2 Ord | 60,776 | 107,206 |
| British American Tobacco Adr Rep Ord | 106,638 | 82,349 |
| Canadian National Railway Ord | 37,919 | 54,552 |
| Carlsberg As Sponsored Represent Adr | 52,112 | 60,357 |
| Cielo Adr | 74,917 | 32,970 |
| Compagnie Financiere Richemont U Adr | 37,133 | 47,125 |
| Compass Group Adr | 72,937 | 86,407 |
| Daiwa House Industry Adr Rep Ord | 79,422 | 89,104 |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - General Fund
September 30, 2018

| Equities, Continued | <u>Cost</u> | <u>Fair Value</u> |
|--|------------------|-------------------|
| International Common Stock, Continued | | |
| DBS Group Holdings Adr | 49,446 | 70,345 |
| Equinor Asa | 41,459 | 67,624 |
| Ferguson | 50,722 | 71,876 |
| Fresenius Se Adr | 67,594 | 57,880 |
| Genmab A S Sponsored Denmark Adr | 25,058 | 19,270 |
| Icici Bank Adr Rep 2 Ord | 73,246 | 69,058 |
| Kao Unspn Adr Rep 1/5 Ord | 35,548 | 45,958 |
| Kasikornbank Public Adr | 27,761 | 34,837 |
| KDDI Adr Rep 0.5 Ord | 49,955 | 46,276 |
| Komatsu Adr | 46,774 | 49,992 |
| Makita Adr Rep 1 Ord | 61,170 | 96,784 |
| Medtronic Ord | 98,579 | 117,060 |
| Michelin Compagnie Gen Adr | 57,859 | 54,024 |
| MR Price Group Adr | 22,891 | 31,002 |
| Nordea Bank Spon Ads | 79,036 | 68,946 |
| Novartis Adr Repsg 1 Ord | 93,892 | 107,269 |
| Ping An Insurance Group Company Adr | 74,730 | 76,139 |
| Prudential Adr Repstg 2 Ord | 105,771 | 127,666 |
| PT Tlkmnk Tbk Adr Rep 100 Srs B | 29,264 | 34,174 |
| Red Electrica Corporacion Adr | 81,405 | 77,362 |
| Relx Adr Rep Ord | 73,522 | 70,388 |
| Rogers Communications Cl B Ord | 52,691 | 53,483 |
| Royal Dutch Shell Adr Rep 2 Cl A Ord | 83,678 | 109,501 |
| Ryanair Holdings Adr Rep 5 Ord | 49,585 | 51,766 |
| Ryohin Keikku Unspn Adr Rep 0.20 Ord | 73,997 | 98,914 |
| Safran Adr | 66,031 | 86,779 |
| Sampo Oyj Un-sponsored Representi Adr | 77,886 | 90,135 |
| Saneamen Sao Pau Adr Rep 1 Ord | 25,942 | 20,603 |
| Sanlam Adr | 43,426 | 52,853 |
| SAP Adr Rep 1 Ord | 97,865 | 134,316 |
| Shire Ads Rep 3 Ord | 87,326 | 90,091 |
| Sonova Holding Adr | 27,188 | 27,072 |
| Sumitomo Mit Adr Rep 1/5th of Ord | 55,366 | 74,615 |
| Suncor Energy Ord | 58,835 | 76,455 |
| Taiwan Semiconductor Mnftg Adr 5 Ord | 58,638 | 117,907 |
| Telenor Asa Adr | 44,908 | 53,319 |
| Tencent Holdings Adr | 81,405 | 115,321 |
| Turkcell Iletism Adr Rep 2.5 Ord | 50,038 | 25,676 |
| UBI Soft Entertainme Adr Rep 1/5 Ord | 49,630 | 61,414 |
| Unilever Adr Rep 1 Ord | 60,313 | 75,419 |
| Valeo Adr | 66,054 | 53,453 |
| Vinci Adr | 48,443 | 64,184 |
| Vivendi Adr | 64,083 | 62,598 |
| Wolters Kluwer N V Ord Adr | 67,817 | 111,480 |
| Yandex CL A Ord | 50,792 | 53,117 |
| Total International Common Stock - Lazard | <u>3,758,220</u> | <u>4,291,129</u> |
| Master Limited Partnerships | | |
| Andeavor Logistics Unt | 421,961 | 374,592 |
| Antero Midstream Ord | 59,669 | 45,430 |
| Antero Resources Midstream Unt | 202,453 | 214,835 |
| BP Midstream Partners Unt | 74,628 | 80,746 |
| Buckeye Partners Unt | 419,118 | 206,582 |
| Cheniere Energy Ord | 66,666 | 89,851 |
| Energy Transfer Equity Unt | 408,411 | 428,342 |
| Energy Transfer Partners Unt | 370,705 | 374,146 |
| Enlink Midstream Partners Com Unt | 103,447 | 103,713 |
| Enterprise Products Partners Unt | 862,169 | 788,207 |
| EQT Midstream Partners Unt | 569,921 | 449,791 |
| Magellan Midstream Partners Unt | 774,629 | 740,654 |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - General Fund
September 30, 2018

| Equities, Continued | <u>Cost</u> | <u>Fair Value</u> |
|---|-------------------|-------------------|
| Master Limited Partnerships, Continued | | |
| MPLX Com Unt | 704,003 | 616,264 |
| Noble Midstream Partners Unt | 45,690 | 58,002 |
| Oneok Ord | 352,357 | 460,701 |
| Phillips 66 Partners Com Unt | 443,249 | 386,618 |
| Plains All American Pipeline Unt | 952,911 | 656,813 |
| Shell Midstream Partners Unt | 288,683 | 208,220 |
| Tallgrass Energy Cl A Ord | 257,314 | 278,032 |
| Targa Resources Ord | 171,615 | 171,013 |
| Valero Energy Partners Com Unt | 240,621 | 186,029 |
| Western Gas Equity Partners Com Unt | 43,796 | 32,245 |
| Western Gas Partners Unt | 565,098 | 442,609 |
| Williams Ord | 673,983 | 597,120 |
| Total Master Limited Partnerships - Tortoise | <u>9,073,097</u> | <u>7,990,555</u> |
| Real Estate Investment Trusts | | |
| Alexandria Real Estate Eq Reit | 321,860 | 380,012 |
| American Tower Reit | 132,495 | 175,958 |
| Apartment Invst Mgt Cl A Reit Ord | 215,025 | 225,857 |
| Camden Property Reit Ord | 168,647 | 177,970 |
| Corporate Office Prop Reit Ord | 224,805 | 220,653 |
| Cubesmart Reit Ord | 216,504 | 211,236 |
| Digital Realty Reit Ord | 219,018 | 245,994 |
| Duke Realty Reit Ord | 218,044 | 225,995 |
| Equinix Reit Ord | 489,750 | 516,871 |
| Equity Residential Reit Ord | 444,287 | 441,027 |
| Essex Property Reit Ord | 345,594 | 362,664 |
| Extra Space Storage Reit Ord | 265,794 | 276,035 |
| Four Corners Property Ord | 39,502 | 42,877 |
| Healthcar Trst of Am Cl A Reit | 252,248 | 231,816 |
| Highwoods Properties Reit Ord | 201,880 | 194,239 |
| Hilton Grand Vacations Ord | 111,567 | 115,661 |
| Hilton Worldwide Holdings Ord | 129,741 | 139,992 |
| Invitation Homes Ord | 175,748 | 200,783 |
| JBG Smith Properties Ord | 76,333 | 74,912 |
| Kilroy Realty Reit Ord | 271,754 | 289,054 |
| Kimco Realty Reit Ord | 300,371 | 221,135 |
| Marriott International Cl A Ord | 155,147 | 190,783 |
| National Retail Properties Reit | 93,097 | 87,623 |
| Pebblebrook Hotel Reit Ord | 185,745 | 175,594 |
| Prologis Reit | 557,285 | 784,737 |
| Public Storage Reit Ord | 199,353 | 169,974 |
| Regency Centers Reit Ord | 371,034 | 335,120 |
| Simon Prop Grp Reit Ord | 828,172 | 815,524 |
| Sun Communities Reit Ord | 193,214 | 255,373 |
| Sunstone Hotel Investors Reit | 113,056 | 111,935 |
| Ventas Reit Ord | 230,939 | 237,260 |
| Vornado Realty Reit Ord | 414,363 | 376,242 |
| Welltower Ord | 253,703 | 249,819 |
| Total Real Estate Investment Trusts - Adelante | <u>8,416,075</u> | <u>8,760,725</u> |
| Total Equities | <u>36,633,901</u> | <u>42,598,690</u> |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - General Fund
September 30, 2018

| Fixed Income Securities | Cost | Fair Value | Ratings |
|---|-------------------|-------------------|---------|
| Mortgage and Asset Backed Securities | | | |
| Federal Home Loan Mortgage Corp @ 2.172%, due 07/05/19 | 1,570,013 | 1,569,890 | AA+ |
| FH G15743 @ 5.00%, due 06/01/26 | 199,936 | 192,159 | AA+ |
| FH G60134 @ 4.50%, due 06/01/36 | 478,123 | 453,062 | AA+ |
| FH J11367 @ 4.50%, due 01/01/25 | 677,487 | 663,677 | AA+ |
| FN AL8215 @ 5.00%, due 06/01/26 | 366,748 | 353,784 | AA+ |
| FN 995628 @ 5.50%, due 02/01/29 | 203,983 | 197,868 | AA+ |
| Total Mortgage and Asset Backed Securities - Garcia Hamilton | 3,496,290 | 3,430,440 | |
| Government Bonds | | | |
| United States Treasury @ 1.625%, due 02/15/26 | 886,041 | 884,773 | AA+ |
| United States Treasury @ 2.000%, due 10/31/22 | 1,207,421 | 1,185,991 | AA+ |
| United States Treasury @ 2.375%, due 05/15/27 | 1,776,520 | 1,770,650 | AA+ |
| United States Treasury @ 2.500%, due 05/15/46 | 1,271,597 | 1,255,723 | AA+ |
| United States Treasury @ 2.750%, due 02/15/24 | 2,139,297 | 2,136,974 | AA+ |
| United States Treasury @ 2.875%, due 08/15/45 | 1,724,468 | 1,713,785 | AA+ |
| United States Treasury @ 6.250%, due 05/15/30 | 1,180,933 | 1,172,137 | AA+ |
| Total Government Bonds - Garcia Hamilton | 10,186,277 | 10,120,033 | |
| Corporate Bonds | | | |
| American Express Credit Corp @ 3.381%, due 09/14/20 | 834,855 | 832,136 | A- |
| Apple Inc @ 2.640%, due 05/06/19 | 416,536 | 415,697 | AA+ |
| Bank of America Corp @ 3.007%, due 07/21/21 | 271,536 | 271,534 | A- |
| Bank of America Corp @ 3.023%, due 06/25/22 | 410,197 | 411,078 | A- |
| Bank of New York Mellon Corp @ 3.389%, due 10/30/23 | 618,927 | 627,275 | A |
| BB&T Corp @ 2.987%, due 04/01/22 | 469,780 | 469,264 | A- |
| Goldman Sachs Group Inc @ 3.917%, due 11/29/23 | 573,493 | 583,179 | BBB+ |
| IBM Credit LLC @ 2.607%, due 01/20/21 | 421,352 | 422,020 | A+ |
| Intel Corp @ 2.688%, due 05/11/22 | 647,921 | 650,437 | A+ |
| JP Morgan Chase & Co @ 3.801%, due 03/01/21 | 416,895 | 415,749 | A- |
| JP Morgan Chase & Co @ 3.235%, due 04/25/23 | 272,990 | 272,492 | A- |
| Merck & Co Inc @ 2.716%, due 02/10/20 | 618,709 | 617,436 | A+ |
| Morgan Stanley @ 3.742%, due 10/24/23 | 511,000 | 524,061 | BBB+ |
| State Street Corp @ 3.222%, due 08/18/20 | 678,213 | 674,064 | A |
| Walt Disney Co @ 2.711%, due 03/04/22 | 573,654 | 574,343 | A |
| Wells Fargo & Co @ 3.360%, due 07/26/21 | 289,477 | 289,968 | A- |
| Wells Fargo & Co @ 3.572%, due 10/31/23 | 506,530 | 515,019 | A- |
| Subtotal - Garcia Hamilton | 8,532,065 | 8,565,752 | |
| ADT Corp @ 4.125%, due 06/15/23 | 77,500 | 76,498 | BB- |
| American Axle And Manufacturing Inc @ 6.25%, due 04/01/25 | 82,390 | 79,668 | B |
| Amerigas Partners LP @ 5.875%, Due 08/20/26 | 80,120 | 79,400 | BB- |
| Ball Corp @ 5.25%, due 07/01/25 | 81,495 | 82,600 | BB+ |
| Belo Corp @ 7.25%, due 09/15/27 | 88,340 | 87,975 | BB |
| CCO Holdings LLC @ 5.25%, due 09/30/22 | 80,145 | 78,853 | B+ |
| Centene Corp @ 4.75%, due 01/15/25 | 79,500 | 79,800 | BB+ |
| Centurylink Inc @ 6.45%, due 06/15/21 | 76,560 | 83,000 | B |
| CIT Group Inc @ 5.25%, due 03/07/25 | 45,000 | 45,900 | BB |
| Clear Channel Worldwide Holdings Inc. @ 6.50%, due 11/15/22 | 76,645 | 81,400 | B- |
| Clearwater Paper Corp @ 4.50%, due 02/01/23 | 74,584 | 74,400 | BB- |
| Commercial Metals Co @ 5.375%, due 07/15/27 | 79,900 | 79,900 | BB |
| Consolidated Communications Finance II Co. @ 6.50%, due 10/01/22 | 75,300 | 75,600 | B- |
| Covanta Holding Corp @ 5.875%, due 07/01/25 | 84,388 | 85,850 | B |
| CSC Holdings LLC @ 6.75%, due 11/15/21 | 77,630 | 84,300 | B- |
| DCP Midstream Operating LP @ 3.875%, due 03/15/23 | 68,625 | 73,125 | BB |
| Dell Computer Corporation @ 7.10%, due 04/15/28 | 82,875 | 80,438 | BB- |
| Dish DBS Corp @ 5.125%, due 05/01/20 | 82,600 | 80,598 | B |
| Eldorado Resorts Inc @ 6.00%, due 04/01/25 | 84,400 | 81,000 | B |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - General Fund
September 30, 2018

| Fixed Income Securities, Continued | <u>Cost</u> | <u>Fair Value</u> | <u>Ratings</u> |
|---|----------------------|----------------------|----------------|
| Corporate Bonds, Continued | | | |
| Equinix Inc @ 5.375%, due 01/01/22 | 83,050 | 82,600 | B+ |
| Ferrellgas Partners LP @ 6.50%, due 05/01/21 | 68,508 | 71,600 | B- |
| Frontier Communications Corp @ 8.75%, due 04/15/22 | 73,244 | 66,000 | CCC+ |
| GCI Inc @ 6.75%, due 06/01/21 | 81,560 | 81,000 | B- |
| Genesis Energy LP @ 6.50%, due 10/01/25 | 79,200 | 77,400 | B+ |
| Geo Group Inc @ 5.125%, due 04/01/23 | 75,750 | 71,813 | B+ |
| GLP Capital LP @ 5.375%, due 04/15/26 | 81,425 | 81,241 | BB+ |
| Griffon Corp @ 5.25%, due 03/01/22 | 76,758 | 79,100 | B |
| HCA Inc @ 6.50%, due 02/15/20 | 87,610 | 83,240 | BB+ |
| H&E Equipment Services Inc @ 5.625%, due 09/01/25 | 65,020 | 64,838 | B |
| Icahn Enterprises LP @ 6.375%, due 12/15/25 | 80,487 | 80,300 | BB- |
| International Lease Finance Corp @ 5.875%, due 08/15/22 | 37,900 | 37,024 | BBB- |
| Istar Inc @ 6.00%, due 04/01/22 | 55,413 | 55,413 | B+ |
| L Brands Inc @ 5.625%, due 02/15/22 | 84,050 | 80,824 | BB |
| Lennar Corp @ 4.75%, due 11/15/22 | 71,225 | 70,301 | BB+ |
| Mercer International Inc @ 6.50%, due 02/01/24 | 84,800 | 81,808 | B+ |
| National Cinemedia LLC @ 5.75%, due 08/15/26 | 79,900 | 80,453 | B- |
| Navient Corp @ 6.50%, due 06/15/22 | 82,400 | 83,138 | B+ |
| NGL Energy Partners LP @ 6.125%, 03/01/25 | 75,823 | 75,000 | B |
| NRG Energy Inc @ 6.25%, due 05/01/24 | 80,600 | 83,200 | B+ |
| Oxford Finance LLC @ 6.375%, due 12/15/22 | 66,950 | 66,300 | B+ |
| Penske Automotive Group Inc @ 5.50%, due 05/15/26 | 79,200 | 77,776 | B+ |
| Pitney Bowes Inc @ 3.625%, due 10/01/21 | 74,200 | 76,300 | BB+ |
| Quadgraphics Inc @ 7.00%, due 05/01/22 | 68,163 | 70,875 | B |
| QVC Inc @ 4.375%, due 03/15/23 | 66,052 | 69,141 | BB |
| Sprint Nextel Corp @ 6.00%, due 11/15/22 | 85,500 | 81,600 | B- |
| Suburban Propane Partners LP @ 5.875%, due 03/01/27 | 79,675 | 76,000 | B+ |
| Targa Resources Partners LP @ 5.25%, due 05/01/23 | 65,800 | 70,787 | BB- |
| Teekay Corp @ 8.50%, due 01/15/20 | 61,223 | 81,416 | CCC+ |
| Tenet Healthcare Corp @ 4.375%, due 10/01/21 | 77,811 | 79,654 | BB- |
| Transmontaigne Partners LP @ 6.125%, due 02/15/26 | 80,075 | 75,400 | B |
| Tri Pointe Group Inc @ 5.25%, due 06/01/27 | 80,000 | 71,400 | BB- |
| UAL 05ERJ1 A1 @ 9.798%, due 04/01/21 | 35,515 | 33,904 | BB |
| United Rentals (North America) Inc @ 4.625%, due 07/15/23 | 79,451 | 80,600 | BB+ |
| Wesco Distribution Inc @ 5.375%, due 06/15/24 | 83,800 | 79,200 | B+ |
| Xerium Technologies Inc @ 9.50%, due 08/15/21 | 80,950 | 84,120 | B |
| Subtotal - Chartwell | <u>4,147,085</u> | <u>4,151,071</u> | |
| Total Corporate Bonds | <u>12,679,150</u> | <u>12,716,823</u> | |
| Total Fixed Income Securities | <u>26,361,717</u> | <u>26,267,296</u> | |
| Total Mutual Funds, Equities and Fixed Income Securities | <u>\$ 71,960,461</u> | <u>\$ 76,733,857</u> | |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - Park Fund
September 30, 2018

| Mutual Funds | <u>Cost</u> | <u>Fair Value</u> |
|-------------------------------------|------------------|-------------------|
| Templeton GI Bond Adv | \$ 1,060,813 | \$ 925,889 |
| Total Mutual Funds | <u>1,060,813</u> | <u>925,889</u> |
| Equities | | |
| Domestic Common Stock | | |
| Abbott Laboratories Ord | 24,051 | 30,444 |
| Adobe System Ord | 13,457 | 33,744 |
| Alibaba Group Holding ADR Rep 1 Ord | 12,908 | 18,124 |
| Alphabet CL A Ord | 35,606 | 57,940 |
| Amazon Com Ord | 26,129 | 78,117 |
| Apple Ord | 38,138 | 75,623 |
| At&t Ord | 28,549 | 29,215 |
| Bank Of America Ord | 32,248 | 53,617 |
| Becton Dickinson Ord | 21,589 | 28,710 |
| Boeing Ord | 31,163 | 34,215 |
| Boston Scientific Ord | 8,060 | 18,288 |
| Chevron Ord | 23,112 | 26,290 |
| Cisco Systems Ord | 11,851 | 20,919 |
| Citigroup Ord | 21,063 | 23,674 |
| Coca-Cola Ord | 10,037 | 10,855 |
| Conocophillips Ord | 19,137 | 24,381 |
| Csx Ord | 7,559 | 17,402 |
| Dollar General Ord | 18,435 | 20,767 |
| DowDupont Ord | 20,346 | 24,116 |
| Eli Lilly Ord | 13,194 | 15,560 |
| Eog Resources Ord | 32,821 | 42,736 |
| Facebook CL A Ord | 11,543 | 18,584 |
| Fedex Ord | 17,711 | 26,487 |
| Gilead Sciences Ord | 13,330 | 13,125 |
| Home Depot Ord | 12,551 | 32,108 |
| Honeywell International Ord | 14,679 | 20,800 |
| Iqvia Holdings Ord | 19,990 | 21,407 |
| Johnson & Johnson Ord | 21,652 | 22,798 |
| JPMorgan Chase Ord | 26,308 | 49,085 |
| Medtronic Ord | 13,052 | 14,264 |
| Microsoft Ord | 32,508 | 70,338 |
| Morgan Stanley Ord | 17,409 | 23,984 |
| Netflix Ord | 16,670 | 18,332 |
| Nvidia Ord | 8,725 | 22,482 |
| Pepsico Ord | 12,165 | 13,416 |
| Pfizer Ord | 11,839 | 15,645 |
| Pnc Financial Services Group Ord | 12,003 | 11,576 |
| Raytheon Ord | 16,296 | 23,766 |
| Roper Technologies Ord | 11,620 | 13,626 |
| Salesforce.com Ord | 16,707 | 29,421 |
| Tjx Ord | 17,990 | 25,204 |
| United Technologies Ord | 13,812 | 13,981 |
| Unitedhealth Grp Ord | 13,900 | 33,255 |
| Valero Energy Ord | 20,403 | 19,337 |
| Vertex Pharmaceuticals Ord | 17,864 | 24,092 |
| Visa Cl A Ord | 28,274 | 45,777 |
| Walt Disney Ord | 13,841 | 14,033 |
| Wells Fargo Ord | 19,390 | 17,870 |
| Subtotal - Atalanta | <u>901,685</u> | <u>1,339,530</u> |
| Abbvie Ord | 12,914 | 21,470 |
| Acadia Healthcare Company Ord | 26,061 | 20,416 |
| Adobe System Ord | 18,106 | 66,948 |
| Amgen Ord | 30,666 | 39,592 |
| Ameriprise Finance Ord | 21,821 | 33,962 |
| Ansys Ord | 21,663 | 43,123 |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - Park Fund
September 30, 2018

| Equities, Continued | Cost | Fair Value |
|---|------------------|------------------|
| Domestic Common Stock, Continued | | |
| Banco Bilbao Vizcaya Argentaria Adr | 28,297 | 23,039 |
| Bank Of America Ord | 22,932 | 43,012 |
| Bok Financial Ord | 8,682 | 15,565 |
| Capital One Financial Ord | 24,418 | 29,238 |
| Chubb Ord | 22,008 | 24,991 |
| Coca-Cola Ord | 31,280 | 34,412 |
| Cullen Frost Bankers Ord | 15,411 | 21,932 |
| Danaher Ord | 29,425 | 40,856 |
| East West Bancorp Ord | 23,435 | 25,899 |
| Equity Lifestyle Prop Reit Ord | 15,203 | 16,686 |
| General Dynamics Ord | 19,796 | 34,802 |
| Halliburton Ord | 38,298 | 23,751 |
| Home Depot Ord | 14,319 | 36,251 |
| Johnson Controls International | 28,131 | 27,230 |
| JPMorgan Chase Ord | 12,953 | 25,389 |
| Kroger Ord | 25,582 | 25,704 |
| Lennar Cl A Ord | 22,794 | 25,446 |
| Lennar Cl B Ord | 356 | 385 |
| Martin Marietta Materials Ord | 18,892 | 27,292 |
| Medtronic Ord | 27,702 | 35,413 |
| Microchip Technology Ord | 19,069 | 35,509 |
| Microsoft Ord | 20,726 | 56,613 |
| Mitsubishi Ufj Fnd Grp Ads Rep | 16,495 | 16,311 |
| Mondelez International Cl A Ord | 19,692 | 22,339 |
| Natl Fuel Gas Ord | 26,432 | 23,938 |
| Novartis Adr Repsg 1 Ord | 28,544 | 26,279 |
| Oshkosh Ord | 21,782 | 28,496 |
| Parker Hannifin Ord | 30,989 | 33,659 |
| Paypal Holdings Ord | 12,539 | 36,893 |
| Phillips 66 Ord | 24,180 | 33,816 |
| Pioneer Natural Resource Ord | 25,202 | 20,903 |
| Ppg Industries Ord | 30,005 | 31,648 |
| Sony Adr Rep 1 Ord | 29,439 | 35,783 |
| Sun Communities Reit Ord | 15,101 | 16,754 |
| Twitter Ord | 26,115 | 22,683 |
| Unilever Adr Rep 1 Ord | 22,164 | 28,053 |
| Walgreen Boots Alliance Ord | 25,454 | 25,150 |
| Subtotal - Aristotle | <u>955,073</u> | <u>1,257,631</u> |
| Total Domestic Common Stock | <u>1,856,758</u> | <u>2,597,161</u> |
| International Common Stock | | |
| 58.com Adr Rep 2 Cl A Ord | 5,921 | 5,520 |
| ABB Adr Rep 1 Ord | 6,028 | 5,388 |
| ABN Amro Group Nv Unsponsored Ne Adr | 7,022 | 6,374 |
| Accenture Cl A Ord | 10,125 | 14,127 |
| Anheuser Busch Adr Rep 1 Ord | 10,559 | 7,531 |
| Aon Cl A Ord | 7,101 | 10,303 |
| Ashtead Group Adr | 2,259 | 5,466 |
| Assa Abloy Adr | 9,657 | 9,591 |
| BB Seguridade Participacoes Adr | 7,088 | 4,146 |
| BHP Billiton Adr Rep 2 Ord | 7,224 | 12,709 |
| British American Tobacco Adr Rep Ord | 12,685 | 9,792 |
| Canadian National Railway Ord | 4,490 | 6,460 |
| Carlsberg As Sponsored Represent Adr | 6,177 | 7,152 |
| Cielo Adr | 8,888 | 3,910 |
| Compagnie Financiere Richemont Adr | 4,407 | 5,594 |
| Compass Group Adr | 8,658 | 10,256 |
| Daiwa House Industry Adr Rep Ord | 9,406 | 10,556 |
| DBS Group Holdings Adr | 5,852 | 8,325 |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - Park Fund
September 30, 2018

| Equities, Continued | Cost | Fair Value |
|--|----------------|----------------|
| International Common Stock, Continued | | |
| Equinor Asa | 4,909 | 8,009 |
| Ferguson | 5,998 | 8,530 |
| Fresenius Se Adr | 8,021 | 6,868 |
| Genmab A S Sponsored Denmark Adr | 2,966 | 2,281 |
| Icici Bank Adr Rep 2 Ord | 8,689 | 8,193 |
| Kao Unspn Adr Rep 1/5 Ord | 4,186 | 5,412 |
| Kasikornbank Public Adr | 3,395 | 4,125 |
| KDDI Adr Rep 0.5 Ord | 5,922 | 5,486 |
| Komatsu Adr | 5,551 | 5,933 |
| Makita Adr Rep 1 Ord | 7,250 | 11,472 |
| Medtronic Ord | 11,688 | 13,870 |
| Michelin Compagnie Gen Adr | 6,865 | 6,409 |
| Mr Price Group Adr | 2,715 | 3,678 |
| Nordea Bank Spon Ads | 9,376 | 8,180 |
| Novartis Adr Repsg 1 Ord | 11,181 | 12,752 |
| Ping An Insurance Group Company Adr | 8,875 | 9,042 |
| Prudential Adr Repstg 2 Ord | 12,582 | 15,190 |
| PT Tlkmnk Tbk Adr Rep 100 Srs B Ord | 3,513 | 4,064 |
| Red Electrica Corporacion Adr | 9,650 | 9,178 |
| Relx Adr Rep Ord | 8,723 | 8,351 |
| Rogers Communications Cl B Ord | 6,284 | 6,377 |
| Royal Dutch Shell Adr Rep 2 Cl A Ord | 9,964 | 13,015 |
| Ryanair Holdings Adr Rep 5 Ord | 5,883 | 6,146 |
| Ryohin Keikku Unspn Adr Rep 0.20 Ord | 8,754 | 11,724 |
| Safran Adr | 7,841 | 10,304 |
| Sampo Oyj Un-sponsored Representi Adr | 9,243 | 10,697 |
| Saneamen Sao Pau Adr Rep 1 Ord | 3,071 | 2,443 |
| Sanlam Adr | 5,243 | 6,261 |
| SAP Adr Rep 1 Ord | 11,655 | 15,990 |
| Shire Ads Rep 3 Ord | 10,386 | 10,695 |
| Sonova Holding Adr | 3,213 | 3,199 |
| Sumitomo Mit Adr Rep 1/5th Of Ord | 6,539 | 8,833 |
| Suncor Energy Ord | 6,967 | 9,054 |
| Taiwan Semiconductor Mnftg Adr 5 Ord | 6,520 | 13,999 |
| Telenor Asa Adr | 5,332 | 6,330 |
| Tencent Holdings Adr | 9,631 | 13,672 |
| Turkcell Iletisim Adr Rep 2.5 Ord | 6,143 | 3,046 |
| Ubi Soft Entertainme Adr Rep 1/5 Ord | 5,893 | 7,291 |
| Unilever Adr Rep 1 Ord | 7,166 | 8,960 |
| Valeo Adr | 7,842 | 6,342 |
| Vinci Adr | 5,752 | 7,621 |
| Vivendi Adr | 7,618 | 7,442 |
| Wolters Kluwer N V Ord Adr | 8,039 | 13,218 |
| Yandex Cl A Ord | 6,037 | 6,315 |
| Total International Common Stock - Lazard | 446,618 | 509,197 |
| Master Limited Partnerships | | |
| Andeavor Logistics Unt | 50,601 | 44,918 |
| Antero Midstream Ord | 7,156 | 5,448 |
| Antero Resources Midstream Unt | 24,177 | 25,765 |
| BP Midstream Partners Unt | 8,948 | 9,682 |
| Buckeye Partners Unt | 49,761 | 24,176 |
| Cheniere Energy Ord | 7,761 | 10,771 |
| Energy Transfer Equity Unt | 45,739 | 51,366 |
| Energy Transfer Partners Unt | 45,230 | 44,854 |
| Enlink Midstream Partners Com Unt | 12,401 | 12,433 |
| Enterprise Products Partners Unt | 106,578 | 94,522 |
| EQT Midstream Partners Unt | 68,903 | 53,941 |
| Magellan Midstream Partners Unt | 94,034 | 88,781 |
| MPLX Com Unt | 83,163 | 73,903 |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - Park Fund
September 30, 2018

| Equities, Continued | <u>Cost</u> | <u>Fair Value</u> | |
|---|------------------|-------------------|----------------|
| Master Limited Partnerships, Continued | | | |
| Noble Midstream Partners Unt | 5,461 | 6,940 | |
| Oneok Ord | 42,256 | 55,249 | |
| Phillips 66 Partners Com Unt | 53,617 | 46,333 | |
| Plains All American Pipeline Unt | 121,156 | 78,757 | |
| Shell Midstream Partners Unt | 34,753 | 24,972 | |
| Tallgrass Energy Cl A Ord | 31,361 | 34,262 | |
| Targa Resources Ord | 20,215 | 20,046 | |
| Valero Energy Partners Com Unt | 28,986 | 22,274 | |
| Western Gas Equity Partners Com Unt | 5,924 | 3,862 | |
| Western Gas Partners Unt | 69,519 | 53,071 | |
| Williams Ord | 80,807 | 71,591 | |
| Total Master Limited Partnerships - Tortoise | <u>1,098,507</u> | <u>957,917</u> | |
| Real Estate Investment Trusts | | | |
| Alexandria Real Estate Eq Reit | 37,378 | 44,152 | |
| American Tower Reit | 15,559 | 20,487 | |
| Apartment Invst Mgt Cl A Reit Ord | 24,955 | 26,213 | |
| Camden Property Reit Ord | 19,592 | 20,679 | |
| Corporate Office Prop Reit Ord | 26,094 | 25,624 | |
| Cubesmart reit Ord | 25,118 | 24,507 | |
| Digital Realty Reit Ord | 25,463 | 28,570 | |
| Duke Realty Reit Ord | 25,320 | 26,242 | |
| Equinix Reit Ord | 56,877 | 60,172 | |
| Equity Residential Reit Ord | 51,744 | 51,219 | |
| Essex Property Reit Ord | 40,236 | 42,187 | |
| Extra Space Storage Reit Ord | 30,910 | 32,057 | |
| Four Corners Property Ord | 4,588 | 4,984 | |
| Healthcar Trst Of Am Cl A Reit | 29,353 | 26,910 | |
| Highwoods Properties Reit Ord | 23,422 | 22,543 | |
| Hilton Grand Vacations Ord | 12,938 | 13,406 | |
| Hilton Worldwide Holdings Ord | 15,024 | 16,237 | |
| Invitation Homes Ord | 20,400 | 23,300 | |
| JBG Smith Properties Ord | 8,857 | 8,692 | |
| Kilroy Realty Reit Ord | 31,536 | 33,551 | |
| Kimco Realty Reit Ord | 34,833 | 25,662 | |
| Marriott International Cl A Ord | 18,054 | 22,181 | |
| National Retail Properties Reit | 10,810 | 10,174 | |
| Pebblebrook Hotel Reit Ord | 21,545 | 20,367 | |
| Prologis Reit | 64,517 | 91,110 | |
| Public Storage Reit Ord | 23,385 | 19,760 | |
| Regency Centers Reit Ord | 43,020 | 38,867 | |
| Simon Prop Grp Reit Ord | 97,265 | 94,738 | |
| Sun Communities Reit Ord | 22,409 | 29,650 | |
| Sunstone Hotel Investors Reit | 13,120 | 12,990 | |
| Ventas Reit Ord | 26,783 | 27,516 | |
| Vornado Realty Reit Ord | 48,063 | 43,654 | |
| Welltower Ord | 29,536 | 29,008 | |
| Total Real Estate Investment Trusts - Adelante | <u>978,704</u> | <u>1,017,409</u> | |
| Total Equities | <u>4,380,587</u> | <u>5,081,684</u> | |
| Fixed Income Securities | | | |
| | <u>Cost</u> | <u>Fair Value</u> | <u>Ratings</u> |
| Mortgage & Asset Backed Securities | | | |
| Federal Farm Credit Banks Funding Corp @ 2.172%, due 04/24/19 | 35,008 | 35,005 | AA+ |
| Federal Home Loan Banks @ 2.180%, due 07/05/19 | 160,000 | 160,000 | AA+ |
| Federal Home Loan Mortgage Corp @ 2.172%, due 07/05/19 | 130,000 | 129,991 | AA+ |
| FH G15718 @ 5.500%, due 12/01/24 | 48,737 | 46,989 | AA+ |
| FH G15743 @ 5.000%, due 06/01/26 | 24,771 | 23,807 | AA+ |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - Park Fund
September 30, 2018

| Fixed Income Securities, Continued | Cost | Fair Value | Ratings |
|---|------------------|------------------|---------|
| Mortgage & Asset Backed Securities, Continued | | | |
| FH G60134 @ 4.500%, due 06/01/36 | 61,508 | 58,192 | AA+ |
| FN 745418 @ 5.500%, due 04/01/36 | <u>67,537</u> | <u>64,767</u> | AA+ |
| Total Mortgage & Asset Backed Securities - Garcia Hamilton | <u>527,561</u> | <u>518,751</u> | |
| Government Bonds | | | |
| United States Treasury @ 1.625%, due 02/15/26 | 72,873 | 72,597 | AA+ |
| United States Treasury @ 2.000%, due 10/31/22 | 176,689 | 173,559 | AA+ |
| United States Treasury @ 2.375%, due 05/15/27 | 290,221 | 289,570 | AA+ |
| United States Treasury @ 2.500%, due 05/15/46 | 145,658 | 143,885 | AA+ |
| United States Treasury @ 2.750%, due 02/15/24 | 217,891 | 217,655 | AA+ |
| United States Treasury @ 2.875%, due 08/15/45 | 237,105 | 235,410 | AA+ |
| United States Treasury @ 6.250%, due 05/15/30 | <u>152,161</u> | <u>150,610</u> | AA+ |
| Total Government Bonds - Garcia Hamilton | <u>1,292,598</u> | <u>1,283,286</u> | |
| Corporate Bonds | | | |
| American Express Credit Corp @ 3.021%, due 03/03/22 | 110,912 | 110,672 | A- |
| Apple Inc @ 2.640%, due 05/06/19 | 95,361 | 95,160 | AA+ |
| Bank of America Corp @ 3.007%, due 07/21/21 | 30,178 | 30,171 | A- |
| Bank of America Corp @ 3.023%, due 06/25/22 | 50,024 | 50,132 | A- |
| Bank of New York Mellon Corp @ 3.389%, due 10/30/23 | 95,700 | 96,896 | A |
| BB&T Corp @ 2.987%, due 04/01/22 | 35,398 | 35,321 | A- |
| Berkshire Hathaway Finance Corp @ 3.024%, due 03/15/19 | 45,603 | 45,137 | A+ |
| Goldman Sachs Group Inc @ 3.917%, due 11/29/23 | 76,548 | 78,104 | BBB+ |
| Intel Corp @ 2.688%, due 05/11/22 | 75,192 | 75,632 | A+ |
| JP Morgan Chase & Co @ 3.572%, due 10/24/23 | 86,410 | 86,693 | A- |
| Merck & Co Inc @ 2.716%, due 02/10/20 | 90,543 | 90,356 | A+ |
| Morgan Stanley @ 3.742%, due 10/24/23 | 90,480 | 92,481 | BBB+ |
| Pepsico Inc @ 2.867%, due 10/06/21 | 35,511 | 35,460 | A |
| Walt Disney Co @ 2.711%, due 03/04/22 | 30,284 | 30,229 | A |
| Wells Fargo & Company @ 3.360%, due 07/26/21 | 30,442 | 30,523 | A- |
| Wells Fargo & Company @ 3.572%, due 10/31/23 | <u>30,720</u> | <u>30,595</u> | A- |
| Subtotal - Garcia Hamilton | <u>1,009,306</u> | <u>1,013,562</u> | |
| ADT Corp @ 4.125%, due 06/15/23 | 9,687 | 9,562 | BB- |
| American Axle And Manufacturing @ 6.250%, due 04/01/25 | 10,299 | 9,958 | B |
| Amerigas Partners LP @ 5.875%, due 08/20/26 | 10,000 | 9,925 | BB- |
| Ball Corp @ 5.25%, due 07/01/25 | 10,175 | 10,325 | BB+ |
| Belo Corp @ 7.250%, due 09/15/27 | 10,393 | 10,350 | BB |
| Cco Holdings LLC @ 5.250%, due 09/30/22 | 5,137 | 5,055 | B+ |
| Centene Corp @ 4.75%, due 01/15/25 | 9,937 | 9,975 | BB+ |
| Centurylink Inc @ 6.45%, due 06/15/21 | 9,560 | 10,375 | B |
| Cit Group Inc @ 5.250%, due 03/07/25 | 5,000 | 5,100 | BB |
| Clear Channel Worldwide Holdings Inc @ 6.50%, due 11/15/22 | 9,536 | 10,175 | B- |
| Clearwater Paper Corp @ 4.500%, due 02/01/23 | 9,323 | 9,300 | BB- |
| Commercial Metals Co @ 5.375%, due 07/15/27 | 9,400 | 9,400 | BB |
| Consolidated Communications @ 6.500%, due 10/01/22 | 9,412 | 9,450 | B- |
| Covanta Holding Corp @ 5.875%, due 07/01/25 | 9,928 | 10,100 | B |
| CSC Holdings Inc @ 6.75%, due 11/15/21 | 9,677 | 10,537 | B- |
| DCP Midstream Operating LP @ 3.875%, due 03/15/23 | 9,150 | 9,750 | BB |
| Dell Computer Corporation @ 7.10%, due 04/15/28 | 11,050 | 10,725 | BB- |
| Dish DBS Corp @ 5.125%, due 05/01/20 | 10,325 | 10,074 | B |
| Eldorado Resorts Inc @ 6.00%, due 04/01/25 | 10,550 | 10,125 | B |
| Equinix Inc @ 5.375%, due 01/01/22 | 10,366 | 10,325 | B+ |
| Ferrellgas Partners LP @ 6.50%, due 05/01/21 | 8,550 | 8,950 | B- |
| Frontier Communications Corp @ 8.75%, due 04/15/22 | 9,125 | 8,250 | CCC+ |
| Geo Group Inc @ 5.125%, due 04/01/23 | 9,090 | 8,617 | B+ |
| GCI Inc @ 6.75%, due 06/01/21 | 10,223 | 10,125 | B- |
| Genesis Energy LP @ 6.500%, due 10/01/25 | 9,900 | 9,675 | B+ |
| GLP Capital LP @ 5.375%, due 04/15/26 | 10,119 | 10,156 | BB+ |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Investments - Park Fund
September 30, 2018

| Fixed Income Securities, Continued | Cost | Fair Value | Ratings |
|---|---------------------|---------------------|---------|
| Corporate Bonds, Continued | | | |
| Griffon Corp @ 5.25%, due 03/01/22 | 9,587 | 9,887 | B |
| H&E Equipment Services Inc @ 5.625%, due 09/01/25 | 8,002 | 7,980 | B |
| HCA Inc @ 6.50%, due 02/15/20 | 10,950 | 10,405 | BB+ |
| Icahn Enterprises LP @ 6.375%, due 12/15/25 | 10,061 | 10,037 | BB- |
| International Lease Finance Corp @ 5.875%, due 08/15/22 | 5,410 | 5,289 | BBB- |
| Istar Inc @ 6.000%, 04/01/22 | 10,075 | 10,075 | B+ |
| L Brands Inc @ 5.625%, due 02/15/22 | 10,506 | 10,103 | BB |
| Lennar Corp @ 4.75%, due 11/15/22 | 10,175 | 10,043 | BB+ |
| Mercer International Inc @ 6.500%, due 02/01/24 | 10,600 | 10,226 | B+ |
| National Cinemedia LLC @ 5.750%, due 08/15/26 | 9,400 | 9,465 | B- |
| Navient Corp @ 6.50%, due 06/15/22 | 10,300 | 10,392 | B+ |
| Ngl Energy Partners LP @ 6.125%, due 03/01/25 | 9,478 | 9,375 | B |
| NRG Energy Inc @ 6.25%, due 05/01/24 | 10,075 | 10,400 | B+ |
| Oxford Finance LLC @ 6.375%, due 12/15/22 | 8,240 | 8,160 | B+ |
| Penske Automotive Group Inc @ 5.50%, due 05/15/26 | 9,900 | 9,722 | B+ |
| Pitney Bowes Inc @ 3.625%, due 10/01/21 | 9,275 | 9,538 | BB+ |
| Quadgraphics Inc @ 7.00%, due 05/01/22 | 9,738 | 10,125 | B |
| QVC Inc @ 4.375%, due 03/15/23 | 9,436 | 9,877 | BB |
| Sprint Nextel Corp @ 6.00%, due 11/15/22 | 10,688 | 10,200 | B- |
| Suburban Propane Partners LP @ 5.875%, due 03/01/27 | 9,975 | 9,500 | B+ |
| Targa Resources Partners LP @ 5.25%, due 05/01/23 | 9,400 | 10,113 | BB- |
| Teekay Corp @ 8.50%, due 01/15/20 | 7,789 | 10,177 | CCC+ |
| Tenet Healthcare Corp @ 4.375%, due 10/01/21 | 9,725 | 9,957 | BB- |
| Transmontaigne Partners LP @ 6.125%, due 02/15/26 | 10,038 | 9,426 | B |
| Tri Pointe Group Inc @ 5.25%, due 06/01/27 | 10,000 | 8,925 | BB- |
| UAL 05ERJ1 A1 @ 9.798%, due 04/01/21 | 4,735 | 4,521 | BB |
| United Rentals (North America) Inc @ 4.625%, due 07/15/23 | 9,920 | 10,075 | BB+ |
| Wesco Distribution Inc @ 5.375%, due 06/15/24 | 10,475 | 9,900 | B+ |
| Xerium Technologies Inc @ 9.50%, due 08/15/21 | 10,119 | 10,515 | B |
| Subtotal - Chartwell | <u>519,984</u> | <u>520,767</u> | |
| Total Corporate Bonds | <u>1,529,290</u> | <u>1,534,329</u> | |
| Total Fixed Income Securities | <u>3,349,449</u> | <u>3,336,366</u> | |
| Total Mutual Funds, Equities and Fixed Income Securities | <u>\$ 8,790,849</u> | <u>\$ 9,343,939</u> | |

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Schedule of Administrative Expenses Compared to Budget
Year Ended September 30, 2018

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---------------------------------|---------------------|---------------------|--|
| Money manager fees | \$ 330,500 | \$ 331,638 | \$ (1,138) |
| Money management administration | 194,270 | 195,410 | (1,140) |
| Consultancy fees | 139,861 | 139,861 | - |
| Salaries and benefits | 125,489 | 123,488 | 2,001 |
| Contract services | 72,819 | 71,583 | 1,236 |
| Office supplies | 58,738 | 60,613 | (1,875) |
| Trustees' expenses | 33,478 | 40,596 | (7,118) |
| Depreciation | 38,538 | 38,508 | 30 |
| Professional fees | 38,441 | 37,841 | 600 |
| Loan administration fee | 32,552 | 32,503 | 49 |
| Audit | 15,000 | 15,000 | - |
| Rent and utilities | 13,422 | 11,789 | 1,633 |
| Annual report preparation | 10,000 | 10,000 | - |
| Repairs and maintenance | 1,032 | 1,260 | (228) |
| Total | <u>\$ 1,104,140</u> | <u>\$ 1,110,090</u> | <u>\$ (5,950)</u> |

See Accompanying Independent Auditors' Report.