

# EXECUTIVE SUMMARY

## Marianas Public Land Trust

### Single Audit Report as of September 30, 2007

#### Single Audit Summary No. 08-001, June 25, 2008

The Marianas Public Land Trust (MPLT) contracted Deloitte, an independent auditing firm, to conduct a financial audit for the fiscal year ended September 30, 2007. The audit was conducted in accordance with auditing standards generally accepted in the United States and with applicable provisions of *Government Auditing Standards* issued by the Comptroller General of the United States. This summary presents the Office of the Public Auditor's (OPA) review of the *Report on the Audit of Financial Statements in Accordance with OMB Circular A-133* for the fiscal year ended September 30, 2007. This summary is provided solely for informational purposes. No audit opinion on the related data is expressed nor inferred by OPA.

The Opinion, Financial Statements, and Notes to the Financial Statements are the three primary components which, taken together, give an informed reader an overview of the financial condition of the audited entity. The MPLT received an unqualified opinion or "clean" opinion, indicating that the data contained in the report can be relied upon. Additionally, MPLT management prepared a *Management Discussion and Analysis* (MD&A) which provides, in common language, a summary of its financial activities. The MD&A is presented on pages 3 through 10 of the audit report.

#### *Background*

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

MPLT is responsible for making careful, reasonable, and prudent investments with the funds it receives from DPL. MPLT was created as a nonexpendable trust fund where the principal is invested in perpetuity and only the interest is distributed. Two trusts were established: 1) one for the benefit of the CNMI General Fund in which distributions are general revenues subject to appropriation; and 2) for the development and maintenance of an American Memorial Park. To date, total principal payments distributed to MPLT total \$28.2M, of which \$2M was given to the American Memorial Park Fund.

#### *Total Assets rise by \$8.4M*

MPLT's overall financial condition substantially improved in Fiscal Year 2007. The change was marked by increased investments, increased income, and decreased operating expenses. These changes further caused total assets to increase. Total assets increased 12.2% or \$8.4M from \$68.6M in FY06 to \$77.0M in FY07. For the General Fund, assets increased \$7.8M while the American Memorial Park Fund increased \$517K over the prior year. Other factors causing assets to increase include large increases of cash and cash equivalents, \$2.6M; accrued income, \$1.9M; and security investments which increased \$5.4M.

#### *Total Liabilities increase by \$1.8M*

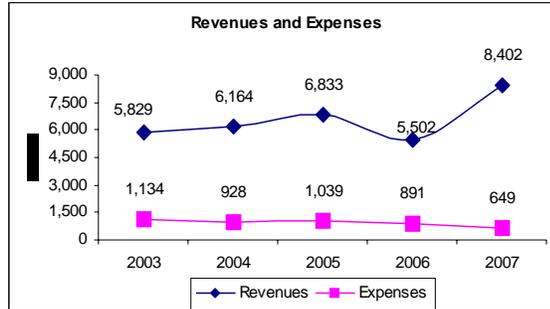
Total liabilities in FY07 were \$2.270M, up from \$450K in FY06. Of the total FY07 liabilities, \$2.228M represents MPLT transfers out to the CNMI General Fund as required by Article XI of the CNMI Constitution. The transfer to the General Fund was made in October 2007, after the close of the fiscal year.

MPLT has created three local economically targeted investments (ETI). These investments aim to provide corollary benefits while simultaneously providing MPLT a required rate of return. For the



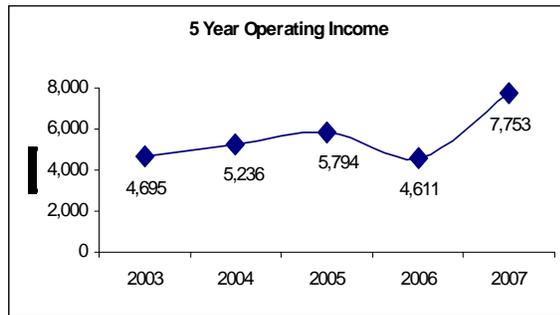
General Fund, two such ETIs are the loan to NMHC and Adelantun Publickun Luta Enteramente, Inc. or APLE. The third ETI is for the maintenance and development of the Park Fund. MPLT has suspended any new ETI's until legal matters with APLE have been settled.

Revenues increase to \$8.4M while expenses continue to decline



Total operating revenues increased 52.7% from \$5.5M in FY06 to \$8.4M in FY07. The increase in revenue is attributed to the \$2.2M rise in the fair value of investments and \$700K increase in interest income. Operating expenses decreased by \$240K or 27% from \$890K in FY06 to \$650K in FY07. Professional fees, money management administration, salaries and benefits, contract services, and trustees' expenses all contributed to the decrease in expenses. Expenses increased

in other areas; however, they were not significant. Consultancy fees increased by \$13K; office supplies by \$2K; and rent and utilities by \$3K. Since FY03, operating revenues were highest in FY07 at \$8.4M and lowest in FY06 at \$5.5M. Expenses have gradually decreased over the 5 year period, but it peaked in FY03 at \$1.1M with FY07 being its lowest at \$650K.



Operating income is the change that results from subtracting operating expenses from operating revenue. It measures a businesses's performance and earning power from its ongoing operations. For FY07, operating income substantially increased 68% or \$3.1M from \$4.6M in FY06 to \$7.7M in FY07. This has been the highest amount over a 5-year period since FY03; operating income was lowest in FY06 at \$4.61M.

Fixed Income Securities grow while Equities fall in total

MPLT employs the services of professional money managers to manage the assets of both the General and Park Fund trusts. The allocation of these securities may change over time due to changes in investment policy decisions. These securities consist of equities, fixed income securities, and economically targeted investments (ETI). MPLT changed its investment policy in FY06 requiring that more securities be placed in fixed income rather than in equities to provide for a steady stream of cash flow to the CNMI General Fund. For FY07, equities total \$26.0M, down 1.66% from \$26.4M in FY06 while fixed income securities gained \$5.8M or 18.7% from \$31.1M in FY06 to \$36.9M in FY07. MPLT has 41% invested in equities and 59% invested in fixed income securities for FY07.

OPA commends MPLT's Trustees for the financial improvements realized in FY07, and the strengthening of MPLT's financial condition.

Audit Findings

Audit findings are reportable items considered material by the auditors. Findings document situations where established policy, procedures or standards have not been followed. Such deviations may lead to losses for the CNMI or misstatements in its financial reports. Findings, if they remain uncorrected, can ultimately lead to qualifications in the Opinion of the auditors. For FY07, there were no reported findings contained in the MPLT audit.



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

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