



**2015**

**ANNUAL REPORT**

# Uniform Fiduciary Standards of Care

- Know Standard, laws, and trust provisions
- Diversify Assets to specific risk/return profile
- Prepare investment policy statement
- Use “prudent experts” (money managers) and document due diligence
- Control and account for investment expenses
- Monitor the activities of “prudent experts”
- Avoid conflicts of interest and prohibited transactions



## A Message from the Chairman


Dear People of the Commonwealth,

In compliance with Article XI, Section 6(e), of the Commonwealth Constitution, the Trustees of the Marianas Public Land Trust (MPLT) makes this report on MPLT's financial status and investments for the year 2015. MPLT's FY 2015 audited financial report is also included as part of this report.

The attached report provides the details on the distributions of the earned interest to the general revenues of the Commonwealth and to the American Memorial Park.

We trust this report provides useful information and an insight into the operation and investments of MPLT. The Trustees are held to strict fiduciary duties and responsibilities and continue to fulfil their duties diligently to comply with the mandate of the Constitution. For more information and/or for updates, please visit our website at [www.mplt.gov.mp](http://www.mplt.gov.mp).

Respectfully submitted,

  
Martin B. Ada  
Chairman, MPLT





**MARTIN B. ADA**  
Chairman  
3<sup>rd</sup> Senatorial Representative



**PEDRO R. DELEON GUERRERO**  
Vice Chairman  
Carolinian Representative



**MELCHOR J. MENDIOLA, AIF®**  
(Chairman – January to October 2015)  
1<sup>st</sup> Senatorial Representative



**PETER Q. CRUZ, AIF®**  
2<sup>nd</sup> Senatorial Representative



**MARIA (FRICA) T. PANGELINAN**  
Women's Representative

# **ANNUAL REPORT**

**For**

**FY 2015**

## OVERVIEW

The Marianas Public Land Trust (MPLT) was established by the Northern Marianas Constitution under Article XI, Section 6, for the purpose of making prudent investments of the revenue received from public lands leases that the Marianas Public Land Corporation (MPLC) or its successor entities, now the Department of Public Lands (DPL) transferred to MPLT, pursuant to Section 5(g) and Section 6(b) of the said Article XI (see figure 1). The original lease of public lands by MPLC funding MPLT was per Article VIII, Section 803 of the Covenant. MPLT invested these funds prudently within its established guidelines and policy.

For over 30 years, MPLT has transferred to the general revenues of the Commonwealth the amount of \$56,483,092, which the legislature appropriated for various public programs; such as, the Public School System, Department of Public Safety, Department of Public Works, Commonwealth Health Center (CHC), etc... And, over the last 23 years, MPLT has disbursed the amount of \$6,290,489 to the American Memorial Park, in accordance with Article XI, Section 6(d) of the Northern Mariana Islands Constitution for the maintenance and development of the American Memorial Park.

The Trustees acknowledge that public lands belong collectively to persons of Northern Marianas descent, (Article XI, Section 1 of the Northern Mariana Islands Constitution); therefore, MPLT is expected to provide the revenues derived from public lands for programs directly benefiting persons of Northern Marianas descent. However, Article XI, Section 6(b) and (d) of the Northern Mariana Islands Constitution mandate the Trustees to make reasonable, careful and prudent investments and the interest revenues therefrom to be transferred to the general revenues of the Commonwealth.

### FUNDS RECEIVED BY MPLT

Date Received	Amount
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	803,856
May 22, 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 31, 2014	<u>5,000,000</u>
<b>Total:</b>	<b><u>\$38,996,454</u></b>

# CONTENTS

- **Performance Analysis**
  - Analysis of Investment Returns (table 1)
  - Market Performances Cumulative Returns (chart 1)
  - Comparison of Returns on Investments (chart 2)
  - Principal Fund Growth Curve (chart 3)
  - Annual Gross Investment Earnings (chart 4)
  - Comparison of Annual Investment Returns to Beneficiary Distributions (chart 5)
  - Percentage per Asset Allocation
  - Comparison of Professional Management Returns (chart 6)
  - Historical Administrative Expenses (chart 7)
  - Comparison of Administrative Expense (chart 8)
- **Investment Policy Statement**
  - Historical Asset Investment Allocations (chart 9)
  - Changes in Principal Fund Balances
- **Financial Benefits**
  - American Memorial park Development Projects (Figure AMP 1)
  - Gross Public Land Lease Revenue Flowchart
- **General Fund**
  - Asset Investment Allocation (chart 11)
  - Historical Asset Investment Allocation (chart 12)
- **Park Fund**
  - Asset Investment Allocation (chart 13)
  - Historical Asset Investment Allocation (chart 14)
- **Prudent Investment Practices**
  - Five Step Investment Management Process (chart 10)
- **Operations**
  - Staff
  - Portfolio Investment Consultant
- **FY 2015 Audited Financial Statement**

## PERFORMANCE ANALYSIS

The Marianas Public Land Trust (MPLT) performance return of **-2.27%** for FY 2015 decreased from last year's return of 6.99%. It complied with MPLT's blended policy targets of **-4.78%**, but did not meet the annualized policy index of 7.2%. In 2015, the Trust's net assets increased by \$3,056,205. This increase in the net assets for 2015 was due to a distribution received from the Department of Public Lands (DPL) of \$5,000,000, which was reduced by the loss of fair value of investments.

A review of the Trust's annual returns for the last five years, as shown in the Analysis of Investment Returns (see Table 1) indicates an annualized average rate of return of 4.33% on the total portfolio for that five years period. By comparison, the five-year average for managed portfolio is 4.08% and when compared to the Weighted Average of Target Allocation of 3.90% for the same period, it shows that MPLT has been meeting the targeted return for the asset allocation in accordance with its Investment Policy Statement (IPS). This indicates that the Trustees are closely monitoring the performance of MPLT's money managers, and implementing a sound asset allocation strategy and policy.

The investment revenue (interest & dividends) for 2015 was \$3,036,427 as compared to 2014 of \$1,836,349. Likewise, the net capital gains (losses) for 2015 was

\$(4,980,223) as compared to 2014 of \$3,545,746. Overall, 2015 was a very bad year as all the investment strategies did not perform well. The expectations for 2016 indicate that while returns may be improved marginally, a new market cycle has not been firmly established and growth may be limited until a sustained trend of economic growth has been achieved.

MPLT's investment time horizon is long term, and while investment cycles of three to five years may reflect volatility, the Trustees anticipate being able to continue adding value to the portfolio in accordance with their investment strategy, as well as to continue

*Annual rates of return take alone do not present an accurate picture of investment performance. Investment performance must be analyzed consecutively for a range of three to five years. This is because money managers do not try to time market fluctuations caused by short-term interest rate changes and other economic factors. Their goal is to analyze market cycles in order to be fully invested when markets are in an up-swing pattern. Trying to outguess the market in the short term will not yield continuous portfolio growth over the years. Instead added risk and volatility will mark performance negatively resulting in average yields below the historical trends.*

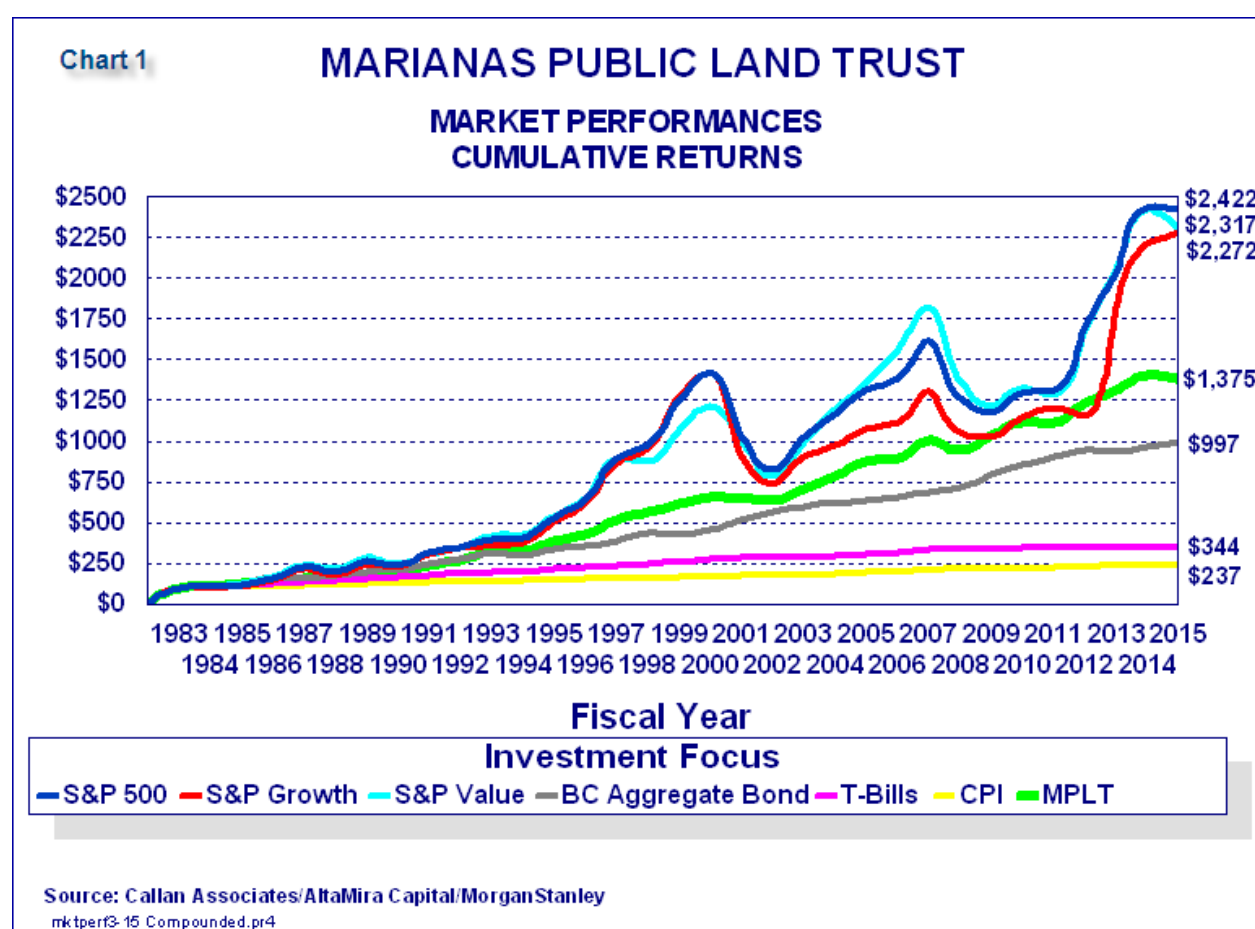


to provide reliable distributions to the general revenue of the Commonwealth.

MARIANAS PUBLIC LAND TRUST ANALYSIS OF INVESTMENT RETURNS - Table 1						
	2015	2014	2013	2012	2011	Five Year Average
Investment Income	\$2,069,981	\$1,322,393	\$2,497,863	\$2,601,641	\$2,964,704	\$2,291,316
Dividends	966,445	513,954	440,304	345,696	328,810	519,042
Realized Capital Gains (Losses)	(5,208,628 )	6,821,599	939,454	4,555,454	(1,830,991)	1,055,378
Unrealized Capital Gains (Losses)	228,405	(3,275,853)	1,209,341	110,294	(1,861,384)	(717,839)
<b>TOTALS:</b>	<u><b>\$(1,943,797)</b></u>	<u><b>\$5,382,095</b></u>	<u><b>\$5,086,962</b></u>	<u><b>\$7,613,085</b></u>	<u><b>\$(398,861)</b></u>	<u><b>\$3,147,897</b></u>
<b>Average Cost of Investments</b>	<u><b>\$74,207,131</b></u>	<u><b>\$72,625,672</b></u>	<u><b>\$71,589,769</b></u>	<u><b>\$70,689,862</b></u>	<u><b>\$69,650,243</b></u>	<u><b>\$71,752,535</b></u>
<b>MPLT Return on Total Investment</b>	<u><b>(2.27)%</b></u>	<u><b>6.99%</b></u>	<u><b>6.21%</b></u>	<u><b>11.31%</b></u>	<u><b>(0.57)%</b></u>	<u><b>4.33%</b></u>
<b>MPLT Return on Managed Investments</b>	<u><b>(3.45)%</b></u>	<u><b>6.84%</b></u>	<u><b>6.33%</b></u>	<u><b>11.57%</b></u>	<u><b>(0.88)%</b></u>	<u><b>4.08%</b></u>
<b>Performance Benchmarks:</b>						
S&P 500	<u><b>(.60)%</b></u>	<u><b>19.73%</b></u>	<u><b>19.34%</b></u>	<u><b>30.20%</b></u>	<u><b>1.14%</b></u>	<u><b>13.96%</b></u>
S&P Barra Growth	<u><b>2.78%</b></u>	<u><b>21.55%</b></u>	<u><b>17.00%</b></u>	<u><b>29.65%</b></u>	<u><b>4.85%</b></u>	<u><b>15.17%</b></u>
S&P Barra Value	<u><b>(4.30)%</b></u>	<u><b>17.77%</b></u>	<u><b>22.15%</b></u>	<u><b>30.81%</b></u>	<u><b>(2.66)%</b></u>	<u><b>12.75%</b></u>
Barclays Aggregated Bond	<u><b>2.93%</b></u>	<u><b>3.96%</b></u>	<u><b>(1.68)%</b></u>	<u><b>5.16%</b></u>	<u><b>5.26%</b></u>	<u><b>3.13%</b></u>
91 Day T-Bills	<u><b>0.02%</b></u>	<u><b>0.04%</b></u>	<u><b>0.07%</b></u>	<u><b>0.08%</b></u>	<u><b>0.58%</b></u>	<u><b>0.16%</b></u>
Consumer Price Index	<u><b>(.04)%</b></u>	<u><b>1.66%</b></u>	<u><b>1.20%</b></u>	<u><b>1.99%</b></u>	<u><b>3.87%</b></u>	<u><b>1.74%</b></u>
<b>Weighted Average Per Target Allocation</b>	<u><b>(4.78)%</b></u>	<u><b>6.78%</b></u>	<u><b>5.10%</b></u>	<u><b>10.17%</b></u>	<u><b>2.25%</b></u>	<u><b>3.90%</b></u>

A review of the Analysis of Investment Returns (table 1) for 2011 through 2015 indicates realized and unrealized capital gains (losses) of only \$337,539. The average capital gains (losses) for these years were affected by the poor market performances of 2015 and 2011, whereby the respective losses were \$(4,980,223) and \$(3,692,375).

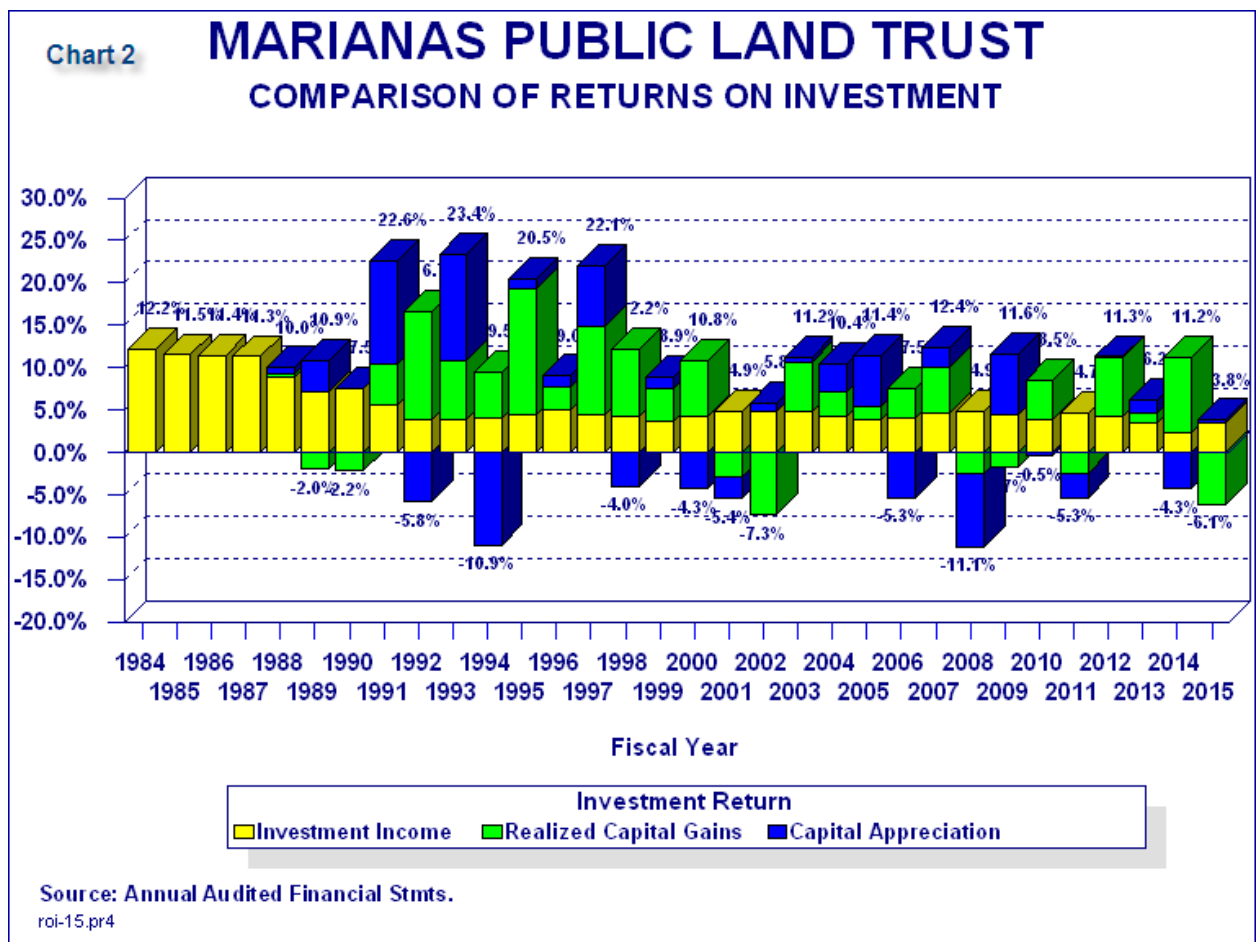
Another means to review MPLT's historical return performance is to chart its annual rate of return since inception as compared to various indices. The Market Performances Cumulative Returns (chart 1) is an example of this type of analysis. It assumes an original investment of \$100 made in 1983 with the annual investment returns reinvested. MPLT's annual rate of return is charted along with the annual returns for the following indices: a) **S&P 500 Index**, b) **S&P BARRA Growth Index**, c) **S&P BARRA Value Index**, d) **Barclay's Aggregate Bond Index** e) **91-Day T-Bills Index**, and; f) **Consumers' Price Index**



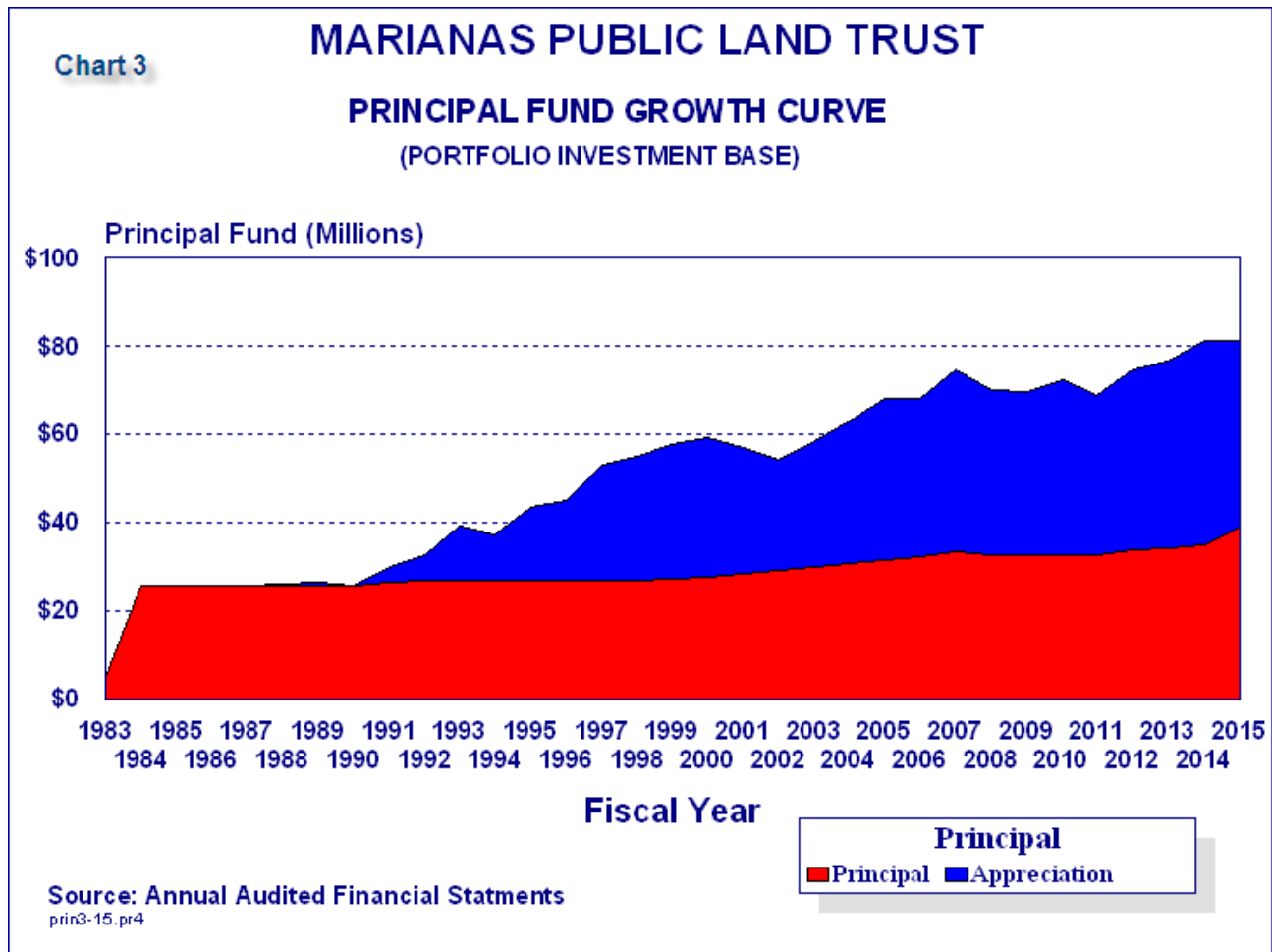
The Market Performance Cumulative Returns (chart 1) reveals that MPLT has performed very well since inception, earning a cumulative return to grow MPLT's original investment of \$100 to \$1,375, as compared to the S&P 500, S&P 500 Growth and S&P 500 Value, all of which grew to a range of \$2,272 to \$2,422

*MPLT's principal fund, for both the General and Park, is currently \$76.5 million. This balance is 2.34 times more than the original principal contributions received from MPLC, etc. This principal growth has occurred while making cumulative distributions of \$59.7 million since inception.*

(note the chart reveals the downward trend of equities for the 2001, 2002 and 2008). The fixed income benchmark, Barclays Aggregate Bond index, cumulatively grew to \$997. Based upon our targeted asset allocation of approximately 25% to equities, 65% to fixed-income, and 20% to alternatives (effective March 2014), we compare very favorably to the market performances. Since MPLT is obligated to transfer its interest income to the general revenue of the Commonwealth, it chooses to invest mostly in fixed-income instead of investing solely in equities



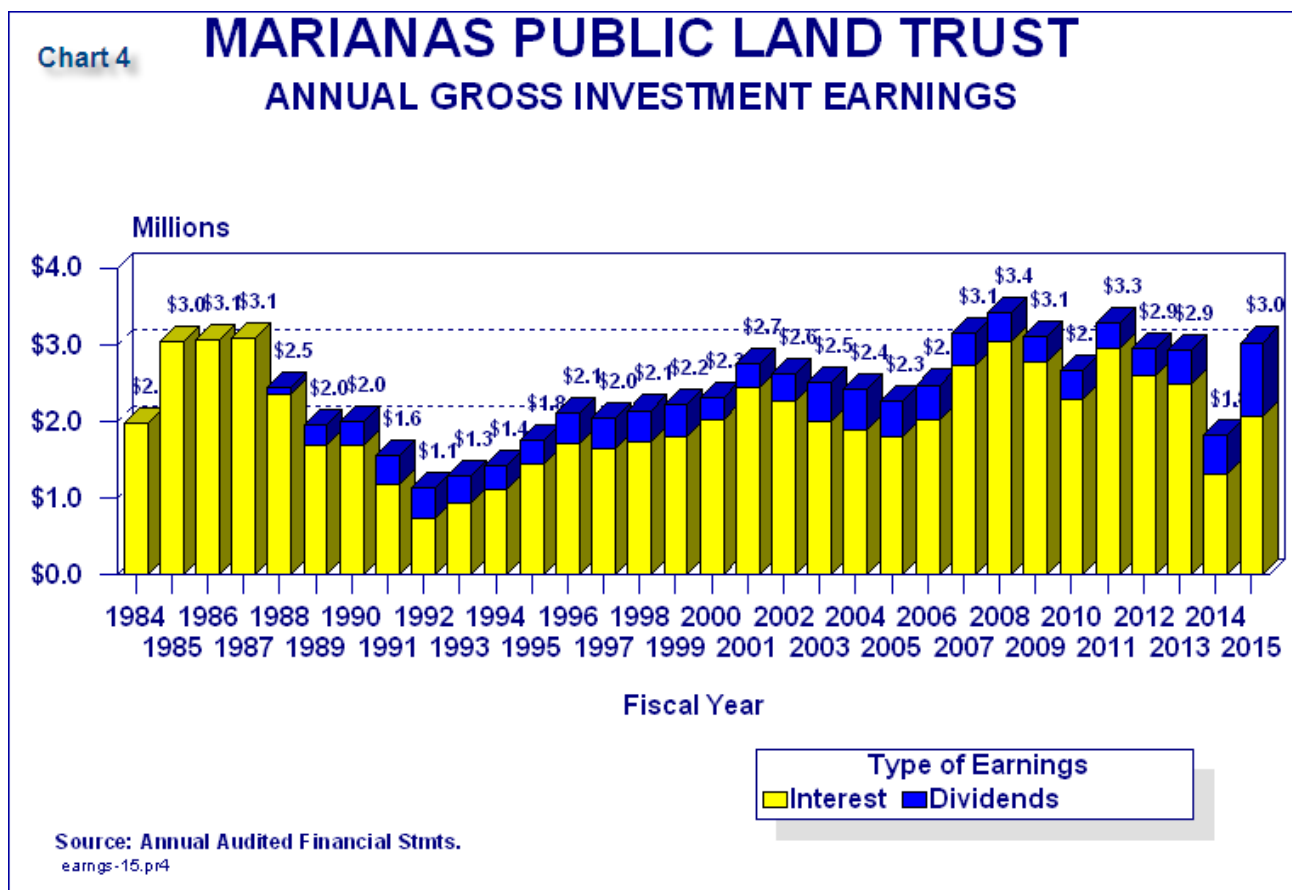
An overview of MPLT's historical returns on investment since its inception, illustrated on the Comparison of Returns on Investment (see chart 2) shows the positive and negative rates of annual rate of return for each year. The average annual return rate for the years 1988 through 2014 was 8.35%, as compared to 1984 through 1987 and a portion of 1988, was 11.6%. This is indicative of the MPLT's money managers performing to meet the 7.50% level expected in MPLT's Investment Policy Statement. Also, professional money management has been able through the equity portfolio to add value and increase the principal fund since 1988.



MPLT has added \$42.4 million to the principal contributions received from MPLC and its successor entities for a 209% gain. This more than doubling of the principal fund has been accomplished during the last twenty-eight years. The Principal Fund Grown Curve (see chart 3) illustrates the increasing investment base derived from capital gains which are allocable to principal and are not subject to distribution. The red portion of the chart represents the original principal contributions received from MPLC, or its successor entities,

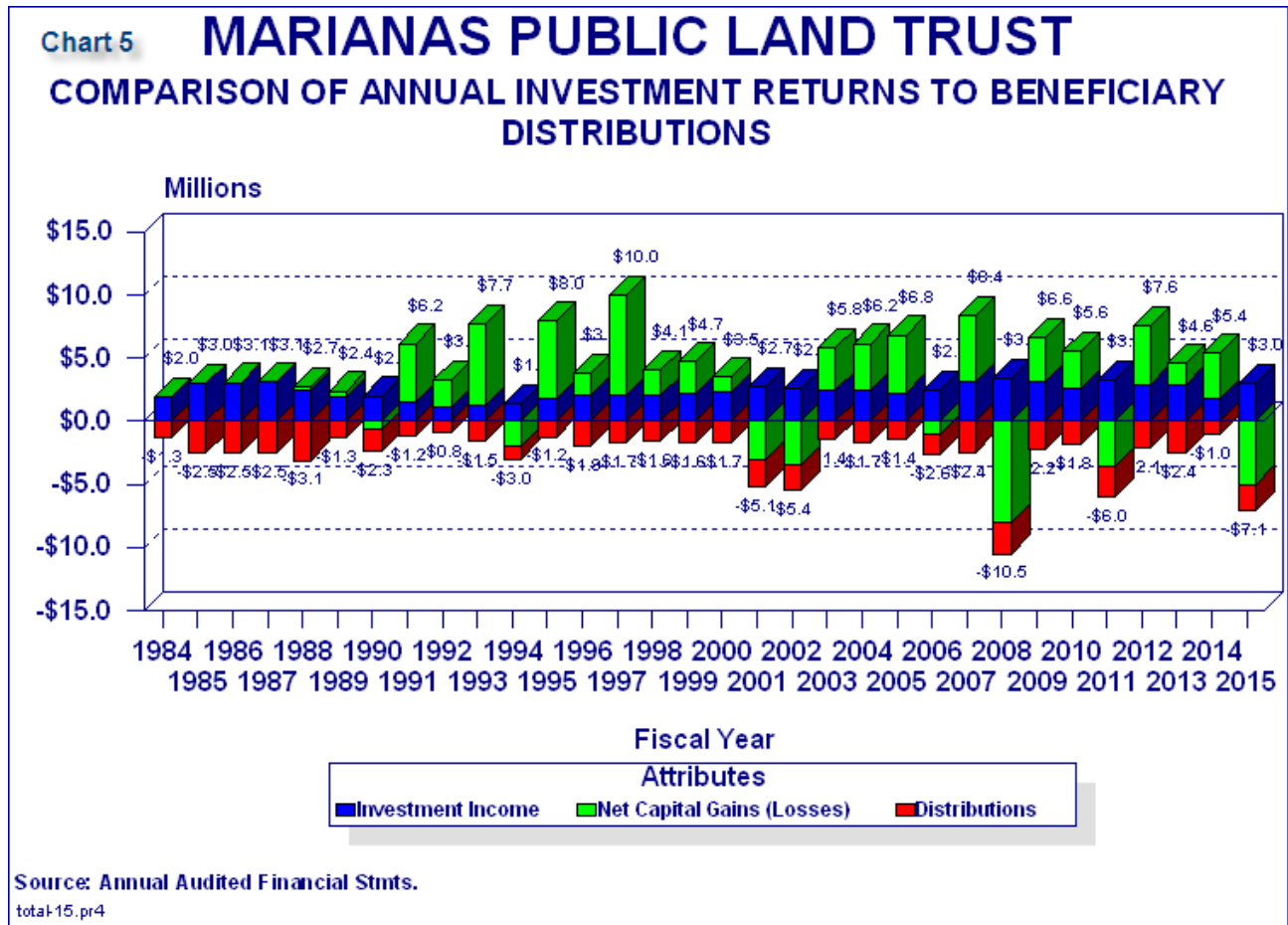
now DPL, while the blue portion is the value added (appreciation) to the portfolio, as a result of MPLT's investment strategy and policy. A further review of chart 3 reveals the loss of value occurring in years 1994, 2001, 2002, 2008, 2011, and 2015. It also demonstrates the recovery occurring in years 1995, 2003, 2005 through 2007, and 2012 through 2015. This is a testament of the investment policy and asset allocation to equities instituted by the Trustees and their investment consultants. Without an equity allocation, MPLT would not have been able to achieve this growth. It also shows that by reducing the equity allocation in favor of current income, MPLT will not be able to sustain this rate of growth as capital gains as a portion of the total revenues will be less.

There are trade-offs between capital appreciation and investment earnings. The Annual Gross Investment Earnings (chart 4) indicates when MPLT started to enjoy larger annual rates of return and increased capital growth, MPLT investment earnings declined. This is to be expected, and to properly analyze performance, all the components of annual return must be considered (investment earnings, i.e., interest and dividends, as well as realized capital gains (losses) and investment appreciation).





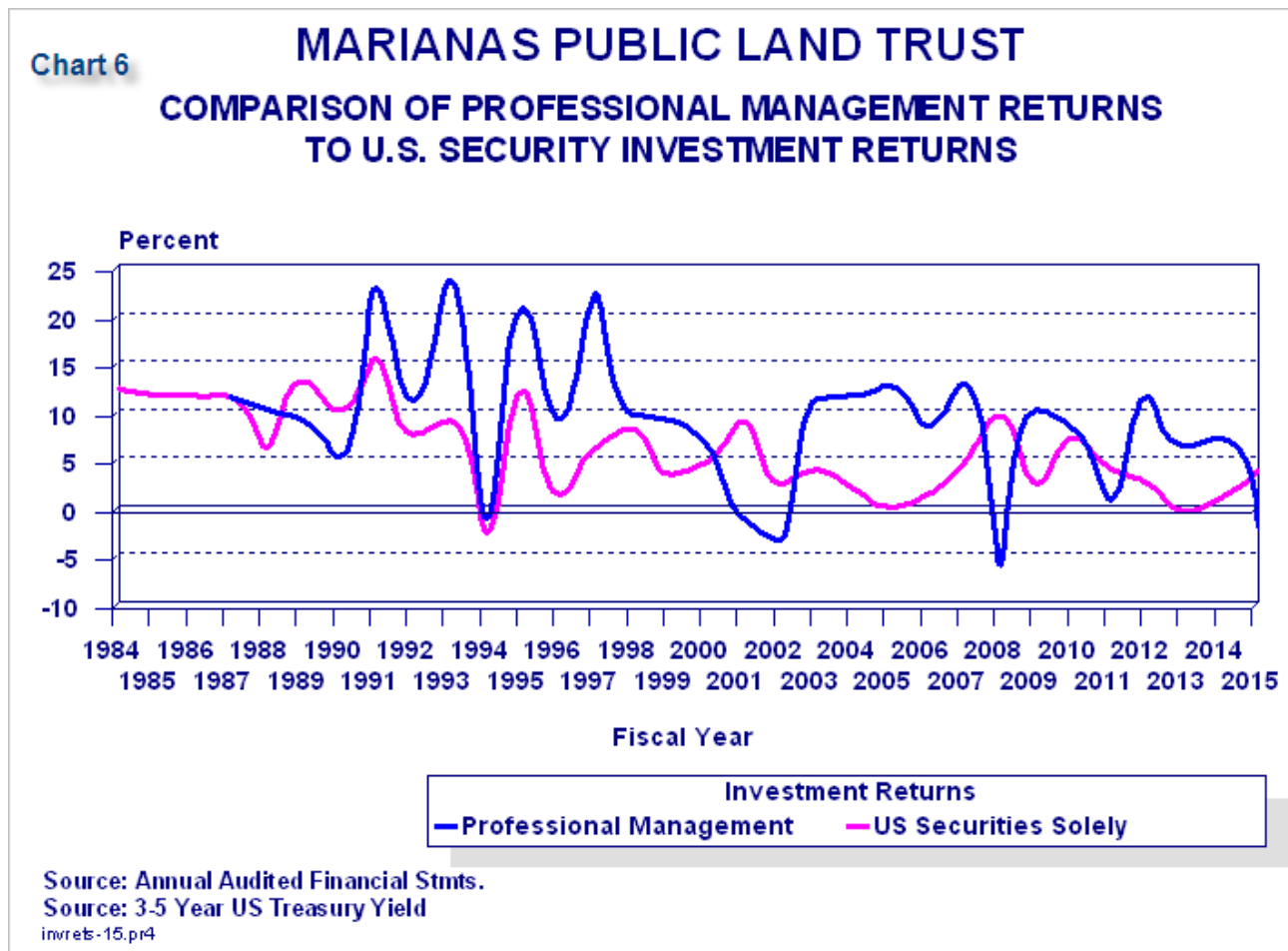
Accordingly, the Comparison of Annual Investment Returns to Beneficiary Distribution (chart 5) illustrates the total annual investment receipts as compared to the annual distributions to beneficiaries, CNMI General Fund and American Memorial Park.



In order to achieve high rates of return and meet the “*uniform prudent investor*” standards, the Trustees through their investment consultant, retains money managers, who are experts in their fields of investment focus for the following asset classes: **Large Cap Value, Large Cap Core, Emerging Markets, High Yield Fixed Income, International Fixed Income, Alternatives, and Core Fixed Income.**

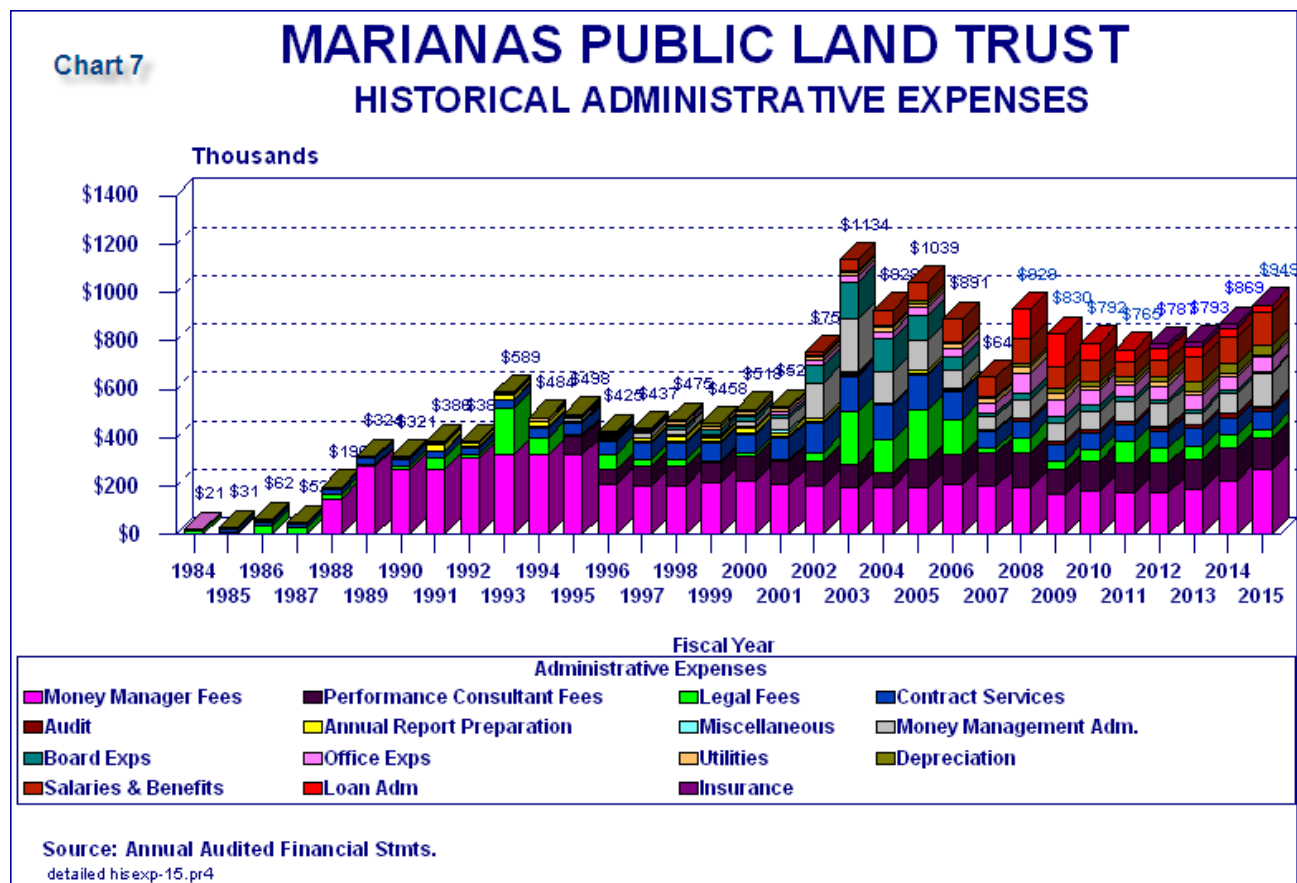
MONEY MANAGERS	ASSET ALLOCATION (of principal resources)	
	GENERAL FUND	PARK FUND
<b>Aristotle Capital Management</b> – large cap value domestic equity money manager; objective is to manage domestic equity assets consistent with the Russell 1000 Value Index and Domestic Large Cap Value Equity peer group.	0% to 20%	10% to 20%
<b>Atalanta Sosnoff Capital Management</b> – core domestic equity manager, objective is to manage domestic equity assets consistent with the Standard & Poors 500 Index and the Domestic Large Cap Core Equity peer group.	0% to 20%	0% to 20%
<b>Lazard</b> – emerging markets money manager; objective is to manage emerging international equity assets consistent with the MSCI EM (net) Index.	0% to 15%	0% to 15%
<b>Garcia Hamilton &amp; Associates</b> – domestic fixed income large core money manager; objective is to manage fixed income assets consistent with the Barclays Aggregate Bond Index.	20% to 40%	20% to 40%
<b>Seix Investment Advisors</b> – high yield bond; objective is to manage high yield bonds consistent with the Barclays HY Bond Index.	0% to 15%	0% to 15%
<b>Templeton Global Bond Fund</b> – foreign bond fund unhedged; objective is to manage foreign bonds consistent with the Citigrp Non USWGovUnHd Index.	0% to 20%	0% to 20%
<b>Tortoise Capital Advisors</b> – master limited partnership (MLP); objective is to manage Non-Traditional/Alternative assets consistent with the Alerian MLP Index and the MLP Universe peer group.	0% to 20%	0% to 20%
<b>CBRE Clarion/Voya</b> – real estate investment trust (REITS); to manage Non-Traditional/Alternative assets consistent with the NAREIT Equity REITS Index and the NAREIT Equity REITS Universe peer group.	0% to 20%	0% to 20%
<b>Diversified Local Investments</b>	0% to 20%	0% to 20%

To illustrate the value and necessity of professional money management as compared to managing the money ourselves, as we did from 1983 until 1988, a graph of the rates of return has been prepared showing the returns of investing solely in U. S. Securities (3 to 5 year U. S. Treasury bonds) compared to MPLT's actual returns during the period of professional management (1988 through 2015). The Comparison of Professional Management Returns to U.S. Security Investment Returns (Chart 6) reveals that, except for 1989, 1990, 2001, 2002, 2008, 2011, and 2015, the yields returned by professional money managers have consistently outperformed those of our prior investment policy when we were limited to investing solely in U. S. Obligations. An average of the annual returns for each of these two options or approaches reveals that the professional money managers yielded 1.6 times more than an investment plan limited to U.S. Obligations solely.



MPLT pay its money managers annually from 25 to 55 basis points (100 basis points equals 1%) of the value of the monies they manage, the incremental annual gain is more than

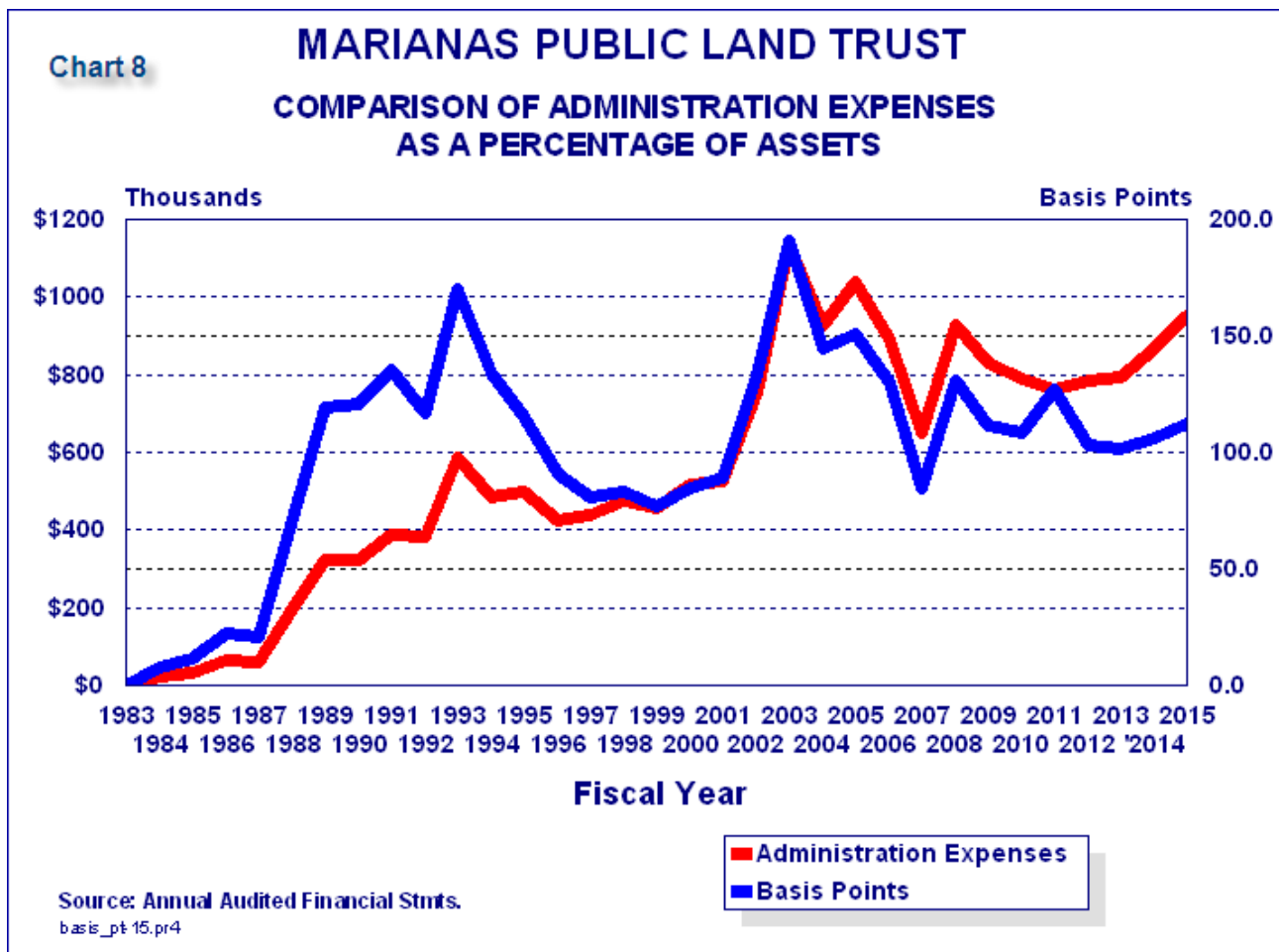
justified. To do otherwise would be a breach of our fiduciary duty and would be contradictory to **modern portfolio theory**.



An analysis of the Historical Administrative Expenses, (chart 7) reveals an update of MPLT historical administrative expenses since inception. As you can see, the 2015 administrative expenses increased by \$79,585 as compared to the amount in 2014, which was due to increases in money management fees, salaries, and money management administration.

Another way of looking at the effectiveness of our investment policies is to compare our administrative expenses each year since inception to the total Trustees assets (using fair market valuation). The Comparison of Administrative Expenses as a Percentage of Assets (chart 8) illustrates the progression and growth of our administrative expenses (red line) over the years, which reached its highest level in 2003. Since then, administrative expenses have been trending down. The blue line of the chart depicts the annual administrative expenses as a percentage of MPLT's total assets. This percentage is expressed in basis points (100 bp equals 1%). This line shows the cost of running MPLT as compared to the growth of our investment program. It is the goal of the Trust to continue the trend of lowering the **rate of administrative expenses** over the coming years in relation to the asset level. Over the past thirty-two years, the Trust has spent

\$18,455,952 for administrative expenses to create \$45,679,478 new assets while at the same time distributing \$62,773,581 to the Commonwealth and the American Memorial Park.





## INVESTMENT POLICY STATEMENT

The MPLT Trustees are *fiduciaries*. Their role is *to provide the essential management of the investment process, without which the other components of the investment plan cannot be defined, implemented or evaluated.*

*The Trustees are responsible for the general management* of MPLT's assets.

Their key tasks are:

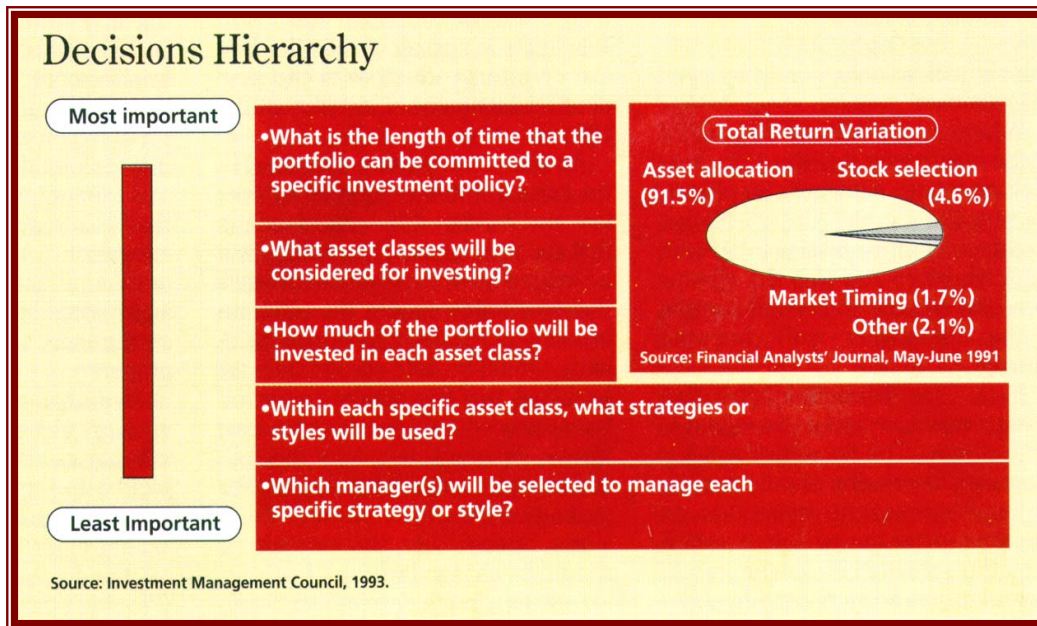
- a) Determining the portfolio's mission and objective;
- b) Choosing an appropriate asset allocation strategy;
- c) Establishing explicit written investment policies consistent with the objectives;
- d) Selecting investment managers to implement the investment policy; and
- e) Monitoring investment results

### **The investment program is defined in the various sections of the IPS by:**

- Stating in a written document the Trustees' attitudes, expectations, objectives and guidelines for the investment of all MPLT assets.
- Setting forth an investment structure for managing all MPLT' assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.
- Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so that all MPLT assets are managed in accordance with stated objectives.
- Encouraging effective communications between the Trustees, the investment consultant and the money managers.
- Establishing formalization criteria to monitor, evaluate, and compare the performance results achieved by the money managers on a regular basis.
- Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact trust assets.

To accomplish these key tasks, the Trustees worked with their professional staffs, attorney, and investment consultants to prepare an Investment Policy Statement (IPS). This helps the Trustees to effectively supervise, monitor, and evaluate MPLT's investment assets. The IPS was prepared based upon considerations by the Trustees of the financial implications of a wide range of policies and describes the prudent investment process which

the Trustees deem appropriate. Studies have been made of the factors or elements of the investment process which affect total return variation. Of these elements, the investment portfolio time horizon and the asset allocation are the most important and have the greatest effect on portfolio returns. The selection of money managers and their stock selections typically have the least impact on return variations. **The Decision's Hierarchy graphic illustrates this reality very well.**



Since 1988, the asset allocation strategy has changed from what can best be described as a “balance” investment focus. Since then, the asset allocation has been amended to replace and add new asset classes in order to increase income from such portfolio. MPLT 2013 Annual Report and prior years provides more detail information on such amendments.

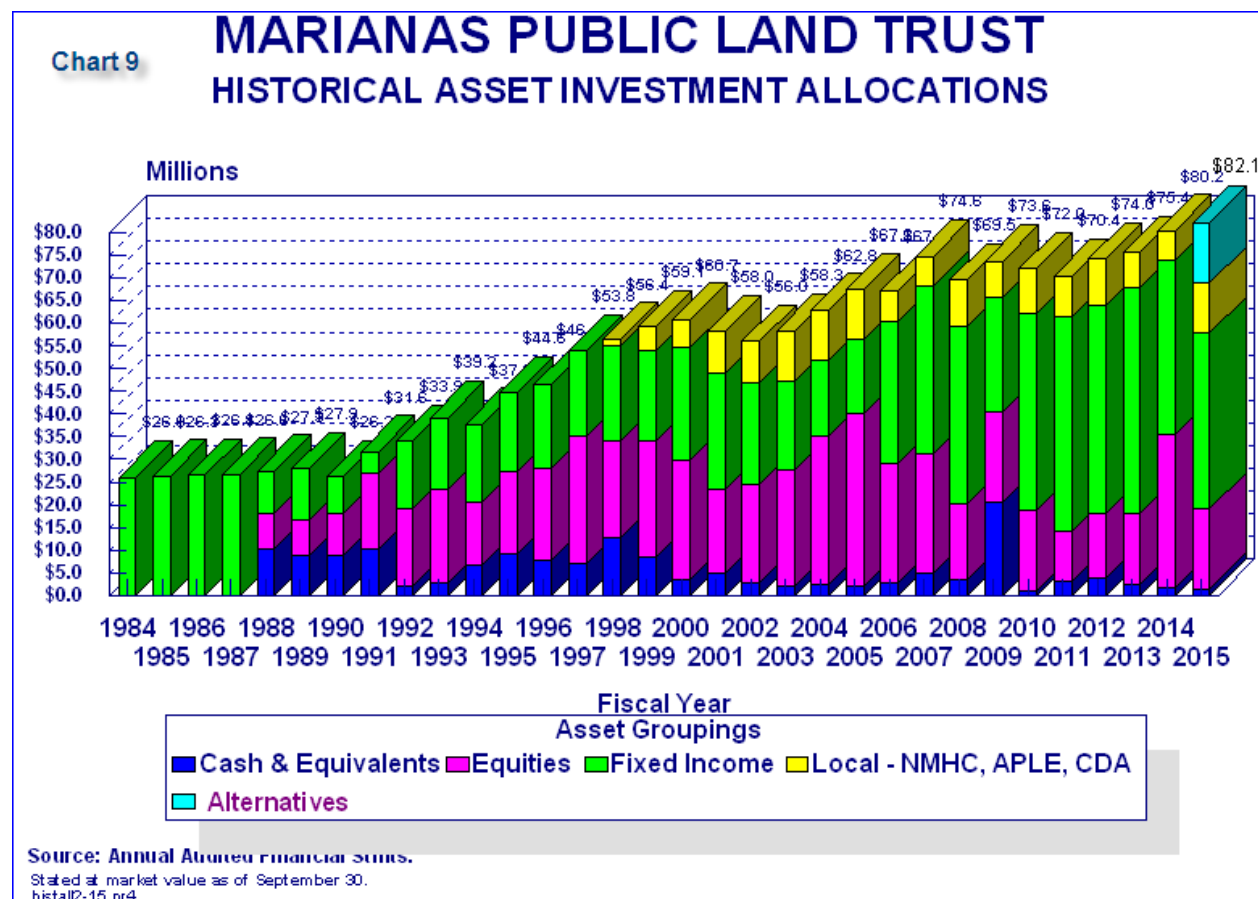
This year (2015), the asset allocation for both the General Fund and the Park Fund was large cap core at 10%, large cap value at 10%, emerging markets at 5%, fixed income at 45%, real estate (reits) at 10%, limited partnerships (mlps) at 10% and local investment at 10%.

The Historical Asset Investment Allocations (chart 9) illustrates MPLT’s asset allocation as reflected in the IPS as of September 30, 2015. It

#### INDUSTRY BEST PRACTICE

One of the most important decisions the fiduciary has to manage is the determination of the time horizon. Based on the time horizon, the fiduciary then can determine which asset classes can be appropriately considered; what the allocation should be between the selected asset classes; whether there should be an allocation made among sub-asset classes; and, finally, which money managers or mutual funds should be retained to manage each asset class.

also shows how the value of the investments has improved since 2002 and its decline in 2010 due to the payment of the “recovered interest” to the CNMI general fund and the loss of value to the portfolio that continued for FY 2011 due to the poor performing equity market, in addition, the loss of MPLT’s investment on the Northern Marianas Housing Corporation (NMHC) on the housing project for person of Northern Marianas descent, and the APLE501, a parent-student scholarship program established on Rota in 2002. These two investments are classified as non-performing.



## CHANGES IN PRINCIPAL FUND BALANCES

TRUST PRINCIPAL	GENERAL FUND	PARK FUND
MPLC, etc. distributions to MPLT	\$36,996,454	\$2,000,000
NMHC interest appropriated to principal	5,209,055	
Net increase (decrease) in net assets:		
FY 1988	145,026	(30,599)
FY 1989	(791,186)	256,014
FY 1990	(659,379)	66,172
FY 1991	1,099,866	193,433
FY 1992	3,323,619	564,709
FY 1993	2,036,236	245,330
FY 1994	1,422,710	427,715
FY 1995	4,729,962	1,040,133
FY 1996	3,583,364	156,938
FY 1997	7,008,118	1,353,347
FY 1998	1,764,253	219,979
FY 1999	2,155,083	684,403
FY 2000	1,054,744	204,038
FY 2001	(2,677,203)	(243,638)
FY 2002	(3,055,198)	(502,754)
FY 2003	2,955,539	367,771
FY 2004	3,396,385	143,775
FY 2005	4,156,017	278,565
FY 2006	(1,221,013)	178,242
FY 2007	4,742,997	572,512
FY 2008	(7,182,246)	(821,534)
FY 2008 NMHC restatement	(4,100,000)	-
FY 2009	3,220,183	360,171
FY 2010	2,633,849	307,424
FY 2011	(3,347,697)	(272,104)
FY 2012	3,984,081	679,855
FY 2013	1,750,856	94,163
FY 2014	3,048,420	476,658
FY 2015	<u>(4,393,883)</u>	<u>(586,325)</u>
TOTAL	<u>\$72,989,012</u>	<u>\$8,414,391</u>

## FINANCIAL BENEFITS

The financial benefits provided to the Commonwealth by the Trust consist of direct distribution of income and capital growth to its investment portfolio. The equity market for 2015 did not add value to the portfolio due to decreased equity valuations. The S&P 500 and Russell 1000 combined yielded **-2.53%** for the year but MPLT's return was **-.61%** on its large cap core equities. The emerging markets equities returned **-24.9%**, below their MSCI Emerging Markets benchmark of **-19.3%**.

The domestic fixed income core and high yield provided a total return of 3.29% with the international fixed income providing a return of **-7.68%**.

The domestic local investment provided a total return of 1.24%

<i>American Memorial Park Development Projects</i>	
<i>FY 1991 – 2014</i>	
1. Tennis Courts	\$242,770
2. 400 Meter Track	15,000
3. Grandstand	2,200
4. Bike Path	47,750
5. American Memorial Pavilion	603,362
6. Park Maintenance	1,289,154
7. AMP World War II Memorial	493,248
8. Parking Lot and Paving	165,601
9. Concession Room and Other Facilities	76,741
10. AMP Underground Utilities	142,927
11. AMP Mall Landscaping	139,068
12. Engineering, Survey & Mapping Services	15,000
13. Schematic Master Plan	13,435
14. Lighting Bike/Jogging Trail	62,800
15. A&E for the Cultural/Visitors Center & Memorial Gardens	65,000
16. Tennis Courts – upgrades	375,711
17. Debt service on CDA/AMP loan for Cultural/Visitors Center & Memorial Gardens	<u>2,540,722</u>
Total:	<u>\$ 6,290,489</u>
FIG: AMP-1	

Due to this market for 2015, the Trust was only able to add a net of \$19,791 to its principal even though \$5 million was received as a corpus contribution from DPL. MPLT's 2015 General Fund distribution was \$1,862,401, which yields a total of \$56,483,092 being given over to the Commonwealth General Fund since inception (see figure GF/AMP 2). Also, the Park Fund made distributions of \$224,944 for the debt service on the Commonwealth Development Authority and American Memorial Park (CDA/AMP) loan. This makes a total of \$6,290,489, which has been distributed to fund projects at the American Memorial Park (see figure AMP-1).



# GROSS PUBLIC LAND LEASE REVENUES FLOWCHART

## PUBLIC LANDS REVENUES Received by MPLC, MPLA & DPL.

### LESS EXPENSES of ADMINISTRATION

(general and administration, homestead program and comprehensive master planning)

### EQUALS NET DISTRIBUTION TO MPLT from MPLC, et. al.

**\$38,996,454**

#### **GENERAL FUND PRINCIPAL INVESTED**

\$36,996,454

#### **PARK FUND PRINCIPAL INVESTED**

\$2,000,000

#### **INVESTMENT INCOME**

### LESS EXPENSES OF ADMINISTRATION

(money management fees, professional fees, contractual services, etc)

#### **Income Distributed to CNMI General Fund**

#### **Distributable Net Income \$6,065,545**

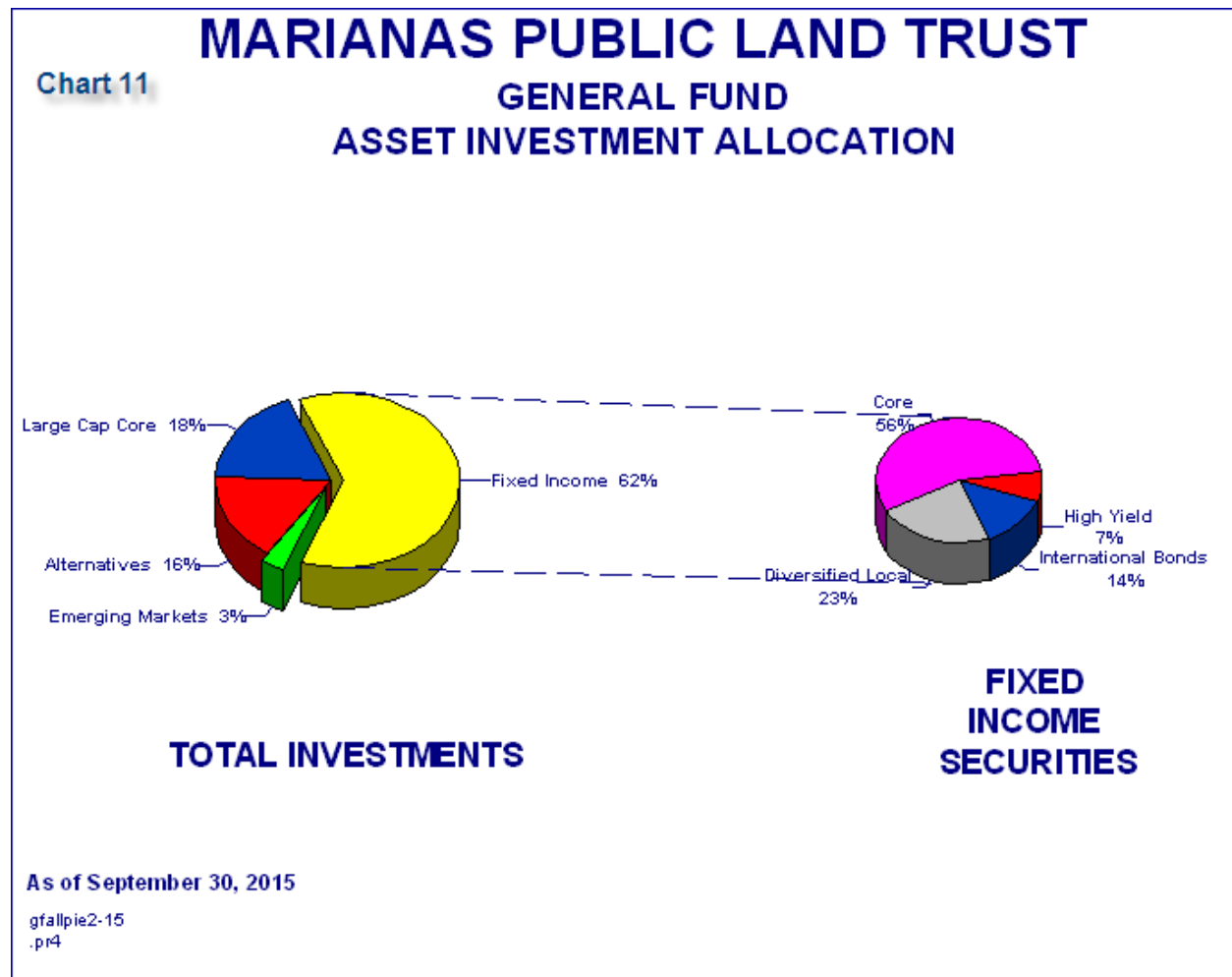
FY 1984	\$1,348,293		
FY 1985	2,495,638		
FY 1986	2,507,825		
FY 1987	2,543,529		
FY 1988	3,098,924		
FY 1989	1,349,138		
FY 1990	1,721,670		
FY 1991	1,032,690	FY 1991	\$171,248
FY 1992	707,863	FY 1992	140,160
FY 1993	534,953	FY 1993	973,825
FY 1994	763,298	FY 1994	294,410
FY 1995	1,191,602	FY 1995	28,853
FY 1996	1,560,522	FY 1996	376,219
FY 1997	1,461,200	FY 1997	201,437
FY 1998	1,420,000	FY 1998	164,868
FY 1999	1,566,931	FY 1999	82,110
FY 2000	1,600,594	FY 2000	148,335
FY 2001	1,982,714	FY 2001	95,321
FY 2002	1,690,569	FY 2002	269,855
FY 2003	1,206,139	FY 2003	165,294
FY 2004	1,308,788	FY 2004	387,119
FY 2005	1,064,661	FY 2005	294,713
FY 2006	1,379,989	FY 2006	274,075
FY 2007	2,228,048	FY 2007	208,917
FY 2008	2,219,596	FY 2008	218,572
FY 2008 Restatement	4,100,000		----
FY 2009	2,013,563	FY 2009	219,768

FY 2010	1,625,996	FY 2010	206,489
FY 2011	2,248,926	FY 2011	208,955
FY 2012	1,894,921	FY 2012	251,461
FY 2013	1,908,000	FY 2013	540,130
FY 2014	844,111	FY 2014	143,411
FY 2015	1,862,401	FY 2015	224,944
<b>Total:</b>	<b><u>\$56,483,092</u></b>		<b><u>\$6,290,489</u></b>
		Total income Available for Future Distribution	<b>\$0</b>

**FY 2015 FINANCIAL SUMMARY**  
**GENERAL FUND**

The Investment Policy Statement asset allocation for 2015 maintained a broad asset allocation of 25% to equities, 55% to fixed income, and 20% to alternatives. This approach maintains current income while keeping an option to grow the principal investment base. The current asset allocation is reflected in the General Fund Asset Investment Allocation (chart 11).

The overall asset investment base for 2015 was \$73,224,635, increasing by \$2,248,747 from the 2014 amount.



## GENERAL FUND CURRENT ASSET ALLOCATION

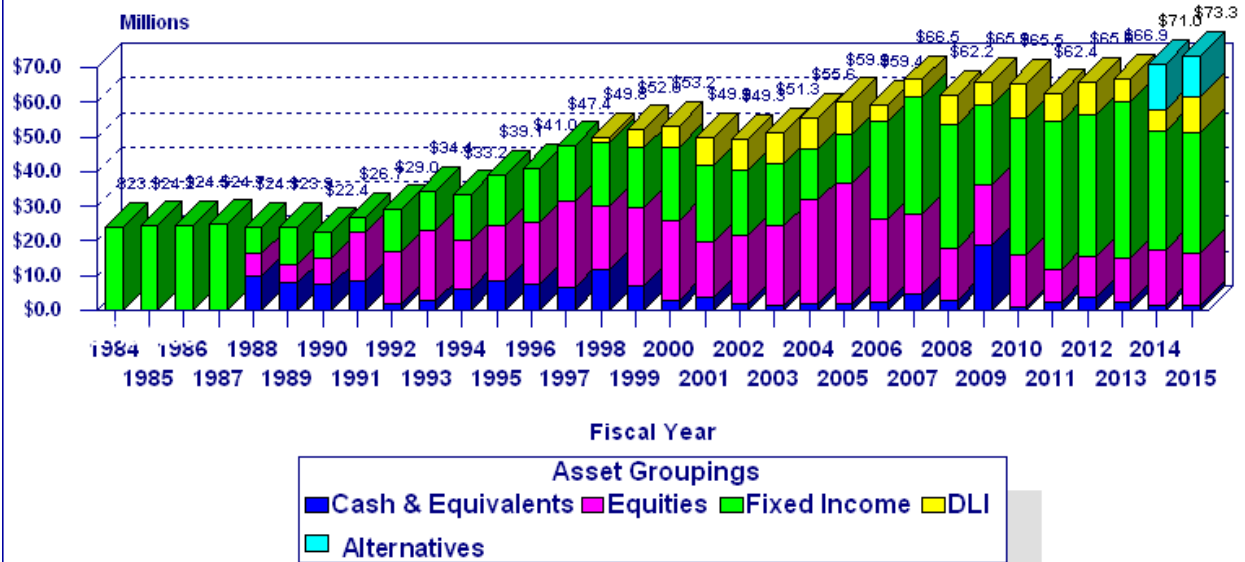
Asset Allocation	Strategic Allocation	Total Fund	Percentage Difference
Domestic Equity – Large Cap Core and Large Value	20%	18.4%	-1.6%
Non-U.S. Equities: Emerging Markets	5%	3.4%	-1.6%
Domestic Fixed Income Core	30%	34.6%	4.6%
High Yield	5%	4.6%	-.4%
DLI	10%	14.2%	4.2%
International Bonds	10%	8.7%	-1.3%
Alternatives	20%	16.1%	-3.9%
Total Allocation	100%	100%	0%

## General Fund's Investment Returns

Investment Earnings	\$2,717,930
Realized Capital Gains	(4,586,105)
Unrealized Capital Gains	<u>192,209</u>
Total Return	<u><u>\$(1,675,966)</u></u>
Return on Investments	<u><u>(2.17)%</u></u>

Chart 12

# **MARIANAS PUBLIC LAND TRUST** **GENERAL FUND** **HISTORICAL ASSET INVESTMENT ALLOCATIONS**



Source: Annual Audited Financial Stmts.

Stated at market value as of September 30.

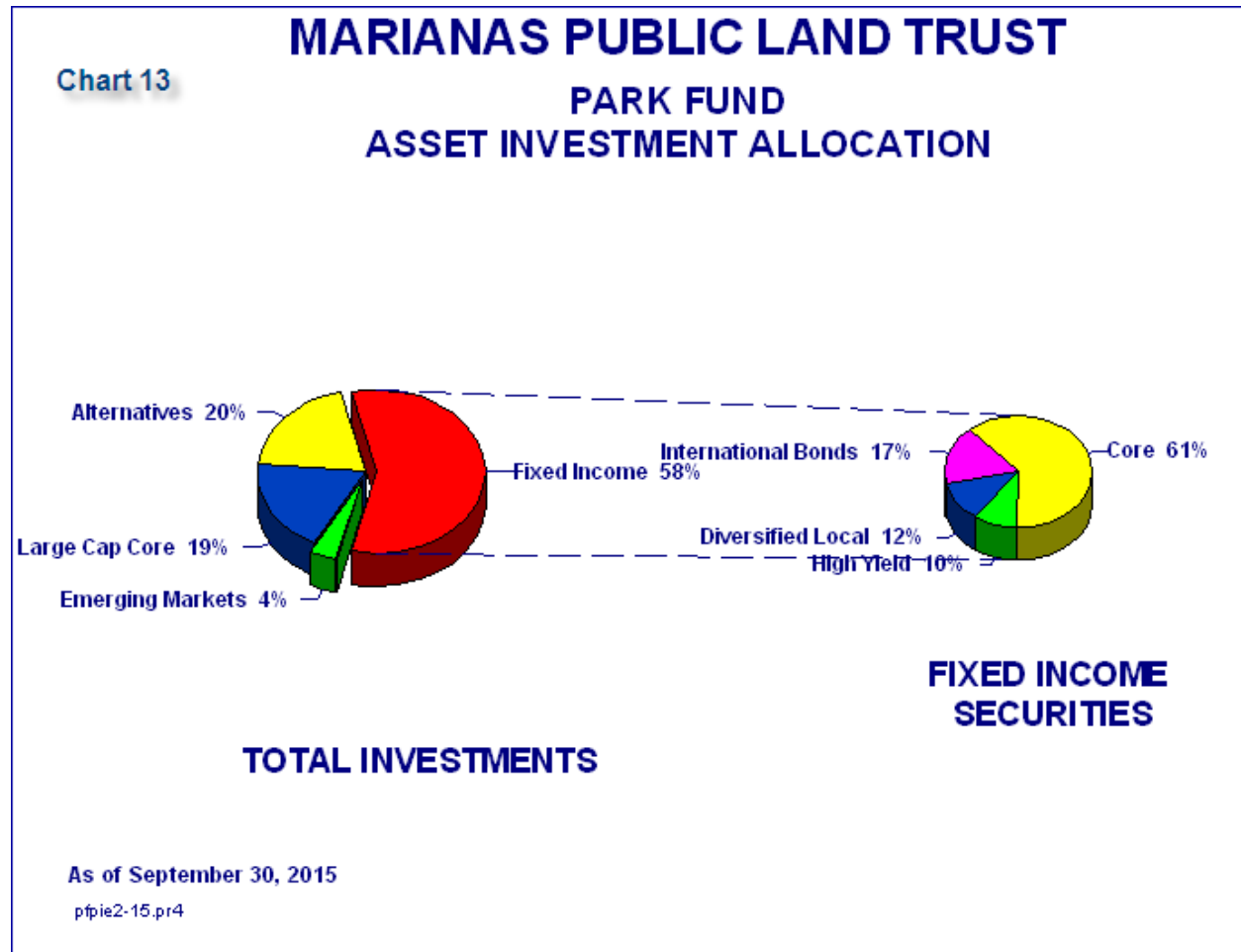
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**FY 2015 FINANCIAL SUMMARY**  
**AMERICAN MEMORIAL PARK**

The Investment Policy Statement asset allocation for 2015 is same as the General Fund. This allocation will provide sufficient income to support the increased debt service on the Commonwealth Development Authority (CDA) and American Memorial Park (AMP) loan. While this approach provides current income, it also enhances the option to grow the principal investment base. The current asset allocation is reflected in the Park Fund Asset Investment Allocation (chart 13).

The overall asset investment base for 2015 was \$8,407,138 resulting in an decrease of \$517,035 from the 2014 amount.



## AMERICAN MEMORIAL PARK CURRENT ASSET ALLOCATIONS

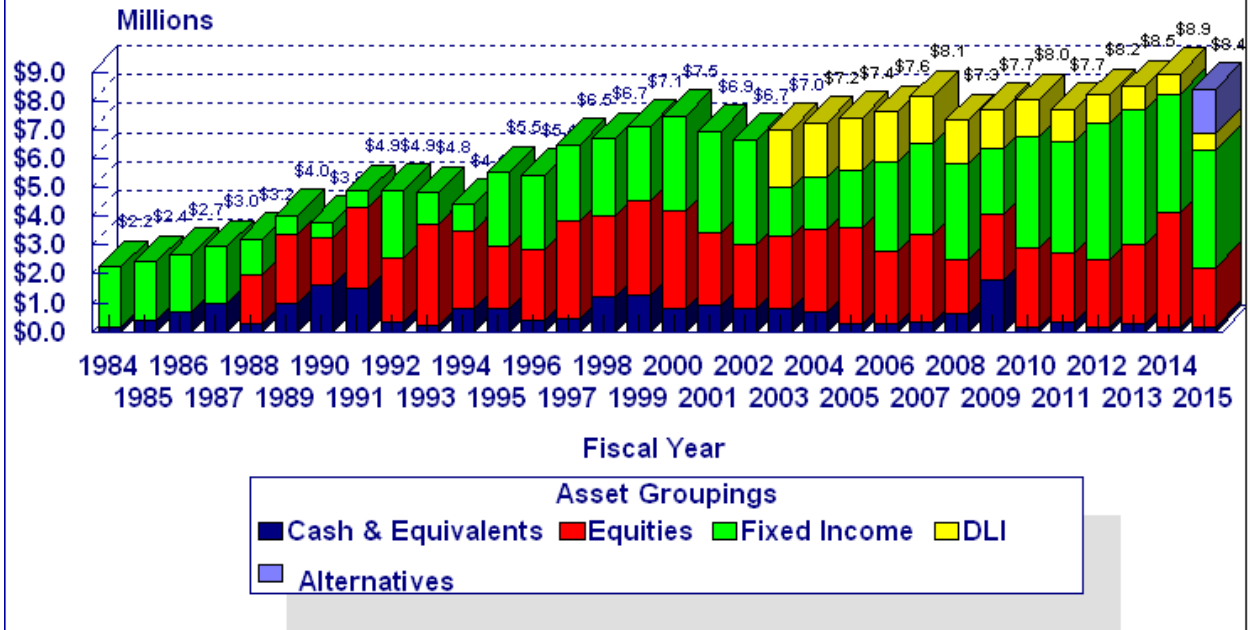
Asset Allocation	Strategic Allocation	Total Fund	Percentage Difference
<b>Domestic Equity – Large Cap Core</b>	<b>20%</b>	<b>21.4%</b>	<b>1.4%</b>
<b>Non-U.S. Equities:</b> Emerging Markets	<b>5%</b>	<b>3.9%</b>	<b>-1.1%</b>
<b>Domestic Fixed Income</b>			
Core & Local Loans	<b>30%</b>	<b>33.9%</b>	<b>3.9%</b>
High Yield	<b>5%</b>	<b>5.4%</b>	<b>0.4%</b>
DLI	<b>10%</b>	<b>7.4%</b>	<b>-2.6%</b>
<b>International Bonds</b>	<b>10%</b>	<b>9.2%</b>	<b>-0.8%</b>
<b>Alternatives</b>	<b>20%</b>	<b>18.8%</b>	<b>-1.2%</b>
<b>Total Allocation</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>

## Park Fund's Investment Return

<b>Investment Earnings</b>	<b>\$318,497</b>
<b>Realized Capital Gains</b>	<b>(622,523)</b>
<b>Unrealized Capital Gains</b>	<b><u>36,196</u></b>
<b>Total Return</b>	<b><u>\$(267,830)</u></b>
<b>Return on Investments</b>	<b><u>(3.12)%</u></b>

Chart 14

# **MARIANAS PUBLIC LAND TRUST** **PARK FUND** **HISTORICAL ASSET INVESTMENT ALLOCATIONS**



Source: Annual Audited Financial Stmts.  
 Stated at market value as of September 30.  
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## FIDUCIARY DUTY and PRUDENT PROCESS

The Northern Mariana Islands Constitution requires the Trustees to “**...make reasonable, careful and prudent investments**” and holds them to “**...strict standards of fiduciary care**”.

### PRIMARY DUTY of the FIDUCIARY

To *manage* a prudent investment process, without which the components of an investment plan cannot be defined, implemented, or evaluated. Statutes, case law, and regulatory opinion letters dealing with investment fiduciary responsibility further reinforce this important concept.

In adhering to such practices, the Trustees works with their key staff, professional consultants and attorney in the exercise of their fiduciary responsibilities. As a fiduciary, the Trustees have personal liability for their acts if they do not meet the concepts of the **Prudent Process**.

Fiduciary liability is not determined by investment performance, but rather by the failure to apply “**prudent investment practices**”.

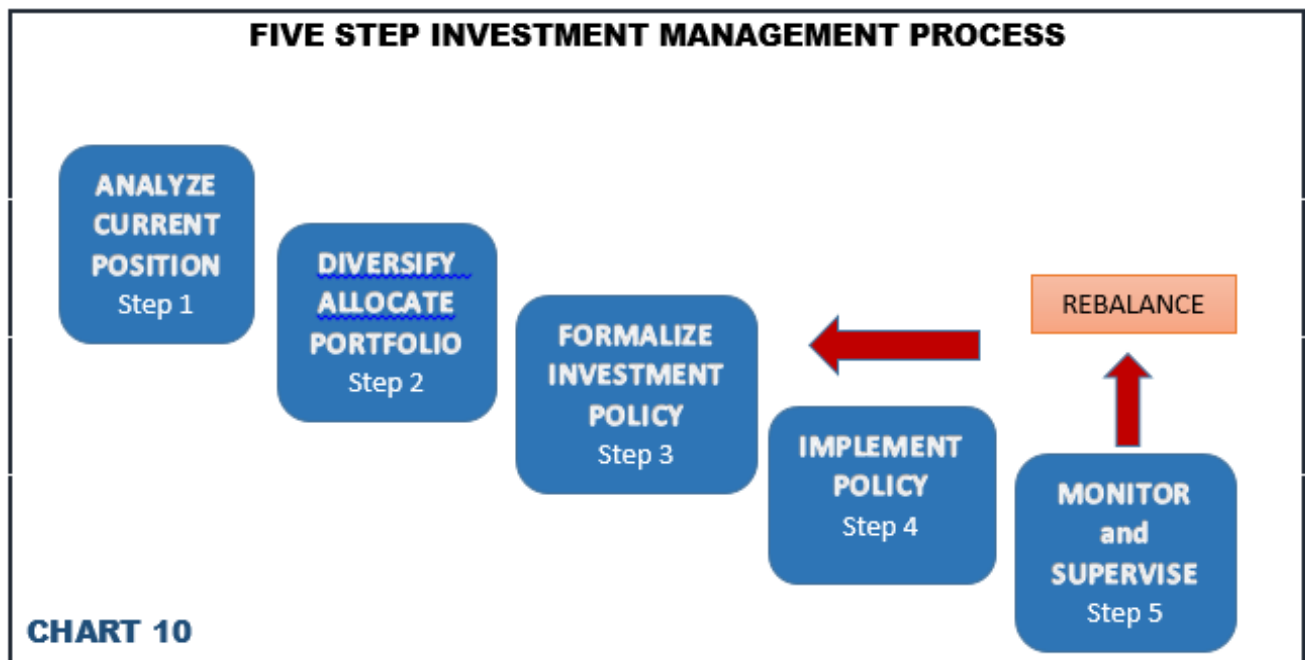
The Trustees, through their fiduciary studies and trainings of the application of

these **Practices** helps them to manage and make prudent investment decisions for the Trust.

The **Prudent Process** is described through the **Five Step Investment Management Process** as shown in Chart 10. The **Uniform Fiduciary Standards of Care** are legislated standards that when applied with the Five Step Investment Management Process frames the **Prudent Investment Process**.

### Safe Harbor Rules

1. Use prudent experts to make the Investment decisions.
2. Demonstrate that the prudent expert was selected by following a due diligence process.
3. Give the prudent expert discretion over the assets.
4. Have the prudent expert acknowledge their co-fiduciary status.
5. Monitor the activities of the prudent expert to ensure that the expert is performing the agreed upon tasks.



A further discussion of the **Practices** is as follows:

### **Step 1 - Analyze Current Position**

Investments are managed in accordance with applicable laws, trust documents, and written policy statements.

- Fiduciaries are aware of their duties and responsibilities.
- Fiduciaries and parties in interest are not involved in self-dealing.
- Service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards of care.
- There is documentation to show timing and distribution of cash flows and the payment of liabilities.
- Assets are within the jurisdiction of U.S. courts, and are protected from theft and embezzlement.

#### **INDUSTRY BEST PRACTICE**

The following documents, at a minimum, should be collected, reviewed, and analyzed:

- A copy of the Investment Policy Statement (IPS), written
- Meeting minutes, and/or files from investment committee meetings.
- Applicable trust documents.
- Custodial and brokerage agreements.
- Service agreements with investment management vendors.
- Information on retained money managers; specifically the ADV for each separate account manager and prospectus for each mutual fund.
- Investment performance reports from money managers, custodian, and/or consultant.

## **Step 2 – Diversity - Allocate Portfolio**

- A risk level has been identified.
- An expected, modeled return to meet investment objectives has been identified.
- An investment time horizon has been identified.
- Selected asset classes are consistent with the identified risk, return, and time horizon.
- The number of asset classes is consistent with portfolio size.

### **INDUSTRY BEST PRACTICE**

If a fiduciary even thinks he or she may have a conflict of interest – they probably do. The best advice is end it, or avoid it. It's that simple. An excellent question every fiduciary should ask before deciding or voting on an investment issue is: ***Who benefits from this decision?*** If the answer is any party other than the client, participant, and/or the beneficiary, the likelihood is the fiduciary is about to breach his or her duties.

## **Step 3 - Formalize Investment Policy**

- There is detail to implement a specific investment strategy.
- The investment policy statement defines the duties and responsibilities of all parties involved.
- The investment policy statement defines diversification and rebalancing guidelines.
- The investment policy statement defines due diligence criteria for selecting investment options.
- The investment policy statement defines monitoring criteria for investment options and service vendors.
- The investment policy statement defines procedures for controlling and accounting for investment expenses.
- The investment policy statement defines appropriately structured, socially responsible investment strategies (when applicable).

### **INDUSTRY BEST PRACTICES**

Rebalancing is inherent to the element of diversification, where the goal is to create a portfolio that balances appropriate levels of risk and return. That balance, once achieved, only can be maintained by periodically rebalancing the portfolio to maintain the appropriate diversification.

The rebalancing limits define the points when a portfolio should be reallocated to bring it back in line with the established asset allocation target. The discipline of rebalancing, in essence, controls risk and forces the portfolio to move along a predetermined course. It takes gains from stellar performers or favored asset classes, and reallocates them to lagging styles, without attempting to time the market.



#### **Step 4 - Implement Policy**

- The investment strategy is implemented in compliance with the required level of prudence.
- The fiduciary is following applicable “Safe Harbor” provisions (when elected).
- Investment vehicles are appropriate for the portfolio size.
- A due diligence process is followed in selecting service providers, including the custodian.

##### **INDUSTRY BEST PRACTICE**

Simply stated, an investment strategy can fail by being too conservative or too aggressive. A fiduciary could adopt a very safe investment strategy by keeping a portfolio in cash, but then see the portfolio's purchasing power whither under inflation. Or, a fiduciary could implement a long-term growth strategy that overexposes a portfolio to equities, when a more conservative fixed-income strategy would have been sufficient to cover the identified goals and objectives.

#### **Step 5 - Monitor and Supervise**

- Periodic reports compare investment performance against an appropriate index, peer group, and IPS objectives.
- Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.
- Control procedures are in place to periodically review policies for best execution, soft dollars, and proxy voting.
- Fees for investment management are consistent with agreements and with the law.
- “Finder’s fees,” 12b-1 fees, or other forms of compensation that have been paid for asset placements are appropriately applied, utilized, and documented.

##### **INDUSTRY BEST PRACTICE**

The acronym **TREAT** helps define the key fiduciary inputs to the asset allocation strategy.

**T** Tax Status

**R** Risk Level

**E** Expected Return

**A** Asset Class Preference

**T** Time Horizon

We are currently performing step 5 of the investment process, in particular, performing rebalancing. The process of rebalancing of the portfolio realigns it back to the strategic asset allocation formalized in the IPS. The asset mix will change as a result of rising values in the portfolio. Rebalancing controls risk and force the portfolio to move along a predetermined course. It is through this overall procedural process that the Trust maintains its financial integrity.

## INDUSTRY BEST PRACTICE

The fiduciary should establish performance objectives for each investment decision-maker, and/or money manager, and record the same in the investment policy statement. Investment performance should be evaluated in terms of an appropriate market index, and the relevant peer group.

The investment policy statement also should describe the actions to be taken when an investment decision-maker fails to meet the established criteria. The fiduciary should acknowledge that fluctuating rates of return characterize the securities markets, and may cause variations in performance. The fiduciary should evaluate performance from a long-term perspective, ordinarily defined as two-to-three years.

There often will be times when a money manager is beginning to exhibit shortfalls in the defined performance objectives but, in the opinion of the fiduciary, does not warrant termination. In such situations, the fiduciary should establish in the investment policy statement specific **Watch List** procedures. The decision to retain or terminate a manager cannot be made by a formula. It is the fiduciary's confidence in the money manager's ability to perform in the future that ultimately determines the retention of a money manager.

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The references used in this section of the 2013 Annual Report were taken from the Prudent Investment Practices, A Handbook for Investment Fiduciaries, written and published by the Foundation for Fiduciary Studies, [www.cfstudies.com](http://www.cfstudies.com), © 2003 Foundation for Fiduciary Studies.

Due to the technical nature of professional investing, the Board of Trustees and staff must maintain a level of proficiency in the technical concepts of investing and money management. The following are the money management activities and seminars attended in 2015.

DATES	CONFERENCE	ATTENDEES	LOCATION
October 2014	Annual IFEBP	Maria T. Pangelinan, Trustee Martin B. Ada, Trustee Barbara Reyes, AIF®, Administrator	Boston, MA
November 2014	APAFS	Melchor J. Mendiola, AIF®, Trustee Peter Q. Cruz, Trustee Martin B. Ada, Trustee Barbara Reyes, Administrator Lillian C. Leon Guerrero, Admin. Assistant	Makati Philippines
March 2015	Investment Institute	Pedro R. Deleon Guerrero, Trustee Maria T. Pangelinan, Trustee Martin B. Ada	Rancho Mirage, CA
March 2015	Fi360 Annual Conference	Pedro R. Deleon Guerrero, Trustee Martin B. Ada, Trustee Peter Q. Cruz, AIF®, Trustee Barbara Reyes, AIF®, Administrator	Orlando, FL
May 2014	Wharton Alternative Investment Strategies	Maria T. Pangelinan, Trustee Pedro R. Deleon Guerrero, Trustee Martin B. Ada, Trustee	San Francisco, CA

## STAFF



**Barbara Reyes, AIF®**  
Administrator



**Lillian C. Leon Guerrero**  
Administrative Assistant



**Vicente C. Santos**  
Property Maintenance

## Consultants and Legal Services



**Bruce M. MacMillan**  
Board Consultant



**Robert T. Torres**  
Legal Counsel



**PORTFOLIO INVESTMENT CONSULTANT**  
MORGAN STANLEY SMITH BARNEY (MSSB)

The Trustees solicit professional services for the management of its assets, the development and maintenance of a dynamic investment policy, the supervision and evaluation of investment managers, as well as auditing and asset custodial services.

The Money Managers, selected by the Trustees, have sole responsibility for

purchase and sale decisions for all investments under their control. Should any manager fail to meet the goals or stay within the guidelines of the Trust's investment policy, the trustees may initiate proceedings to determine the desirability of retaining the manager.

The Consultant is responsible for providing ongoing assistance to the Trustees in the supervision, retention and termination of the investment managers, the maintenance and updating of the investment policy, asset allocation decisions and other matters involving the investment of assets. From 1988 through 1994, Merrill Lynch acted as the Trust's investment consultant. Commencing March 1, 1995, Altamira Capital Corporation was retained to replace Merrill Lynch as investment consultant. On February 18, 2004 the Trust hired Morgan Stanley Smith Barney to replace Altamira Capital. MSSB is the current portfolio consultant.

The Custodian of the funds is responsible for safekeeping all securities and cash, accounting for all cash flow and providing monthly statements. Effective with the hiring of Morgan Stanley Smith Barney in February 2004, Smith Barney Citigroup became the custodian. Prior to this time, BNY Western Trust Company (a subsidiary of the Bank of New York) had been serving as custodian for all of the Trust's funds. The Board of Trustees has also retained seven discretionary money management firms to manage the Trust's investment portfolios – see above (stated at fair market value).



MONEY MANAGER	AMOUNT OF ASSETS UNDER MANAGEMENT	
	GENERAL FUND	PARK FUND
<b>Aristotle Capital Management</b> – large cap value domestic equity money manager; objective is to manage domestic equity assets consistent with the Russell 1000 Value Index and Domestic Large Cap Value Equity peer group.	\$6,803,361	\$915,443
<b>Atalanta Sosnoff Capital Management</b> - core domestic equity manager, objective is to manage domestic equity assets consistent with the Standard & Poors 500 Index and the Domestic Large Cap Core Equity peer group.	\$6,693,821	\$901,457
<b>Lazard</b> – emerging markets money manager; objective is to manage emerging international equity assets consistent with the MSCI EM (net) Index.	\$2,461,451	\$331,434
<b>Garcia Hamilton &amp; Associates</b> – domestic fixed income “core” money manager; objective is to manage fixed income assets consistent with the Lehman Aggregate Bond Index.	\$25,243,774	\$ 2,865,970
<b>Seix Investment Advisors</b> – high yield bond; objective is to manage high yield bonds consistent with the Barclays HY Bond Index.	\$3,360,107	\$452,850
<b>Templeton Global</b> – foreign bond fund unhedged; objective is to manage foreign bonds consistent with the CitigrpNon USWGovUnHd Index.	\$6,366,427	\$786,545
<b>Tortoise Capital Advisors</b> – master limited partnership (MLP); objective is to manage Non-Traditional/Alternative assets consistent with the Alerian MLP Index and the MLP Universe peer group.	\$4,545,431	\$611,742
<b>CBRE Clarion/Voya</b> – real estate investment trust (REITS); to manage Non-Traditional/Alternative assets consistent with the NAREIT Equity REITS Index and the NAREIT Equity REITS Universe peer group.	\$7,295,656	\$986,783
<b>Local Investments</b>	<u>\$10,454,607</u>	<u>\$554,914</u>
<b>GRAND TOTALS</b>	<u>\$ 73,224,635</u>	<u>\$8,407,138</u>

# MARIANAS PUBLIC LAND TRUST

## FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT

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Year Ended  
September 30, 2015

*Financial Statements and  
Supplementary Information*

**Marianas Public Land Trust**

(A Component Unit of the Commonwealth of the  
Northern Mariana Islands)

*Years ended September 30, 2015 and 2014  
with Report of Independent Auditors*



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

Financial Statements and  
Supplementary Information

Years ended September 30, 2015 and 2014

**Contents**

Report of Independent Auditors .....	1
Management's Discussion and Analysis.....	4
Audited Basic Financial Statements	
Statements of Net Position .....	13
Statements of Revenues, Expenses and Changes in Net Position .....	14
Statements of Cash Flows .....	15
Notes to Financial Statements.....	17
Supplementary Information	
Combining Statement of Net Position.....	33
Combining Statement of Revenues, Expenses and Changes in Net Position .....	34
Combining Statement of Cash Flows .....	35
Schedule of Investments – General Fund .....	37
Schedule of Investments – Park Fund .....	45
Schedule of Administrative Expenses Compared to Budget .....	53



Ernst & Young (CNMI), Inc.  
Suite 209 Oleai Business Center  
P.O. Box 503198  
Saipan, MP 96950

Tel: +1 670 234 8300  
Fax: +1 670 234 8302  
ey.com

## Report of Independent Auditors

Management and the 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 (the Trust), a component unit of the Commonwealth of the Northern Mariana Islands, which collectively comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 12 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 which 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, 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.

Management has omitted the Schedule of Funding Progress and Actuarial Accrued Liability – Post Employment Benefits Other Than Pension that GASB requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary and Other Information***

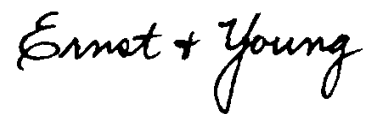
Our audit was conducted for the purpose of forming an opinion on the basis financial statements as a whole. The combining statement of net position, the combining statement of revenues, expenses and changes in net position, the combining statement of cash flows, the schedule of investments - general fund, the schedule of investments - park fund, and the schedule of administrative expenses compared to budget are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the supplementary information is 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 also have issued our report dated May 11, 2016 on our consideration of the Marianas Public Land Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marianas Public Land Trust's internal control over financial reporting and compliance.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

May 11, 2016



## MARIANAS PUBLIC LAND TRUST

### COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

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, 2015. 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 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 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.

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."

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

**Management's Discussion and Analysis, continued**

**Implementing Authority, continued**

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:

- 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 for MPLT, i.e., \$23,942,602 allocated to the MPLT General Fund and \$2,000,000 allocated to the MPLT Park Fund, MPLT received its initial funding over the period of thirteen months; \$5,000,000 was the first remittance received on July 19, 1983, followed by \$100,000 on January 20, 1984, \$14,080,046 on February 17, 1984, \$5,958,700 on April 13, 1984 and \$803,856 on August 27, 1984. In 1991, 2007, 2008, 2011, 2013, and 2014, additional distributions were received of \$1,000,000, \$1,250,000, \$3,500,000, \$1,000,000, \$307,109 and \$5,996,743, respectively, from the Marianas Public Land Corporation and its successors, including the Department of Public Lands. These amounts were treated as General Fund principal contributions.

**Financial Highlights**

The following financial highlights are taken from the audited financial statements for the years ended September 30, 2015, 2014 and 2013.

- The assets of MPLT increased in 2015 by \$3,056,205 over the amount at 2014. This was due primarily to the principal contribution of \$5,000,000, but this was offset by the declines of \$1,943,785 in the fair market value of the investments.

The assets of MPLT increased in 2014 by \$3,710,975 over the amount at 2013. This was due to principal contributions of \$1,303,852 and due to a continuing trend of increasing fair value of investments.

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

Management's Discussion and Analysis, continued

**Financial Highlights, continued**

The assets of MPLT increased in 2013 by \$859,120 over the amount at 2012. This increase in assets was due to a continuing trend of increasing fair value of investments.

- Total liabilities for 2015 increased by \$3,036,414 from 2014 due primarily to \$1,444,964 increase of the amount due to the CNMI General Fund, and \$1,612,713 increase in the amount due to brokers, which is a function of security purchases that did not clear by year end.

Total liabilities for 2014 decreased by \$1,117,955 from 2013 due primarily to a decrease in the amount due to brokers, which is a function of security purchases that did not clear by year end.

Total liabilities for 2013 decreased by \$985,900 from 2012 due primarily to a decrease in the amount due to brokers, which is a function of security purchases that did not clear by year end.

- The above changes resulted in an increase of \$19,791 in total net position for 2015, increase of \$4,828,930 in total net position for 2014, and an increase in total net position of \$1,845,020 for 2013.
- Total revenues of MPLT are a combination of (1) gains (losses) attributable to the valuation of investments plus (2) income earned on such investments. Total operating revenues for 2015, 2014, and 2013 were (\$1,943,785), \$5,382,094, and \$5,087,100, respectively.
- The total performance of MPLT for 2015 was (2.27%), 2014 was 6.9%, and for 2013 was 6.2%.
- The overall administrative costs increased in 2015 by 9% or \$79,585, in 2014 by 10% or \$76,642, and decreased in 2013 by 1% or \$10,099.

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

Management's Discussion and Analysis, continued

**MPLT General Fund Operations**

The investment income for 2015, 2014, and 2013 was \$2,717,945, \$1,627,366, and \$2,625,814, respectively.

The distributions to the CNMI General Fund paid for 2015, 2014, and 2013 was \$1,862,401, \$844,111, and \$1,908,543, respectively. The cumulative amount distributed to the CNMI General Fund since inception in 1983 has been \$56,483,092. This has occurred while growing the principal fund by \$33,992,558 for the same time-period. The General Fund's annual return for 2015 was (2.17%), 2014 was 6.82%, and 2013 was 5.91%.

The loan made to the Northern Marianas Housing Corporation (NMHC) became un-performing when NMHC defaulted in 2007 when P. L. 10-29 and 12-27 was repealed per 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 principal. Due to collection uncertainty for this investment, a write-down of value amounting to \$4,830,000 was recognized by MPLT as of September 30, 2015 (net current value of \$2,454,607).

**General Fund Condensed Financial Statements Summaries**

**STATEMENTS OF NET POSITION**

	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>
<u><b>Assets</b></u>			
Current assets	\$ 8,336,928	\$ 5,352,552	\$ 7,910,146
Others assets, restricted	62,157,389	64,560,150	58,319,988
Notes receivable - noncurrent portion	5,461,335	2,416,161	2,697,801
Capital assets	<u>292,844</u>	<u>286,621</u>	<u>322,814</u>
Total	<u>\$76,248,496</u>	<u>\$ 72,615,484</u>	<u>\$ 69,250,749</u>
<u><b>Liabilities and Net Position</b></u>			
Current liabilities	<u>\$ 3,259,484</u>	<u>\$ 232,589</u>	<u>\$ 1,220,126</u>
Net position:			
Invested in capital assets	292,844	286,621	322,814
Restricted	<u>72,696,168</u>	<u>72,096,274</u>	<u>67,707,809</u>
Net position	<u>72,989,012</u>	<u>72,382,895</u>	<u>68,030,623</u>
Total	<u>\$ 76,248,496</u>	<u>\$ 72,615,484</u>	<u>\$ 69,250,749</u>

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

Management's Discussion and Analysis, continued

**General Fund Condensed Financial Statements Summaries, continued**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Operating revenues (loss), net	\$( 1,675,955)	\$ 4,675,799	\$ 4,376,670
Operating expenses	( 855,527)	( 783,268)	( 716,715)
Non-operating income (expenses)	3,137,599	459,741	( 1,909,098)
Change in net position	606,117	4,352,272	1,750,857
Beginning net position	72,382,895	68,030,623	66,279,766
Ending net position	<u>\$ 72,989,012</u>	<u>\$ 72,382,895</u>	<u>\$ 68,030,623</u>

**STATEMENTS OF CASH FLOWS**

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Cash flows from operating activities	\$ 1,472,419	\$ 864,762	\$ 1,760,252
Cash flows from noncapital financing activities	5,000,000	---	---
Cash flows from capital and related financing activities	( 44,125)	1,298,475	( 16,120)
Cash flows from investing activities	( 6,621,896)	( 2,803,348)	( 3,400,293)
Net increase (decrease) in cash and cash equivalents	( 193,602)	( 640,111)	( 1,656,161)
Cash and cash equivalents at beginning of year	1,548,577	2,188,688	3,844,849
Cash and cash equivalents at end of year	<u>\$ 1,354,975</u>	<u>\$ 1,548,577</u>	<u>\$ 2,188,688</u>

**Capital Assets**

At September 30, 2015, 2014, and 2013, MPLT had \$292,844, \$286,621, and \$322,814, respectively, in capital assets, net of accumulated depreciation where applicable, including furniture, fixtures and equipment, vehicles and land, which represent a net increase in 2015 of \$6,223, decrease in 2014 of \$36,193, and a decrease in 2013 of \$25,522. See note 3 to the financial statements for more information on MPLT's capital assets.

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

Management's Discussion and Analysis, continued

**Goals and Objectives**

It is the intent of MPLT to continue to monitor its investment portfolio to ensure an adequate risk-adjusted rate of return is achieved. This is the phase of the Five-Step Investment Management Process, i.e., analyze, diversify, formalize, implement and monitor; that MPLT is currently performing. This involves periodic rebalancing of the portfolio to comply with its asset allocation investment policy. Occasionally, the Trustees may find it necessary or desirable to add additional asset classes, which require amendment of its Investment Policy Statement. It is MPLT's fiduciary duty to continue to follow the well-established prudent investment management practices.

**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 2015 was (3.12%), 2014 was 8.36%, and 2013 was 8.59%. The Park Fund has not suffered local investment losses as it only invests to benefit the American Memorial Park. As stated previously, the Park Fund received its principal funding from the lease proceeds of a portion of the Tinian, Tanapag Harbor, 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. The income on this principal contribution can only be used for the maintenance and development of the American Memorial Park (AMP). Accordingly, this initial principal contribution has been prudently managed since 1983 and has grown to \$8,414,391. This has been accomplished while distributing \$6,290,489 for AMP maintenance and development.

As part of a plan to make some of the principal available for development of the AMP, MPLT entered into a loan arrangement with the Commonwealth Development Authority on November 30, 2001 to lend them \$2,000,000 to be used 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 the 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%. The monthly principal and interest payment will be about \$17,400. 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

**Park Fund Condensed Financial Statements Summaries**

**STATEMENTS OF NET POSITION**

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>Assets</u></b>			
Current assets	\$ 387,023	\$ 399,350	\$ 453,616
Others assets, restricted	7,682,332	8,076,375	7,382,769
Notes receivable - noncurrent portion	<u>381,014</u>	<u>533,343</u>	<u>831,943</u>
Total	<u>\$ 8,450,369</u>	<u>\$ 9,009,068</u>	<u>\$ 8,668,328</u>
<b><u>Liabilities and Net Position</u></b>			
Current liabilities	<u>\$ 35,978</u>	<u>\$ 8,351</u>	<u>\$ 144,269</u>
Net position:			
Restricted principal	8,414,391	9,000,717	8,503,408
Restricted income	<u>---</u>	<u>---</u>	<u>20,651</u>
Net position	<u>8,414,391</u>	<u>9,000,717</u>	<u>8,524,059</u>
Total	<u>\$ 8,450,369</u>	<u>\$ 9,009,068</u>	<u>\$ 8,668,328</u>

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Operating revenues	\$( 267,830)	\$ 706,295	\$ 710,430
Operating expenses	( 93,552)	( 86,226)	( 76,137)
Non-operating expenses, net	<u>( 224,944)</u>	<u>( 143,411)</u>	<u>( 540,130)</u>
Change in net position	( 586,326)	476,658	94,163
Beginning net position	<u>9,000,717</u>	<u>8,524,059</u>	<u>8,429,896</u>
Ending net position	<u>\$ 8,414,391</u>	<u>\$ 9,000,717</u>	<u>\$ 8,524,059</u>

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

Management's Discussion and Analysis, continued

**STATEMENTS OF CASH FLOWS**

	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>
Cash flows from operating activities	\$ 209,725	\$ 71,044	\$ 444,006
Cash flows from investing activities	<u>( 192,286)</u>	<u>( 203,105)</u>	<u>( 334,132)</u>
Net increase (decrease) in cash and cash equivalents	17,439	( 132,061)	109,874
Cash and cash equivalents at beginning of year	<u>152,453</u>	<u>284,514</u>	<u>174,640</u>
Cash and cash equivalents at end of year	<u>\$ 169,892</u>	<u>\$ 152,453</u>	<u>\$ 284,514</u>

**Goals and Objectives**

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 Covenant. It has been through MPLT's stewardship of the Park Fund assets that the developments in the AMP have occurred. The Trustees plan to continue this past record of achievement and use it as a basis for further enhancements of the facility, which benefits the Commonwealth as a whole. Currently, improvements are being made to the tennis court and surrounding areas.

**Economic Outlook**

MPLT suffered in 2008 its largest loss of principal since 2002. This was due to the World-wide credit collapse and resulting recession. 2009 began a recovery of investment values and fortunately, due to our investment discipline, MPLT has recovered from the 2008 losses, but 2015 was a year of uncertainty and increasing volatility. Accordingly MPLT was not able to add value to the portfolio. The outlook for 2016 appears to be similar to 2015 as the world-wide markets continue to be very volatile. As 2016 began, the economic forecasts were not favorable for a recovery and return to an economic growth cycle. This will likely force the Federal Reserve to continue its stimulus programs. If the Federal Reserve reduces its stimulus program, the financial markets are certain to suffer. There is also the potential for deflation. These factors will likely keep equity value growth muted. Also, the bond market would suffer as interest rates begin to increase. It will likely take many years before the U.S. experiences a booming economy once again. 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.

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

Management's Discussion and Analysis, continued

**Contacting the MPLT's Financial Management**

This report is designed to provide the branches of the Commonwealth 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. The Management's Discussion and Analysis for the year ended September 30, 2015 is set forth in the report on the audit of MPLT's financial statements, which is dated May 11, 2016. The Discussion and Analysis explains the major factors impacting the 2015 financial statements. If you have questions about this report or the 2014 or 2013 reports or need additional financial information, contact the MPLT office, P.O. Box 501089, Saipan, MP 96950 or phone at (670) 322-4401 or email [mplt@mplt.gov.mp](mailto:mplt@mplt.gov.mp).

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

**Statements of Net Position**

	September 30, 2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,524,867	\$ 1,701,030
Receivables:		
Notes receivable, current portion	5,167,172	3,569,689
Accrued income	342,500	366,502
Others	20,440	24,802
Due from brokers	1,640,033	81,500
Prepaid expenses	<u>6,006</u>	<u>3,554</u>
Total current assets	<u>8,701,018</u>	<u>5,747,077</u>
Noncurrent assets:		
Notes receivable, net of current portion and allowance for loan losses	5,842,349	2,949,504
Investments	69,208,721	71,996,525
Foreclosed properties	631,000	640,000
Capital assets, net	<u>292,844</u>	<u>286,621</u>
Total noncurrent assets	<u>75,974,914</u>	<u>75,872,650</u>
Total assets	<u>\$ 84,675,932</u>	<u>\$ 81,619,727</u>
<b>Liabilities and net position</b>		
Current liabilities:		
Accounts payable	\$ 1,653,009	\$ 227,407
Due to brokers	1,612,713	---
Accrued expenses	<u>6,807</u>	<u>8,708</u>
Total liabilities	<u>3,272,529</u>	<u>236,115</u>
Net position:		
Invested in capital assets	292,844	286,621
Restricted	<u>81,110,559</u>	<u>81,096,991</u>
Total net position	<u>81,403,403</u>	<u>81,383,612</u>
Total liabilities and net position	<u>\$ 84,675,932</u>	<u>\$ 81,619,727</u>

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

**Statements of Revenues, Expenses and Changes in Net Position**

	Year ended September 30,	
	<u>2015</u>	<u>2014</u>
Operating revenues:		
Net (decrease) increase in the fair value of investments	\$( 4,982,342 )	\$ 3,400,134
Investment income, net	2,450,467	1,454,846
Interest income:		
Notes receivable	580,136	377,766
Other	<u>2,155</u>	<u>900</u>
	( 1,949,584 )	5,233,646
 (Loss) recoveries through foreclosure of assets	( 9,000 )	135,345
Reversal of provision for doubtful accounts	11,113	10,266
Other income	<u>3,686</u>	<u>2,837</u>
Total operating (loss) revenues	( 1,943,785 )	<u>5,382,094</u>
Operating expenses:		
Money manager fees	266,862	224,361
Money management administration	138,054	83,068
Salaries and benefits	133,153	112,860
Consultancy fees	129,583	130,956
Contract service	72,678	72,000
Office supplies	57,544	56,372
Professional fees	39,340	55,264
Depreciation and amortization	37,902	41,570
Loan administration fee	33,777	34,879
Audit	16,642	16,105
Rent and utilities	10,785	12,239
Trustees' expenses	6,921	11,462
Repairs and maintenance	5,838	1,483
Insurance	---	16,875
Total operating expenses	<u>949,079</u>	<u>869,494</u>
Operating (loss) income	( 2,892,864 )	<u>4,512,600</u>
Non-operating revenues (expenses):		
Contribution from DPL	5,000,000	1,303,852
Net distribution to the CNMI General Fund/American Memorial Park	( 2,087,345 )	( 987,522 )
Total non-operating revenues, net	<u>2,912,655</u>	<u>316,330</u>
Increase in net position	19,791	4,828,930
Net position at beginning of year	<u>81,383,612</u>	<u>76,554,682</u>
Net position at end of year	<u>\$ 81,403,403</u>	<u>\$ 81,383,612</u>

See accompanying notes

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

**Statements of Cash Flows**

	Year ended September 30,	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from operations	\$ 3,118,988	\$ 1,703,379
Cash payments to suppliers	( <u>1,436,844</u> )	( <u>767,573</u> )
Net cash provided by operating activities	<u>1,682,144</u>	<u>935,806</u>
Cash flows from noncapital financing activity:		
Cash received from DPL	<u>5,000,000</u>	<u>1,303,852</u>
Cash flows from capital and related financing activity:		
Acquisition of property and equipment	( <u>44,125</u> )	( <u>5,377</u> )
Cash flows from investing activities:		
Net (increase) decrease in notes receivable	( <u>4,619,644</u> )	392,752
Net increase in investments	( <u>2,194,538</u> )	( <u>3,399,205</u> )
Net cash used in investing activities	( <u>6,814,182</u> )	( <u>3,006,453</u> )
Net decrease in cash and cash equivalents	( <u>176,163</u> )	( <u>772,172</u> )
Cash and cash equivalents at beginning of year	<u>1,701,030</u>	<u>2,473,202</u>
Cash and cash equivalents at end of year	\$ <u><u>1,524,867</u></u>	\$ <u><u>1,701,030</u></u>
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	\$( <u>2,892,864</u> )	\$ 4,512,600
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Net decrease (increase) in fair value of investments	4,982,342	( <u>3,400,134</u> )
Depreciation and amortization	37,902	41,570
(Loss) through foreclosure of assets	9,000	---
Recovery of notes receivable	( <u>11,113</u> )	( <u>145,611</u> )
(Increase) decrease in assets:		
Receivable-accrued income	( <u>323,253</u> )	191,810
Other receivable	4,362	( <u>14,039</u> )
Due from brokers	( <u>1,558,533</u> )	1,104,474
Prepaid expenses	( <u>2,452</u> )	36,688
Increase (decrease) in liabilities:		
Accounts payable	( <u>174,059</u> )	22,937
Due to brokers	1,612,713	( <u>1,296,315</u> )
Accrued expenses	( <u>1,901</u> )	<u>726</u>
Net cash provided by operating activities	\$ <u><u>1,682,144</u></u>	\$ <u><u>1,054,706</u></u>

*See accompanying notes.*

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

Statements of Cash Flows, continued

**Supplemental schedule of noncash operating, financing and investing activities:**

MPLT applied \$262,740 and \$844,111 of the required income distribution to the CNMI General Fund for the years ended September 30, 2015 and 2014, respectively, as a repayment of the CNMI's note receivable and related interest.

	Year ended September 30,	
	<u>2015</u>	<u>2014</u>
Increase in accounts payable	\$( 1,599,661)	\$ ---
Decrease in notes receivable	---	( 799,009)
Decrease in accrued interest receivable	( 262,740)	( 45,102)
Increase in net distribution	<u>1,862,401</u>	<u>844,111</u>
	\$ <u>---</u>	\$ <u>---</u>

MPLT applied \$224,944 and \$143,411 of the required income distribution of the American Memorial Park Fund for the years ended September 30, 2015 and 2014, respectively, as a repayment of Commonwealth Development Authority's note receivable and related interest.

Decrease in notes receivable	\$( 140,429)	\$( 136,600)
Decrease in accrued interest receivable	( 84,515)	( 6,811)
Increase in net distribution	<u>224,944</u>	<u>143,411</u>
	\$ <u>---</u>	\$ <u>---</u>

*See accompanying notes.*



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

**Notes to Financial Statements**

For the years ended September 30, 2015 and 2014

**1. Organization and Summary of Significant Accounting Policies**

**Organization**

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 administrative expenses.

MPLT's responsibility is to make reasonable, careful and prudent investments with respect to monies received from DPL. 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 Government. 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 Government.

MPLT is also 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 allocate 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.

**Basis of Accounting**

MPLT utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies**

**Net Position**

Net position represents the residual interest in MPLT's assets after liabilities are deducted and consist of the following:

*Net investment in capital assets*

Capital assets, net of accumulated depreciation.

*Restricted*

Nonexpendable – Net position subject to externally imposed stipulations that require MPLT to maintain them permanently.

Expendable – Net position whose use by MPLT is subject to externally imposed stipulations that can be fulfilled by actions of MPLT pursuant to those stipulations or that expire with the passage of time.

All of MPLT's restricted net position at September 30, 2015 and 2014 are expendable.

*Unrestricted*

The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position. MPLT does not have unrestricted net position at September 30, 2015 and 2014.

**Cash and Cash Equivalents**

For purposes of the statements of net position and cash flows, cash and cash equivalents includes all cash in banks and money market sweep deposits with initial maturities of ninety days or less.

At September 30, 2015 and 2014, cash and cash equivalents consisted of the following:

	<u>2015</u>	<u>2014</u>
Custodian money market sweep deposits	\$1,413,533	\$1,384,343
Deposits with federally insured banks	107,830	312,812
Uninsured deposits	<u>3,504</u>	<u>3,875</u>
	<u>\$1,524,867</u>	<u>\$1,701,030</u>

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

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Cash and Cash Equivalents, continued**

As of September 30, 2015 and 2014, custodian money market sweep deposits 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.

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.

MPLT maintains its cash and investments in bank accounts which exceed federal depository insurance limits. At September 30, 2015 and 2014, \$250,000 of MPLT's deposits in each bank is covered by federal depository insurance, with the remainder being uninsured and uncollateralized.

**Investments**

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale and are primarily determined based on quoted market values.

**Foreclosed and Repossessed Assets**

Foreclosed and repossessed assets are stated at lower of cost or fair value. Subsequent to foreclosure, valuations are periodically performed and the assets are carried at the lower of carrying amount or fair value less cost to sell.

**Capital Assets**

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

**Operating and Non-Operating Revenue and Expenses**

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

Non-operating revenues and expenses result from capital and non-capital financing activities.

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

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**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 as a reduction to revenues. 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.

Interest income on loans is recorded based on collection while interest income on other notes receivable is accrued based on the unpaid principal balance.

**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 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, 2015, 2014 and 2013 were \$4,675, \$3,922, and \$3,631, 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.

GASB Statement No. 45 requires employers to record other postemployment benefits (OPEB) expense for their contractually required contributions to the OPEB plan. MPLT has complied with GASB 45 by recording OPEB expense based on the statutorial determined contribution rate of the Northern Mariana Islands Retirement Fund (the Fund). MPLT's OPEB liability is incorporated into the contribution amount. It is the understanding of the management of MPLT that the statutorial determined contribution rate of the Fund incorporated both the pension liability and the OPEB liability.

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

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Defined Contribution Plan (DC Plan), continued**

GASB 45 also requires detail disclosure of information related to the OPEB plan and MPLT management was unable to obtain this information from the Fund's financial report. MPLT management is unable to obtain the required disclosures and is of the opinion that such information must be obtained from the Fund. It is the position of the management of MPLT that the Fund is solely responsible for disclosure of OPEB information.

On August 30, 2012, Public Law 17-79 was enacted to amend Title I of the Commonwealth Code to include the intent of the CNMI to participate in the retirement insurance system established by Title II of the U.S. Federal Insurance Contributions Act (FICA) and for participation to be extended to elected officials, employees, political subdivisions and instrumentalities of the CNMI. On September 11, 2012, Public Law 17-82 *CNMI Pension Reform Recovery Act of 2012* was enacted. Unless specifically exempted or authorized by federal law, Public Law 17-82 provides for mandatory membership of CNMI Government employees and elected officials in the U.S. Social Security system and authorizes employees, who elect to, to buy quarters of service in the U.S. Social Security system from contributions made to the Defined Benefit plan (DB Plan). In addition, Public Law 17-82 provides active and inactive DB Plan members the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the DC Plan and to participate in the U.S. Social Security system without termination of employment or penalty. Further, Public Law 17-82 allows the CNMI Government to continue remitting its 4% employer contribution to the DC Plan unless the employee ceases to contribute its employee share. On March 11, 2013, Public Law 18-02 was enacted to amend Title 1, Division 8, Part 3 of Public Law 17-82 to clarify that the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the DC Plan and to participate in the U.S. Social Security system without termination of employment or penalty is open to active or inactive DB Plan members who are not retired from the government.

**Recently Adopted Accounting Pronouncement**

As of October 1, 2014, MPLT implemented the following GASB pronouncements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources.

GASB Statement No. 71, *Pension Transition for Contributions Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which requires contributions made by participating employers to pension plans after the Measurement Date for the Net Pension Liability but before the end of the financial statement period for the employer be reported as deferred outflows of resources.

Implementation of the aforementioned statements did not have any impact on MPLT's accompanying financial statements as MPLT's retirees and current employees are members of the DC Plan.

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

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncement, continued**

In January 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and reporting standards related to government combinations and disposals of government operations.

The implementation of the GASB Statement No. 69 did not have any impact on MPLT's accompanying financial statements.

**Upcoming Accounting Pronouncements**

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement establishes accounting and financial reporting standards for fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB Statement No. 72 will be effective for MPLT for fiscal year ending September 30, 2016.

In June 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement establishes accounting and financial reporting standards for pensions that do not meet the requirements set forth in Statement No. 67, Financial Reporting for Pension Plans and Statement No. 68, Accounting and Financial Reporting for Pensions, and makes some modifications to GASB Statements No. 67 and 68. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. GASB Statement No. 73 will become effective for MPLT for fiscal year ending September 30, 2017.

In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for periods beginning after June 15, 2016. This Statement replaces Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. GASB Statement No. 74 will be effective for MPLT for fiscal year ending September 30, 2017.

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

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for periods beginning after June 15, 2017. This Statement replaces the requirement 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, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. GASB Statement No. 75 will be effective for MPLT for fiscal year ending September 30, 2018.

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. GASB Statement No. 76 will be effective for MPLT for fiscal year ending September 30, 2016.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. GASB Statement No. 77 will be effective for MPLT for fiscal year ending September 30, 2017.

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. GASB Statement No. 78 will be effective for MPLT for fiscal year ending September 30, 2017.

In December 2015, GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. GASB Statement No. 79 will be effective for MPLT for fiscal year ending September 30, 2017.

In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units. The Statement is intended to provide clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. GASB Statement No. 80 will be effective for MPLT for fiscal year ending September 30, 2017.

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

Notes to Financial Statements, continued

**1. Organization and Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In March 2016, GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The Statement is intended to improve 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. 81 will be effective for MPLT for fiscal year ending September 30, 2018.

In March 2016, GASB issued Statement No. 82, Pension Issues an amendment of GASB Statements No. 67, No. 68 and No. 73. The Statement addresses issues regarding (1) presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement No. 81 will be effective for MPLT for fiscal year ending September 30, 2017.

MPLT is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact on its financial statements.

**2. Investments**

MPLT values its investments at fair value in accordance with GASB Statement 31. MPLT's investments as of September 30, 2015 and 2014 (with combining information as of September 30, 2015) are as follows:

	<u>General Fund</u>	<u>Park Fund</u>	<u>2015</u>	<u>2014</u>
Mutual Funds	\$ 6,366,389	\$ 786,537	\$ 7,152,926	\$ 7,755,757
Equities:				
Domestic common stock	24,583,228	3,310,458	27,893,686	30,006,341
International common stock	2,261,874	307,830	2,569,704	3,577,967
International preferred stock	---	---	---	97,455
Fixed income securities:				
Asset and mortgage backed securities	10,866,907	1,412,872	12,279,779	10,225,543
Government bonds	10,663,869	1,035,052	11,698,921	10,996,769
Corporate bonds	<u>6,784,122</u>	<u>829,583</u>	<u>7,613,705</u>	<u>9,336,693</u>
	<u>\$ 61,526,389</u>	<u>\$7,682,332</u>	<u>\$69,208,721</u>	<u>\$71,996,525</u>



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

Notes to Financial Statements, continued

**2. Investments, continued**

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, 2015 and 2014:

	2015					
	Investment Maturities (In Years)					
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10	Credit Rating
Asset and mortgage backed securities	\$ 15,015	\$ ---	\$ ---	\$ ---	\$ 15,015	AAA
Asset and mortgage backed securities	10,623,385	260,256	7,724,227	1,088,664	1,550,238	AA+
Asset and mortgage backed securities	1,641,379	1,641,379	---	---	---	A
Government bonds	11,698,921	---	4,454,448	---	7,244,473	AA+
Corporate bonds	458,728	---	---	458,728	---	AA+
Corporate bonds	324,595	---	---	324,595	---	AA-
Corporate bonds	940,524	---	---	940,524	---	A+
Corporate bonds	277,187	---	---	277,187	---	A
Corporate bonds	1,698,181	---	---	1,698,181	---	A-
Corporate bonds	34,225	---	---	34,225	---	BBB
Corporate bonds	447,696	---	76,616	371,080	---	BBB-
Corporate bonds	461,284	---	150,589	310,695	---	BB+
Corporate bonds	563,502	---	108,022	455,480	---	BB
Corporate bonds	660,297	---	149,245	511,052	---	BB-
Corporate bonds	645,784	---	66,700	579,084	---	B+
Corporate bonds	290,245	---	141,410	148,835	---	B
Corporate bonds	476,582	---	143,692	332,890	---	B-
Corporate bonds	334,875	---	33,540	273,362	27,973	CCC+
	\$ 31,592,405	\$ 1,901,635	\$ 13,048,489	\$ 7,804,582	\$ 8,837,699	

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

**Notes to Financial Statements, continued**

**2. Investments, continued**

		2014				
		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10	Credit Rating
Asset and mortgage backed securities	\$ 41,449	\$ ---	\$ ---	\$ ---	\$ 41,449	AAA
Asset and mortgage backed securities	5,456,254	---	1,868,857	867,212	2,720,185	AA+*
Asset and mortgage backed securities	4,727,840	---	4,727,840	---	---	AA+
Government bonds	10,996,769	---	2,153,155	4,917,483	3,926,131	AA+*
Corporate bonds	878,997	---	---	878,997	---	AA+
Corporate bonds	321,448	---	---	321,448	---	AA-
Corporate bonds	1,569,413	158,227	556,882	854,304	---	A
Corporate bonds	2,304,667	---	---	2,304,667	---	A-
Corporate bonds	562,121	---	---	562,121	---	BBB+
Corporate bonds	307,363	---	83,562	223,801	---	BBB-
Corporate bonds	381,412	---	---	381,412	---	BB+
Corporate bonds	917,739	---	149,970	767,769	---	BB
Corporate bonds	671,497	---	76,285	520,447	74,765	BB-
Corporate bonds	420,345	---	115,521	304,824	---	B+
Corporate bonds	403,155	---	37,125	366,030	---	B
Corporate bonds	412,911	---	185,470	227,441	---	B-
Corporate bonds	70,350	---	---	70,350	---	CCC+
Corporate bonds	115,275	---	---	115,275	---	NA
	\$ 30,559,005	\$158,227	\$ 9,954,667	\$13,683,581	\$ 6,762,530	

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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, 2015, MPLT's investment in Department of Treasury and U.S. agency obligations of the Federal National Mortgage Association constituted 17% and 6%, respectively, of its total investments. As of September 30, 2014, MPLT's investment in U.S. agency obligations of the Freddie Mac Federal Home Loan Mortgage Corporation and Department of Treasury constituted 5% and 15%, respectively, of its total 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 investments or collateral securities that are in the possession of an outside party.

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

**Notes to Financial Statements, continued**

**3. Capital Assets**

A summary of capital assets as of September 30, 2015 and 2014 is as follows:

	<u>Useful Lives</u>	<u>Balance at October 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Impairment</u>	<u>Balance September 30, 2015</u>
Land	---	\$ 116,000	\$ ---	\$ ---	\$ ---	\$ 116,000
Building	5-10 years	193,167	1,425	---	---	194,592
Furniture, fixtures, equipment	3-10 years	123,430	42,700	---	---	166,130
Vehicle	3-10 years	<u>46,225</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>46,225</u>
		478,822	44,125	---	---	522,947
Less accumulated depreciation		<u>192,201</u>	<u>37,902</u>	<u>---</u>	<u>---</u>	<u>230,103</u>
		<u>\$ 286,621</u>	<u>\$ 6,223</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 292,844</u>

	<u>Useful Lives</u>	<u>Balance at October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Impairment</u>	<u>Balance September 30, 2014</u>
Land	---	\$ 116,000	\$ ---	\$ ---	\$ ---	\$ 116,000
Building	5-10 years	193,167	---	---	---	193,167
Furniture, fixtures, equipment	3-10 years	118,053	5,377	---	---	123,430
Vehicle	3-10 years	<u>46,225</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>46,225</u>
		473,445	5,377	---	---	478,822
Less accumulated depreciation		<u>150,631</u>	<u>41,570</u>	<u>---</u>	<u>---</u>	<u>192,201</u>
		<u>\$ 322,814</u>	<u>\$ ( 36,193)</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 286,621</u>

**4. Notes Receivable**

At September 30, 2015 and 2014, notes receivable consist of the following:

	<u>2015</u>	<u>2014</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, with interest at 2% (5.5% to 8.5% prior to January 1, 2009) and terms from ten to thirty years	\$7,284,607	\$ 7,653,850

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

Notes to Financial Statements, continued

**4. Notes Receivable, continued**

	<u>2015</u>	<u>2014</u>
Note receivable from Adelantun Publickun Luta Enteramente, Incorporated (APLE 501, Inc.), with interest at 5% per annum, due on October 18, 2017, with monthly principal and interest payments in the amount of \$1,225, and 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.	90,155	101,289
Note receivable from the Commonwealth Development Authority (CDA), with 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	554,914	695,343
Note receivable from the CNMI Government, with interest at 7% per annum, due on December 28, 2019. Public Law 18-71 earmarks and appropriates from future interest income distribution starting fiscal year 2016 until the note is fully reimbursed. Interest is due annually	5,000,000	---
Note receivable from the Commonwealth Healthcare Corporation (CHCC), with interest at 5% per annum (interest at 7% per annum in fiscal year 2014), due on June 10, 2016. Collateralized by future distributable income of fiscal year 2015 and CHCC's real properties for CHCC's operational and bridge capital pursuant to CNMI Public Law 17-76	<u>3,000,000</u>	<u>3,000,000</u>
	15,929,676	11,450,482
Less allowance for loan losses	<u>4,920,155</u>	<u>4,931,289</u>
	11,009,521	6,519,193
Less current portion	<u>5,167,172</u>	<u>3,569,689</u>
	<u>\$ 5,842,349</u>	<u>\$ 2,949,504</u>

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

Notes to Financial Statements, continued

**4. Notes Receivable, continued**

An analysis of the change in the allowance for loan losses for the years ended September 30, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	\$ 4,931,289	\$ 4,941,555
Reversal of provision for doubtful accounts	( <u>11,134</u> )	( <u>10,266</u> )
Balance at end of the year	\$ <u>4,920,155</u>	\$ <u>4,931,289</u>

The following presents the balance in the allowance for loan losses disaggregated on the basis of MPLT's impairment measurement method and the related recorded investment in loans as of September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<u>Related Investment</u>		
Individually evaluated for impairment	\$ 8,645,069	\$ 3,796,632
Collectively evaluated for impairment	<u>7,284,607</u>	<u>7,653,850</u>
	<u>\$15,929,676</u>	<u>\$11,450,482</u>
<u>Related Allowance</u>		
Individually evaluated for impairment	\$( 90,155 )	\$( 101,289 )
Collectively evaluated for impairment	( <u>4,830,000</u> )	( <u>4,830,000</u> )
	\$( <u>4,920,155</u> )	\$( <u>4,931,289</u> )

*Credit Quality Indicators*

MPLT uses several credit quality indicators to manage credit risk in an on-going manner. MPLT's primary credit quality indicators are based on the results of aging analysis. A monthly general provision is calculated based on the portfolio aging (current, 1-30 days, 31-60 days, 61-90 days, 91-120 days and 121+days). A specific reserve is provided for the net realizable value of the loans identified as uncollectable.

	<u>2015</u>
Current	\$ 11,366,073
1 - 30 days	149,079
31 - 60 days	464,167
61 - 90 days	---
91 - 120 days	625,090
More than 120 days	<u>3,325,267</u>
	<u>\$15,929,676</u>

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

Notes to Financial Statements, continued

**4. Notes Receivable, continued**

*Modifications*

A modification of a loan constitutes a Troubled Debt Restructuring (TDR) when MPLT for economic or legal reasons related to a borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. MPLT offers various types of concessions when modifying a loan. Loans modified in a TDR involve reduction in regular monthly principal and interest payments and maturity term extensions to accommodate the borrower's financial needs for a period of time. As of September 30, 2015 loans that had been modified in a TDR totaled \$309,540 which was all modified during the year ended September 30, 2013.

**5. Net Position**

In accordance with MPLT's accounting policies, gains and losses on investments are allocated to principal. In addition, a portion of distribution from the CNMI government is specifically designated as an increase in principal. Movement in principal and interest accounts for the years ended September 30, 2015 and 2014 is summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>2015</u>	<u>2014</u>
<b>General Fund</b>				
Balance at beginning of year	\$ 72,382,895	\$ ---	\$ 72,382,895	\$ 68,030,623
Net (decrease) increase in the fair value of investments	( 4,396,013)	---	( 4,396,013)	2,902,822
Other operating net income	2,130	1,862,401	1,864,531	989,709
Contribution (distribution)	<u>5,000,000</u>	<u>( 1,862,401)</u>	<u>3,137,599</u>	<u>459,741</u>
Balance at of year	<u>\$ 72,989,012</u>	<u>\$ ---</u>	<u>\$ 72,989,012</u>	<u>\$ 72,382,895</u>
<b>Park Fund</b>				
Balance at beginning of year	\$ 9,000,717	\$ ---	\$ 9,000,717	\$ 8,524,059
Net (decrease) increase in the fair value of investments	( 586,329)	---	( 586,329)	497,312
Other operating net income	3	224,944	224,947	122,757
Distribution	<u>---</u>	<u>( 224,944)</u>	<u>( 224,944)</u>	<u>( 143,411)</u>
Balance at of year	<u>\$ 8,414,391</u>	<u>\$ ---</u>	<u>\$ 8,414,391</u>	<u>\$ 9,000,717</u>

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

Notes to Financial Statements, continued

**6. Contributions To/From CNMI Government**

In accordance with Article XI of the Constitution of the CNMI, MPLT makes operating distributions to the CNMI general fund from investment income. During the years ended September 30, 2015 and 2014, MPLT recorded \$1,862,401 and \$844,111, respectively, of distributions to the CNMI general fund, of which nil and \$644,312, respectively, was offset against a note receivable from the CNMI Government and \$262,740 and \$45,102 was used as offset against interest income receivable from the CNMI general fund. In addition, in accordance with Section 5 of Article XI, the CNMI Department of Public Lands distributed \$5,000,000 and \$1,300,000 to MPLT during the years ended September 30, 2015 and 2014, respectively.

In accordance with Article VIII, Section 803(e) of the Covenant, MPLT makes operating distributions for the development and maintenance of the American Memorial Park. During the years ended September 30, 2015 and 2014, MPLT recorded \$224,944 and \$143,411, respectively, for distributions for this purpose.

**7. Risk Management**

MPLT is exposed to various risk 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**

One trustee of MPLT has a home loan outstanding of \$55,930 and \$57,625 as of September 30, 2015 and 2014, respectively, and the legal counsel of MPLT has a home loan outstanding of \$38,698 and \$47,450 as of September 30, 2015 and 2014, respectively. The home loans were obtained from NMHC in the ordinary course of business and are classified as notes receivable in the accompanying financial statements. All of these loans predate the assumption of the portfolio by MPLT from NMHC.

As of September 30, 2015 and 2014, MPLT has receivables from its trustees and employees totaling \$20,440 and \$24,802, respectively, for cash and travel advances.

**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.

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

Notes to Financial Statements, continued

**10. Contingency**

In accordance with the Settlement Agreement with NMHC, MPLT guarantees Service Released Loans that were issued by financial institutions. At September 30, 2015 and 2014, MPLT was contingently liable to these institutions for \$778,483 and \$880,587, respectively. MPLT records liabilities upon receipt of default notices from NMHC.



## Supplementary Information

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

**Combining Statement of Net Position**

September 30, 2015

	General Fund	Park Fund	Eliminations	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,354,975	\$ 169,892	\$ -	\$ 1,524,867
Receivables:				
Notes receivable, current portion	4,993,272	173,900	-	5,167,172
Accrued income	311,261	31,239	-	342,500
Others	20,440	-	-	20,440
Due from other funds	22,933	-	( 22,933 )	-
Due from brokers	1,628,041	11,992	-	1,640,033
Prepaid expenses	6,006	-	-	6,006
Total current assets	<u>8,336,928</u>	<u>387,023</u>	<u>( 22,933 )</u>	<u>8,701,018</u>
Noncurrent assets:				
Notes receivable, net of current portion and allowance for loan losses	5,461,335	381,014	-	5,842,349
Investments	61,526,389	7,682,332	-	69,208,721
Foreclosed properties	631,000	-	-	631,000
Capital assets, net	292,844	-	-	292,844
Total noncurrent assets	<u>67,911,568</u>	<u>8,063,346</u>	<u>-</u>	<u>75,974,914</u>
Total assets	<u>\$ 76,248,496</u>	<u>\$ 8,450,369</u>	<u>\$( 22,933 )</u>	<u>\$ 84,675,932</u>
<b>Liabilities and net position</b>				
Current liabilities:				
Accounts payable	\$ 1,650,061	\$ 2,948	\$ -	\$ 1,653,009
Due to brokers	1,602,616	10,097	-	1,612,713
Accrued expenses	6,807	-	-	6,807
Due to other funds	-	22,933	( 22,933 )	-
Total liabilities	<u>3,259,484</u>	<u>35,978</u>	<u>( 22,933 )</u>	<u>3,272,529</u>
Net Position				
Invested in capital assets	292,844	-	-	292,844
Restricted	72,696,168	8,414,391	-	81,110,559
Total net position	<u>72,989,012</u>	<u>8,414,391</u>	<u>-</u>	<u>81,403,403</u>
Total liabilities and net position	<u>\$ 76,248,496</u>	<u>\$ 8,450,369</u>	<u>\$( 22,933 )</u>	<u>\$ 84,675,932</u>

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

**Combining Statement of Revenues, Expenses and Changes in Net Position**

Year Ended September 30, 2015

	<u>General Fund</u>	<u>Park Fund</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:				
Net decrease in the fair value of investments	\$( 4,396,013 )	\$( 586,329 )	\$ -	\$( 4,982,342 )
Investment income, net	2,175,620	274,847	-	2,450,467
Interest income:				
Notes receivable	537,529	42,607	-	580,136
Other	<u>1,563</u>	<u>592</u>	<u>-</u>	<u>2,155</u>
	( 1,681,301 )	( 268,283 )	-	( 1,949,584 )
Loss through foreclosure of assets	( 9,000 )	-	-	( 9,000 )
Reversal of provision for doubtful accounts	11,113	-	-	11,113
Other income	<u>3,233</u>	<u>453</u>	<u>-</u>	<u>3,686</u>
Total operating loss	( <u>1,675,955</u> )	( <u>267,830</u> )	<u>-</u>	( <u>1,943,785</u> )
Operating expenses:				
Money manager fees	236,909	29,953	-	266,862
Money management administration	122,425	15,629	-	138,054
Salaries and benefits	118,157	14,996	-	133,153
Consultancy fees	115,135	14,448	-	129,583
Contract services	64,542	8,136	-	72,678
Office supplies	51,036	6,508	-	57,544
Professional fees	39,340	-	-	39,340
Depreciation and amortization	37,902	-	-	37,902
Loan administration fee	33,777	-	-	33,777
Audit	14,761	1,881	-	16,642
Rent and utilities	9,566	1,219	-	10,785
Trustees' expenses	6,139	782	-	6,921
Repairs and maintenance	<u>5,838</u>	<u>-</u>	<u>-</u>	<u>5,838</u>
Total operating expenses	<u>855,527</u>	<u>93,552</u>	<u>-</u>	<u>949,079</u>
Operating loss	( <u>2,531,482</u> )	( <u>361,382</u> )	<u>-</u>	( <u>2,892,864</u> )
Non-operating revenues (expenses):				
Contribution from DPL	5,000,000	-	-	5,000,000
Net distribution to the CNMI General Fund/American Memorial Park	( <u>1,862,401</u> )	( <u>224,944</u> )	<u>-</u>	( <u>2,087,345</u> )
Total non-operating revenues (expenses), net	<u>3,137,599</u>	( <u>224,944</u> )	<u>-</u>	<u>2,912,655</u>
Increase (decrease) in net position	606,117	( 586,326 )	-	19,791
Net position at beginning of year	<u>72,382,895</u>	<u>9,000,717</u>	<u>-</u>	<u>81,383,612</u>
Net position at end of year	\$ <u><u>72,989,012</u></u>	\$ <u><u>8,414,391</u></u>	\$ <u><u>-</u></u>	\$ <u><u>81,403,403</u></u>

See accompanying Report of Independent Auditors.

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

**Combining Statement of Cash Flows**

Year Ended September 30, 2015

	<u>General Fund</u>	<u>Park Fund</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from operations	\$ 2,730,618	\$ 388,370	\$ -	\$ 3,118,988
Cash payments to suppliers	( 1,258,199 )	( 178,645 )	-	( 1,436,844 )
Net cash provided by operating activities	<u>1,472,419</u>	<u>209,725</u>	<u>-</u>	<u>1,682,144</u>
Cash flows from noncapital financing activity:				
Cash received from DPL	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>
Cash flows from capital and related financing activity:				
Acquisition of property and equipment	( 44,125 )	-	-	( 44,125 )
Cash flows from investing activities:				
Net increase in notes receivable	( 4,619,644 )	-	-	( 4,619,644 )
Net increase in investments	( 2,002,252 )	( 192,286 )	-	( 2,194,538 )
Net cash used in investing activities	( 6,621,896 )	( 192,286 )	-	( 6,814,182 )
Net decrease in cash and cash equivalents	( 193,602 )	17,439	-	( 176,163 )
Cash and cash equivalents at beginning of year	<u>1,548,577</u>	<u>152,453</u>	<u>-</u>	<u>1,701,030</u>
Cash and cash equivalents at end of year	<u>\$ 1,354,975</u>	<u>\$ 169,892</u>	<u>\$ -</u>	<u>\$ 1,524,867</u>

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

**Combining Statement of Cash Flows, continued**

Year Ended September 30, 2015

	<u>General Fund</u>	<u>Park Fund</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating loss	\$( 2,531,482 )	\$( 361,382 )	\$ -	\$( 2,892,864 )
Adjustment to reconcile operating loss to net cash provided by operating activities:				
Net decrease in fair value of investments	4,396,013	586,329	-	4,982,342
Depreciation and amortization	37,902	-	-	37,902
Loss through foreclosure of assets	9,000	-	-	9,000
Recovery of notes receivable	( 11,113 )	-	-	( 11,113 )
(Increase) decrease in assets:				
Receivable - accrued income	( 282,593 )	( 40,660 )	-	( 323,253 )
Other receivable	4,362	-	-	4,362
Due from other funds	( 18,108 )	-	18,108	-
Due from brokers	( 1,556,344 )	( 2,189 )	-	( 1,558,533 )
Prepaid expenses	( 2,452 )	-	-	( 2,452 )
Increase (decrease) in liabilities:				
Accounts payable	( 173,481 )	( 578 )	-	( 174,059 )
Due to other funds	-	18,108	( 18,108 )	-
Due to brokers	1,602,616	10,097	-	1,612,713
Accrued expenses	( 1,901 )	-	-	( 1,901 )
Net cash provided by operating activities	<u>\$ 1,472,419</u>	<u>\$ 209,725</u>	<u>\$ -</u>	<u>\$ 1,682,144</u>

**Supplemental schedule of noncash operating, financing and investing activities:**

MPLT applied \$1,862,401 of the required income distribution to the CNMI General Fund for the year ended September 30, 2015 as a repayment of the CNMI's note receivable and related interest.

Increase in accounts payable	\$( 1,599,661 )	\$ -	\$ -	\$( 1,599,661 )
Decrease in accrued interest receivable	( 262,740 )	-	-	( 262,740 )
Increase in net distribution	<u>1,862,401</u>	<u>-</u>	<u>-</u>	<u>1,862,401</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MPLT applied \$224,944 of the required income distribution of the American Memorial Park Fund for the year ended September 30, 2015 as a repayment of CDA's note receivable and related interest

Decrease in notes receivable	\$ -	\$( 140,429 )	\$ -	\$( 140,429 )
Decrease in accrued interest income	-	( 84,515 )	-	( 84,515 )
Increase in net distribution	<u>-</u>	<u>224,944</u>	<u>-</u>	<u>224,944</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Schedule of Investments - General Fund**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>
<b>Mutual Funds</b>		
Templeton Global Bond Adv	\$ 7,446,715	\$ 6,366,389
<b>Total Mutual Funds</b>	<u>7,446,715</u>	<u>6,366,389</u>
<b>Equities</b>		
<b>Domestic Common Stock</b>		
AbbVie Inc.	182,048	174,112
Adobe Systems Incorporated	274,225	302,158
AES Corporation	167,717	109,080
Alexandria Real Estate Equities, Inc.	140,955	146,479
Alibaba Group Holdings	165,175	107,325
Allergan PLC	203,399	197,606
Amazon.com, Inc.	165,384	183,769
American Express Company	78,908	64,864
American International Group	112,257	109,378
American Residential Properties, LLC	30,499	28,875
American Tower Corporation	144,712	138,568
Antero Midstream Partners, LP	100,303	66,278
Apple Inc.	215,312	253,138
Archer Daniels Midland Company	164,389	157,510
AvalonBay Communities, Inc.	263,575	316,424
Banco Santander	206,268	105,252
Bank of America Corporation	355,312	345,720
Baxter International, Inc.	170,931	147,825
Biogen Idec Inc.	32,241	30,640
Boeing Company	130,079	127,021
Boston Properties, Inc.	287,381	281,910
Boston Scientific Corporation	106,382	115,608
Brandywine Realty Trust	63,739	50,389
Bristol Myers Squibb Company	72,327	67,192
Buckeye Partners, L.P.	424,780	311,819
Celgene Corporation	119,685	126,018
Cigna Corporation	74,427	64,810
Cisco Systems, Inc.	112,644	105,656
Citigroup Inc.	200,676	194,223
Columbia Pipeline Group	54,580	36,031
Columbia Pipeline Partners LP	82,162	39,968
Comcast Corporation	152,149	158,126
Coty, Inc.	94,446	146,124
CubeSmart TRS, Inc.	105,379	152,104
Cullen Frost Bankers, Inc.	113,745	98,549
CVS Health Corporation	162,551	205,020
DCP Midstream Partners, LP	138,726	58,975
DCT Industrial Trust Inc.	119,973	122,859
DDR Corp.	156,237	135,821
Deere & Company	135,120	111,000
Delta Air Lines, Inc.	144,470	145,603
Diageo PLC	182,476	150,906
Digital Realty Trust, Inc.	162,951	161,994

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

**Schedule of Investments - General Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>
<b>Domestic Common Stock, continued</b>		
Douglas Emmett, Inc.	79,964	80,847
Dow Chemical Company	360,881	302,736
Duke Realty Corporation	125,337	130,874
Ecolab Inc.	122,683	120,692
EMC Corporation	164,982	149,792
Enbridge Energy Partners, L.P.	247,430	163,696
Energy Transfer Equity, L.P.	417,583	298,124
EnLink Midstream Partners, LLC	64,924	40,143
Enterprise Products Partners L.P.	676,963	447,353
EQT GP Holdings, L.P.	30,035	22,626
EQT Midstream Partners, L.P.	212,770	187,780
Equinix , Inc.	170,094	167,321
Equity Residential	438,268	502,478
Essex Property Trust, Inc.	184,680	223,420
Facebook, Inc.	249,408	287,680
First Republic Bank	155,288	175,756
General Dynamics Corporation	163,030	193,130
General Electric Company	166,320	158,886
General Growth Properties, Inc.	337,109	353,556
Genesis Energy, L.P.	145,331	102,560
Gilead Sciences, Inc.	121,475	138,939
Google Inc.	291,935	306,505
Halliburton Company	205,465	102,515
Healthcare Realty Trust Incorporated	96,119	93,933
Healthcare Trust of America, Inc.	73,463	70,344
Hershey Company	125,983	119,444
Highwoods Properties, Inc.	85,793	79,825
Home Depot, Inc.	336,289	476,974
Honeywell International Inc.	112,885	105,106
Host Hotels & Resorts, Inc.	286,642	205,767
Illinois Tool Works Inc.	166,003	156,389
ITC Holdings Corp.	168,960	160,032
JPMorgan Chase & Co.	373,727	388,684
Kilroy Realty Corporation	130,623	136,836
Kimco Realty Corporation	170,142	171,987
Kinder Morgan, Inc.	137,940	102,831
Kite Realty Group Trust	69,001	54,525
Lennar Corporation	187,220	211,772
M&T Bank Corporation	149,964	146,340
Macerich Company	76,779	76,743
Magellan Midstream Partners, L.P.	619,565	448,300
MarkWest Energy Partners, L.P.	345,202	212,919
Marsh & McLennan Companies, Inc.	72,580	73,108
Martin Marietta Materials, Inc.	157,431	189,938
MasterCard Incorporated	130,525	150,500
McKesson Corporation	34,508	32,565
Medtronic, Inc.	355,124	308,928

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

**Schedule of Investments - General Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>
<b>Domestic Common Stock, continued</b>		
Merck & Co., Inc.	105,409	89,396
Microsoft Corporation	316,341	320,885
Mitsubishi UFJ	138,346	134,589
Mondelez International, Inc.	166,628	184,228
Morgan Stanley	82,202	74,970
MPLX, L.P.	150,432	86,966
National Fuel Gas Company	144,554	112,455
Nike, Inc.	70,105	75,012
Novartis	171,296	159,941
ONEOK, Inc.	104,606	49,846
ONEOK Partners, L.P.	76,592	60,949
Oracle Corporation	167,157	148,092
Oshkosh Corporation	186,577	123,522
Paramount Group, Inc.	66,866	61,488
Paypal Holdings, Inc.	110,466	114,848
Pebblebrook Hotel Trust	65,881	61,329
Penn Real Estate Investment Trust	61,501	53,541
Pfizer, Inc.	125,222	117,473
Phillips 66	217,620	207,468
Phillips 66 Partners, L.P.	169,204	114,503
Pioneer Natural Resources Company	183,051	97,312
Plains All American Pipeline, L.P.	653,768	340,529
Post Properties, Inc.	89,369	96,179
Prologis, Inc.	300,801	284,748
Public Storage	316,126	374,585
QTS Realty Trust, Inc.	74,764	88,429
Ramco-Gershenson Properties Trust	64,523	57,488
Raytheon Company	68,373	70,473
Regency Centers Corporation	124,159	139,216
RLJ Lodging Trust	66,269	51,804
Royal Caribbean Cruises, Ltd.	36,865	40,981
Salesforce.com, Inc.	87,985	87,135
Schlumberger Ltd.	207,592	146,561
Schwab (Charles) Corp	75,586	76,826
Shell Midstream Partners, L.P.	73,144	68,513
Simon Property Group, Inc.	670,944	714,855
SL Green Realty Corp.	226,229	220,646
Spectra Energy Corp.	245,346	208,098
Spirit Realty Capital, Inc.	167,922	137,502
Starbucks Corporation	69,747	72,755
Strategic Hotels & Resorts, Inc.	86,171	96,144
Sun Communities, Inc.	53,345	71,758
Sunoco Logistics Partners, L.P.	384,223	238,279
Sunstone Hotel Investors, Inc.	85,481	75,887
Targa Resources Corp.	148,200	86,554
TE Connectivity Ltd.	215,424	203,626
Tesoro Logistics, L.P.	268,899	183,105



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

**Schedule of Investments - General Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>
<b>Domestic Common Stock, continued</b>		
Teva Pharmaceutical	110,425	102,757
Texas Instruments, Inc.	160,017	163,416
Time Warner Inc.	197,596	192,500
TJX Companies, Inc.	68,727	79,276
T-Mobile US, Inc.	106,140	141,326
UDR, Inc.	173,743	205,363
Unilever	184,338	168,840
United Health Group, Inc.	109,248	106,092
United Parcel Service	92,940	107,889
Valero Energy Partners, L.P.	111,687	96,666
Vereit, Inc.	183,117	117,576
Visa, Inc.	102,573	102,749
Vornado Realty Trust	229,910	213,120
Walgreens Boots Alliance, Inc.	206,584	232,680
Walt Disney Company	100,949	120,085
Well Tower, Inc.	381,168	395,214
Western Gas Equity Partners	95,116	61,353
Western Gas Partners L.P.	315,612	203,714
William COS, Inc.	162,359	107,197
<b>Total Domestic Common Stock</b>	<u>26,998,678</u>	<u>24,583,228</u>
<b>International Common Stock</b>		
Akbank T.A.S.	68,161	37,069
Ambev SA	103,052	66,473
America Movil-Spn Adr Cl L	34,073	31,677
Astra International-Unsp Adr	94,819	49,646
Baidu Inc - Spon Adr	73,343	85,332
Banco Do Brasil Sa-Spon Adr	140,584	39,208
Banco Macro Sa-Adr	18,436	44,198
Bank Mandiri Tbk-Unspon Adr	94,514	58,957
Bb Seguridade Parti-Spon Adr	64,695	35,749
Bidvest Group Ltd-Spons Adr	39,825	35,277
Cemig Sa -Spons Adr	57,700	16,805
China Construct-Unspon Adr	139,348	118,157
China Mobile Ltd-Spon Adr	85,154	93,891
China Shenhua-Unspon Adr	48,719	27,202
Cielo Sa-Sponsored Adr	58,031	51,587
Clicks Group Ltd-Sp Adr	54,191	54,996
Cnooc Ltd-Spon Adr	77,098	43,912
Commercial Intl Bank-Adr	24,679	48,292
Gazprom Pao -Spon Adr	84,872	40,405
Imperial Holdings-Spons Adr	69,854	39,845
Kasikornbank Pcl-Unspon Adr	47,242	34,087
Kb Financial Group Inc-Adr	85,184	69,037
Kimberly-Clark De Mexico-Adr	65,994	49,871
Koc Holding As-Unspon Adr	66,881	51,427
Localiza Rent A Car-Spn Adr	94,993	43,807

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

**Schedule of Investments - General Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>
<b>International Common Stock, continued</b>		
Lukoil Pjsc-Spon Adr	56,153	31,199
Mobile Telesystems-Sp Adr	101,259	35,371
Nedbank Group Ltd-Spons Adr	53,216	40,827
Netease Inc-Adr	43,352	92,372
Philippine Long Dist -Sp Adr	76,243	51,884
Ppc Ltd-Unspon Adr	60,811	19,223
Ptt Exploration & Pr-Sp Adr	47,773	16,840
Sanlam Ltd-Sponsored Adr	36,893	33,653
Sberbank-Sponsored Adr	146,947	62,268
Semen Indone-Unspon Adr	67,714	31,985
Shinhan Financial Group-Adr	76,323	67,825
Shoprite Holdings-Spn Adr	45,136	32,795
Standard Bank Group-Spon Adr	55,560	42,297
Taiwan Semiconductor-Sp Adr	87,819	117,300
Telekomunik Indonesia-Sp Adr	88,503	71,300
Turkcell Iletisim Hizmet-Adr	66,518	38,973
United Tractors-Unspon Adr	54,097	30,292
Vale Sa-Sp Pref Adr	67,446	11,571
Vodacom Group Ltd-Sp Adr	41,644	30,293
Weichai Power Co-Unsp Adr	57,509	25,290
Woolworths Holdings Ltd-Gdr	51,703	51,763
Wynn Macau Ltd-Unspon Adr	48,133	19,331
Ypf S.A.-Sponsored Adr	45,076	40,314
<b>Total International Common Stock</b>	<u>3,267,270</u>	<u>2,261,874</u>
<b>Total Equities</b>	<u>30,265,948</u>	<u>26,845,102</u>

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

**Schedule of Investments - General Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<b>Fixed Income Securities</b>			
<b>Asset and Mortgage Backed Securities</b>			
FANNIE MAE @ 1.625%, due 4/27/2018	1,918,222	1,914,156	AA+
FANNIE MAE @ 1.625%, due 4/26/2018	848,264	845,267	AA+
FANNIE MAE @ 1.750%, due 6/8/2018	328,195	327,974	AA+
FANNIE MAE @ 1.750%, due 8/17/2018	353,615	353,763	AA+
FEDERAL FARM CREDIT BANK @ 0.227%, due 5/17/2018	1,524,318	1,524,100	AA+
FEDERAL HOME LOAN BANK @ 1.250%, due 6/23/2017	1,838,313	1,833,231	AA+
FEDERAL HOME LOAN BK IL @ 5.625%, due 6/13/2016	1,590,296	1,454,976	A
FG C91187 @ 5.500%, due 6/1/2028	434,062	429,155	AA+
FG G12213 @ 5.500%, due 3/1/2021	25,265	27,687	AA+
FG G13174 @ 5.000%, due 6/1/2023	41,175	43,243	AA+
FG G14011 @ 5.000%, due 7/1/2025	433,213	428,047	AA+
FG G14670 @ 5.000%, due 6/1/2026	228,547	228,081	AA+
FN 256105 @ 5.500%, due 2/1/2021	209,193	209,709	AA+
FN 603265 @ 5.500%, due 9/1/2016	796	802	AA+
FN 745506 @ 5.662%, due 2/1/2016	233,615	234,635	AA+
FN 868434 @ 5.500%, due 4/1/2021	304,656	298,648	AA+
FN 904529 @ 6.500%, due 1/1/2037	107,998	119,968	AA+
FN 995628 @ 5.500%, due 2/1/2029	284,516	289,675	AA+
FN AL0297 @ 5.000%, due 5/1/2026	305,427	303,790	AA+
<b>Total Asset and Mortgage Backed Securities</b>	<u>11,009,686</u>	<u>10,866,907</u>	
<b>Government Bonds</b>			
US Treasury @ 4.750%, due 8/15/2017	893,403	872,030	AA+
US Treasury @ 4.500%, due 5/15/2017	3,376,200	3,307,889	AA+
US Treasury @ 2.750%, due 8/15/2042	6,123,651	6,483,950	AA+
<b>Total Government Bonds</b>	<u>10,393,254</u>	<u>10,663,869</u>	
<b>Corporate Bonds</b>			
Access Midstream Partners LP @ 4.875%, due 5/15/2023	31,920	29,600	BBB
AES Corporation @ 8.000%, due 6/1/2020	33,829	32,770	BB-
ALCOA Incorporated @ 6.150%, due 8/15/2020	29,116	27,810	BB+
Ally Financial Inc. @ 8.000%, due 3/15/2020	57,281	57,500	B+
Ally Financial Inc. @ 5.125%, due 9/29/2024	34,933	33,575	B+
Antero Resources Finance Corporation @ 5.375%, due 11/1/2021	72,132	63,360	BB-
Apple Inc. @ 3.450%, due 5/6/2024	414,149	422,648	AA+
AutoNation, Inc. @ 5.500%, due 2/1/2020	30,450	32,850	BBB-
Avis Budget Car/Finance @ 5.500%, due 4/1/2023	35,777	34,849	B+
Ball Corporation @ 5.000%, due 3/15/2022	34,325	34,085	BB+
Berry Plastics Corporation @ 5.125%, due 7/15/2023	34,200	34,873	B-
Boyd Gaming Corporation @ 6.875%, due 5/15/2023	36,050	35,525	CCC+
Calpine Corporation @ 5.750%, due 1/15/2025	33,624	31,790	B-
CBRE Services, Inc. @ 5.000%, due 3/15/2023	54,780	55,283	BBB-
CCO HLDGS, LLC @ 6.500%, due 4/30/2021	67,274	65,325	B+
CCO HLDGS, LLC @ 5.750%, due 1/15/2024	33,163	33,425	B+
Celanese US Holdings LLC @ 5.875%, due 6/15/2021	35,588	34,298	BB

*See accompanying Report of Independent Auditors.*

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

**Schedule of Investments - General Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<b>Corporate Bonds, continued</b>			
Centene Corporation @ 5.750%, due 6/1/2017	34,980	34,403	BB
Chesapeake Energy Corporation @ 6.125%, due 2/15/2021	41,007	29,966	BB+
Community Health Systems, Inc. @ 7.125%, due 7/15/2020	31,659	32,240	B-
Cinemark USA, Inc. @ 5.125%, due 12/15/2022	34,720	34,300	BB-
CIT Group Inc. @ 5.000%, due 8/15/2022	67,135	64,919	B+
Citigroup Inc. @ 4.400%, due 7/30/2022	275,366	276,578	BBB-
Clear Channel Communication @ 9.000%, due 12/15/2019	34,680	30,100	CCC+
Concho Resources Inc. @ 5.500%, due 4/1/2023	34,872	33,337	BB-
Crown Amers, LLC @ 6.250%, due 2/1/2021	33,027	31,087	BB-
Crown Castle International Corporation @ 4.875%, due 4/15/2022	35,441	36,383	BB-
CSC Holdings LLC @ 7.625%, due 7/15/2018	30,880	30,450	BB
D.R. Horton Incorporated @ 4.000%, due 2/15/2020	35,437	35,262	BB+
DaVita HealthCare Partners Inc. @ 5.125%, due 7/15/2024	35,288	34,370	B+
DaVita HealthCare Partners Inc. @ 5.750%, due 8/15/2022	35,434	34,320	B+
DISH DBS Corporation @ 5.875%, due 7/15/2022	79,022	64,605	BB-
Dynegy Inc. @ 5.875%, due 6/1/2023	34,900	32,812	B-
El Paso Corporation @ 7.000%, due 6/15/2017	37,130	36,245	BBB-
Energy Transfer Equity, L.P. @ 7.500%, due 10/15/2020	62,130	57,710	BB
Everest Acquisition, LLC @ 9.375%, due 5/1/2020	33,937	25,800	B
Equinix Incorporated @ 5.750%, due 1/1/2025	35,488	33,745	B+
First Data Corporation @ 12.625%, due 1/15/2021	69,170	65,902	CCC+
Florida Power and Light Company @ 3.250%, due 6/1/2024	249,060	251,522	A
General Electric Company @ 4.650%, due 10/17/2021	394,093	393,677	A+
General Motors Financial Company, Inc. @ 3.250%, due 5/15/2018	35,613	35,406	BB+
General Motors Financial Company, Inc. @ 4.250%, due 5/15/2023	33,375	33,306	BB+
GenOn Escrow Corp. @ 9.875%, due 10/15/2020	31,405	28,830	B-
GLP Capital, L.P. @ 4.875%, due 11/1/2020	35,976	35,438	BB+
Goldman Sachs Group, Inc. @ 5.250%, due 7/27/2021	318,097	317,843	A-
Goodyear Tire & Rubber @ 7.000%, due 5/15/2022	35,160	35,063	BB-
Graphic Packaging International, Inc. @ 4.750%, due 4/15/2021	33,595	33,660	BB
HCA Inc. @ 5.000%, due 3/15/2024	68,115	68,170	BB+
HCA Inc. @ 3.750%, due 3/15/2019	34,468	33,915	BB+
Hertz Corporation @ 6.750%, due 4/15/2019	34,835	32,560	B
Hertz Corporation @ 6.250%, due 10/15/2022	36,045	35,131	B
IBM Corporation @ 3.625%, due 2/12/2024	293,980	293,681	AA-
Icahn Enterprise LP @ 6.000%, due 8/1/2020	34,238	32,880	BB-
Intelsat Jackson Holdings S.A. @ 7.250%, due 4/1/2019	72,642	64,253	B-
International Lease Finance Corporation @ 8.250%, due 12/15/2020	33,250	32,760	BB
Iron Mountain Incorporated @ 5.750%, due 8/15/2024	35,860	33,775	B-
JPMorgan Chase & Co. @ 4.500%, due 1/24/2022	249,725	253,558	A-
Kinetic Concepts Inc. @ 10.500%, due 11/1/2018	32,700	31,403	B-
L Brands, Inc. @ 6.625%, due 4/1/2021	35,140	34,488	BB+
Lamar Media Corp. @ 5.000%, due 5/1/2023	34,123	33,490	BB-
Lear Corporation @ 5.250%, due 1/15/2025	34,775	33,320	BB
Lennar Corporation @ 4.750%, due 5/30/2025	35,366	34,380	BB
Level 3 Communications @ 5.750%, due 12/1/2022	34,977	33,362	B

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

**Schedule of Investments - General Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<b>Corporate Bonds, continued</b>			
Level 3 Financing, Inc. @ 7.000%, due 6/1/2020	35,937	34,155	B
Linn Energy LLC @ 7.750%, due 2/1/2021	8,180	1,840	B-
Markwest Energy Partners LP @ 5.500%, due 2/15/2023	67,215	62,969	BB-
Masco Corporation @ 5.950%, due 3/15/2022	30,186	32,737	BB
MetLife, Inc. @ 4.368%, due 9/15/2023	284,171	295,452	A-
MGM Resorts International @ 6.750%, due 10/1/2020	37,442	35,105	B-
Micron Technology, Inc. @ 5.875%, due 2/15/2022	35,912	33,532	BB-
Morgan Stanley @ 5.750%, due 1/25/2021	291,488	285,120	A-
Nationstar MTG, LLC @ 6.500%, due 7/1/2021	33,115	29,050	B
NRG Energy, Inc. @ 6.625%, due 3/15/2023	65,608	57,960	B+
Post Holdings, Inc. @ 7.375%, due 2/15/2022	99,830	94,395	B-
Range Resources Corporation @ 5.000%, due 3/15/2023	47,853	43,335	BB
Reynolds Group Issuer Inc. @ 5.750%, due 10/15/2020	32,670	33,330	B+
Rite Aid Corporation @ 6.750%, due 6/15/2021	36,040	34,850	CCC+
Royal Caribbean Cruises @ 5.250%, due 11/15/2022	36,355	35,678	BB+
Sally HLDGS LLC @ 5.750%, due 6/1/2022	34,175	33,360	BB
Sinclair Television Group @ 5.375%, due 4/1/2021	22,418	21,505	B+
SLM Corporation @ 5.500%, due 1/25/2023	32,988	27,759	BB-
Sprint Capital Corporation @ 6.875%, due 11/15/2028	33,278	24,395	CCC+
Sprint Communications, Inc. @ 6.000%, due 11/15/2022	34,765	25,585	CCC+
Sprint Communications, Inc. @ 11.500%, due 11/15/2021	16,510	14,850	CCC+
Steel Dynamics, Inc. @ 5.250%, due 4/15/2023	32,266	30,195	BB
Targa Res Partners LP @ 5.250%, due 5/1/2023	36,488	31,950	BB
Tenet Healthcare Corporation @ 8.125%, due 4/1/2022	35,226	34,013	CCC+
Tenet Healthcare Corporation @ 4.750%, due 6/1/2020	33,731	34,340	BB-
T-Mobile USA, Inc. @ 6.125%, due 1/15/2022	32,570	29,915	BB-
T-Mobile USA, Inc. @ 6.542%, due 4/28/2020	33,400	32,520	BB-
Toys R Us Property Company @ 8.500%, due 12/1/2017	35,738	33,425	B
TransDigm Inc. @ 5.500%, due 10/15/2020	33,915	32,406	CCC+
Triumph Group, Inc. @ 4.875%, due 4/1/2021	34,967	32,725	B+
United Rentals (North America), Inc. @ 5.750%, due 11/15/2024	35,395	32,555	B+
Wells Fargo & Company @ 3.450%, due 2/13/2023	349,224	353,339	A-
Whiting Petroleum Corporation @ 5.000%, due 3/15/2019	36,015	31,321	BB
Wyett LLC @ 6.450%, due 2/1/2024	453,661	458,485	A+
<b>Total Corporate Bonds</b>	<u>6,945,639</u>	<u>6,784,122</u>	
<b>Total Mutual Funds</b>	<u>7,446,715</u>	<u>6,366,389</u>	
<b>Total Equities</b>	<u>30,265,948</u>	<u>26,845,102</u>	
<b>Total Fixed Income Securities</b>	<u>28,348,579</u>	<u>28,314,898</u>	
<b>Total Mutual Funds, Equities and Fixed Income Securities</b>	<u>\$ 66,061,242</u>	<u>\$ 61,526,389</u>	

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

**Schedule of Investments - Park Fund**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>
<b>Mutual Funds</b>		
Templeton Global Bond Adv	\$ 921,450	\$ 786,537
<b>Total Mutual Funds</b>	<u>921,450</u>	<u>786,537</u>
<b>Equities</b>		
<b>Domestic Common Stock</b>		
AbbVie Inc.	24,463	23,396
Adobe Systems Incorporated	36,922	40,699
AES Corporation	22,564	14,675
Alexandria Real Estate Equities, Inc.	19,341	19,982
Alibaba Group Holdings	22,301	14,448
Allergan PLC	27,909	27,181
Amazon.com, Inc.	22,056	24,571
American Express Company	10,379	8,525
American International Group	15,166	14,773
American Residential Properties, LLC	4,085	3,817
American Tower Corporation	19,286	18,476
Antero Midstream Partners, LP	13,487	8,912
Apple Inc.	29,072	34,193
Archer Daniels Midland Company	22,063	21,139
AvalonBay Communities, Inc.	34,975	41,957
Banco Santander	27,824	14,198
Bank of America Corporation	47,883	46,584
Baxter International, Inc.	23,159	20,038
Biogen Idec Inc.	3,680	3,502
Boeing Company	17,474	17,023
Boston Properties, Inc.	36,790	37,178
Boston Scientific Corporation	14,269	15,507
Brandywine Realty Trust	8,796	6,911
Bristol Myers Squibb Company	9,557	8,880
Buckeye Partners, L.P.	56,930	41,963
Celgene Corporation	15,912	16,766
Cigna Corporation	10,083	8,776
Cisco Systems, Inc.	15,115	14,175
Citigroup Inc.	27,164	26,293
Columbia Pipeline Group	7,227	4,774
Columbia Pipeline Partners LP	11,063	5,380
Comcast Corporation	20,519	21,330
Coty, Inc.	12,593	19,483
CubeSmart TRS, Inc.	13,235	19,292
Cullen Frost Bankers, Inc.	15,411	13,352
CVS Health Corporation	21,821	27,497
DCP Midstream Partners, LP	19,282	8,197
DCT Industrial Trust Inc.	15,330	15,854
DDR Corp.	21,607	19,056
Deere & Company	18,016	14,800
Delta Air Lines, Inc.	19,371	19,518
Diageo PLC	24,765	20,480
Digital Realty Trust, Inc.	22,192	22,927

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

**Schedule of Investments - Park Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>
<b>Domestic Common Stock, continued</b>		
Douglas Emmett, Inc.	10,958	11,143
Dow Chemical Company	48,528	40,704
Duke Realty Corporation	15,495	16,345
Ecolab Inc.	16,506	16,239
EMC Corporation	22,352	20,294
Enbridge Energy Partners, L.P.	33,044	21,852
Energy Transfer Equity, L.P.	55,499	39,622
EnLink Midstream Partners, LLC	8,551	4,972
Enterprise Products Partners L.P.	91,253	60,183
EQT GP Holdings, L.P.	4,049	3,047
EQT Midstream Partners, L.P.	28,635	25,272
Equinix , Inc.	21,675	21,599
Equity Residential	59,509	68,509
Essex Property Trust, Inc.	24,182	29,268
Facebook, Inc.	33,430	38,657
First Republic Bank	21,075	23,853
General Dynamics Corporation	22,125	26,211
General Electric Company	22,440	21,437
General Growth Properties, Inc.	45,495	47,837
Genesis Energy, L.P.	19,558	13,802
Gilead Sciences, Inc.	16,754	19,147
Google Inc.	39,637	41,624
Halliburton Company	27,631	13,787
Healthcare Realty Trust Incorporated	11,913	11,729
Healthcare Trust of America, Inc.	9,728	9,289
Hershey Company	16,475	15,620
Highwoods Properties, Inc.	11,340	10,579
Home Depot, Inc.	45,190	64,097
Honeywell International Inc.	15,227	14,204
Host Hotels & Resorts, Inc.	37,452	27,668
Illinois Tool Works Inc.	21,842	20,578
ITC Holdings Corp.	22,880	21,671
JPMorgan Chase & Co.	50,424	52,434
Kilroy Realty Corporation	18,132	19,027
Kimco Realty Corporation	21,968	22,378
Kinder Morgan, Inc.	18,579	13,840
Kite Realty Group Trust	8,741	7,143
Lennar Corporation	25,104	28,397
M&T Bank Corporation	19,995	19,512
Macerich Company	10,221	9,756
Magellan Midstream Partners, L.P.	82,615	60,350
MarkWest Energy Partners, L.P.	46,456	28,621
Marsh & McLennan Companies, Inc.	9,850	9,922
Martin Marietta Materials, Inc.	21,411	25,832
MasterCard Incorporated	17,633	20,277
McKesson Corporation	4,894	4,626

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

**Schedule of Investments - Park Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>
<b>Domestic Common Stock, continued</b>		
Medtronic, Inc.	47,324	41,168
Merck & Co., Inc.	14,267	12,101
Microsoft Corporation	42,971	43,596
Mitsubishi UFJ	18,655	18,148
Mondelez International, Inc.	22,343	24,703
Morgan Stanley	11,050	10,080
MPLX, L.P.	20,157	11,654
National Fuel Gas Company	19,467	15,144
Nike, Inc.	9,194	9,838
Novartis	22,643	21,142
ONEOK, Inc.	14,056	6,698
ONEOK Partners, L.P.	10,296	8,193
Oracle Corporation	22,424	19,866
Oshkosh Corporation	25,192	16,712
Paramount Group, Inc.	9,006	8,282
Paypal Holdings, Inc.	14,928	15,520
Pebblebrook Hotel Trust	8,590	8,118
Penn Real Estate Investment Trust	7,978	7,020
Pfizer, Inc.	16,906	15,862
Phillips 66	29,016	27,662
Phillips 66 Partners, L.P.	23,006	15,569
Pioneer Natural Resources Company	22,881	12,164
Plains All American Pipeline, L.P.	86,108	44,567
Post Properties, Inc.	11,963	12,999
Prologis, Inc.	44,039	41,934
Public Storage	41,363	49,098
QTS Realty Trust, Inc.	8,802	10,573
Ramco-Gershenson Properties Trust	9,314	8,646
Raytheon Company	9,010	9,287
Regency Centers Corporation	16,661	18,769
RLJ Lodging Trust	9,463	7,379
Royal Caribbean Cruises, Ltd.	4,808	5,345
Salesforce.com, Inc.	11,917	11,803
Schlumberger Ltd.	27,906	19,656
Schwab (Charles) Corp	10,117	10,282
Shell Midstream Partners, L.P.	9,836	9,212
Simon Property Group, Inc.	93,216	99,209
SL Green Realty Corp.	31,114	30,393
Spectra Energy Corp.	33,181	27,993
Spirit Realty Capital, Inc.	22,874	18,993
Starbucks Corporation	9,270	9,663
Strategic Hotels & Resorts, Inc.	11,418	13,004
Sun Communities, Inc.	7,913	10,774
Sunoco Logistics Partners, L.P.	51,669	32,042
Sunstone Hotel Investors, Inc.	12,815	11,404
Targa Resources Corp.	19,750	11,540



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

**Schedule of Investments - Park Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>
<b>Domestic Common Stock, continued</b>		
TE Connectivity Ltd.	29,146	27,549
Tesoro Logistics, L.P.	37,340	25,650
Teva Pharmaceutical	14,893	13,833
Texas Instruments, Inc.	21,336	21,789
Time Warner Inc.	26,817	26,125
TJX Companies, Inc.	9,288	10,713
T-Mobile US, Inc.	14,207	18,910
UDR, Inc.	23,526	28,032
Unilever	25,017	22,914
United Health Group, Inc.	12,494	14,501
United Parcel Service	14,728	14,310
Valero Energy Partners, L.P.	15,048	13,027
Vereit, Inc.	24,481	16,274
Visa, Inc.	13,907	13,932
Vornado Realty Trust	30,928	29,025
Walgreens Boots Alliance, Inc.	28,036	31,578
Walt Disney Company	13,747	16,352
Well Tower, Inc.	50,405	52,280
Western Gas Equity Partners	12,773	8,241
Western Gas Partners L.P.	42,603	27,483
William COS, Inc.	22,287	14,703
<b>Total Domestic Common Stock</b>	<u>3,627,472</u>	<u>3,310,458</u>
<b>International Common Stock</b>		
AAC Technologies	4,701	4,611
Akbank T.A.S.	9,033	4,782
Ambev SA	13,266	8,943
America Movil-Spn Adr Cl L	4,574	4,204
Astra International-Unsp Adr	12,627	6,690
Baidu Inc - Spon Adr	9,927	11,542
Banco Do Brasil Sa-Spon Adr	19,616	5,278
Banco Macro Sa-Adr	2,727	5,798
Bank Mandiri Tbk-Unspon Adr	12,623	7,942
Bb Seguridade Parti-Spon Adr	8,804	4,817
Bidvest Group Ltd-Spons Adr	5,209	4,738
Cemig Sa -Spons Adr	6,952	2,261
China Construct-Unspon Adr	18,663	15,676
China Mobile Ltd-Spon Adr	11,388	12,674
China Shenhua-Unspon Adr	6,522	3,660
Cielo Sa-Sponsored Adr	7,270	7,030
Clicks Group Ltd-Sp Adr	7,030	7,133
Cnooc Ltd-Spon Adr	10,628	6,082
Commercial Intl Bank-Adr	3,820	7,035
Gazprom Pao -Spon Adr	11,982	5,444
Imperial Holdings-Spons Adr	9,387	5,388
Kasikornbank Pcl-Unspon Adr	6,084	4,406

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

**Schedule of Investments - Park Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>
<b>International Common Stock, continued</b>		
Kb Financial Group Inc-Adr	11,218	9,052
Kimberly-Clark De Mexico-Adr	7,934	6,468
Koc Holding As-Unspon Adr	8,610	6,740
Localiza Rent A Car-Spn Adr	13,751	5,899
Lukoil Pjsc-Spon Adr	7,408	4,189
Mobile Telesystems-Sp Adr	13,622	4,765
Nedbank Group Ltd-Spons Adr	6,702	5,225
Netease Inc-Adr	5,605	12,252
Philippine Long Dist -Sp Adr	9,712	6,739
Ppc Ltd-Unspon Adr	7,847	2,588
Ptt Exploration & Pr-Sp Adr	5,446	1,912
Sanlam Ltd-Sponsored Adr	4,597	4,477
Sberbank-Sponsored Adr	18,138	7,719
Semen Indone-Unspon Adr	9,516	4,300
Shinhan Financial Group-Adr	9,891	8,770
Shoprite Holdings-Spn Adr	5,362	4,216
Standard Bank Group-Spon Adr	7,342	5,488
Taiwan Semiconductor-Sp Adr	10,976	15,314
Telekomunik Indonesia-Sp Adr	11,633	9,590
Tiger Brands Ltd -Spons Adr	4,833	3,538
Turkcell Iletisim Hizmet-Adr	8,518	5,060
United Tractors-Unspon Adr	6,716	3,888
Vale Sa-Sp Pref Adr	9,655	1,558
Vodacom Group Ltd-Sp Adr	5,584	4,085
Weichai Power Co-Unsp Adr	8,182	3,405
Woolworths Holdings Ltd-Gdr	7,418	6,625
Wynn Macau Ltd-Unspon Adr	6,624	2,641
Ypf S.A.-Sponsored Adr	5,712	5,193
<b>Total International Common Stock</b>	<u>441,385</u>	<u>307,830</u>
<b>Total Equities</b>	<u>4,068,857</u>	<u>3,618,288</u>

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

**Schedule of Investments - Park Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<b>Fixed Income Securities</b>			
<b>Asset and Mortgage Backed Securities</b>			
FANNIE MAE @ 1.625%, due 4/27/2018	201,918	201,490	AA+
FANNIE MAE @ 1.625%, due 4/26/2018	227,204	226,411	AA+
FANNIE MAE @ 1.750%, due 6/8/2018	50,492	50,457	AA+
FANNIE MAE @ 1.000%, due 9/20/2017	69,853	70,293	AA+
FANNIE MAE @ 2.000%, due 9/26/2017	71,820	71,048	AA+
FANNIE MAE @ 1.750%, due 8/24/2018	60,638	60,659	AA+
FANNIE MAE @ 1.750%, due 9/14/2018	45,488	45,498	AA+
FEDERAL FARM CREDIT BANK @ 0.227%, due 5/17/2018	199,882	199,882	AA+
FEDERAL HOME LOAN BK IL @ 5.625%, due 6/13/2016	209,203	186,403	A
FG C91187 @ 5.500%, due 6/1/2028	78,352	77,467	AA+
FG G13174 @ 5.000%, due 6/1/2023	4,655	4,888	AA+
FG G14011 @ 5.000%, due 7/1/2025	45,743	45,198	AA+
FG G14670 @ 5.000%, due 6/1/2026	37,434	37,358	AA+
FN 256896 @ 5.500%, due 9/1/2027	16,380	16,819	AA+
FN 257325 @ 5.500%, due 8/1/2028	28,043	28,401	AA+
FN 603265 @ 5.500%, due 9/1/2016	119	120	AA+
FN 745506 @ 5.663%, due 2/1/2016	24,591	24,698	AA+
FN 868434 @ 5.500%, due 4/1/2021	31,872	31,243	AA+
FN 995628 @ 5.500%, due 2/1/2029	19,180	19,524	AA+
LBUBS 2006-C1 A4 @ 5.156%, due 2/15/2031	16,309	15,015	AAA
<b>Total Asset and Mortgage Backed Securities</b>	<u>1,439,176</u>	<u>1,412,872</u>	
<b>Government Bonds</b>			
US Treasury @ 4.750%, due 8/15/2017	283,998	274,528	AA+
US Treasury @ 2.750%, due 8/15/2042	721,403	760,523	AA+
<b>Total Government Bonds</b>	<u>1,005,401</u>	<u>1,035,051</u>	
<b>Corporate Bonds</b>			
Access Midstream Partners LP @ 4.875%, due 5/15/2023	4,987	4,625	BB+
AES Corporation @ 8.000%, due 6/1/2020	4,664	4,520	BB-
ALCOA Incorporated @ 6.150%, due 8/15/2020	4,277	4,120	BB+
Ally Financial Inc. @ 8.000%, due 3/15/2020	9,180	9,200	B+
Ally Financial Inc. @ 5.125%, due 9/29/2024	4,115	3,950	B+
Antero Resources Finance Corporation @ 5.375%, due 11/1/2021	8,985	7,920	BB-
Apple Inc. @ 3.450%, due 5/6/2024	35,354	36,079	AA+
AutoNation, Inc. @ 5.500%, due 2/1/2020	2,207	2,190	BBB-
Avis Budget Car/Finance @ 5.500%, due 4/1/2023	3,985	3,872	B+
Ball Corporation @ 5.000%, due 3/15/2022	5,047	5,012	BB+
Berry Plastics Corporation @ 5.125%, due 7/15/2023	4,622	4,712	B-
Boyd Gaming Corporation @ 6.875%, due 5/15/2023	4,120	4,060	CCC+
Calpine Corporation @ 5.750%, due 1/15/2025	3,962	3,740	B-
CBRE Services, Inc. @ 5.000%, due 3/15/2023	8,889	9,046	BBB-
CCO HLDGS, LLC @ 6.500%, due 4/30/2021	8,280	8,040	B+
CCO HLDGS, LLC @ 5.750%, due 1/15/2024	4,737	4,775	B+
Celanese US Holdings LLC @ 5.875%, due 6/15/2021	4,185	4,035	BB

*See accompanying Report of Independent Auditors.*

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

**Schedule of Investments - Park Fund, continued**

September 30, 2015

	Cost	Fair Value	Ratings
<b>Corporate Bonds, continued</b>			
Centene Corporation @ 5.750%, due 6/1/2017	4,240	4,170	BB
Chesapeake Energy Corporation @ 6.125%, due 2/15/2021	4,974	3,484	BB+
Community Health Systems, Inc. @ 7.125%, due 7/15/2020	4,085	4,160	B-
Cinemark USA, Inc. @ 5.125%, due 12/15/2022	3,940	3,920	BB-
CIT Group Inc. @ 5.000%, due 8/15/2022	9,292	8,988	B+
Citigroup Inc. @ 4.400%, due 7/30/2022	30,040	30,172	BBB-
Clear Channel Communication @ 9.000%, due 12/15/2019	3,966	3,440	CCC+
Concho Resources Inc. @ 5.500%, due 4/1/2023	4,975	4,762	BB-
Crown Amers, LLC @ 6.250%, due 2/1/2021	5,491	5,181	BB-
Crown Castle International Corporation @ 4.875%, due 4/15/2022	4,042	4,158	BB-
CSC Holdings LLC @ 7.625%, due 7/15/2018	4,505	4,200	BB
D.R. Horton Incorporated @ 4.000%, due 2/15/2020	4,050	4,030	BB+
DaVita HealthCare Partners Inc. @ 5.125%, due 7/15/2024	5,040	4,910	B+
DaVita HealthCare Partners Inc. @ 5.750%, due 8/15/2022	4,295	4,160	B+
DISH DBS Corporation @ 5.875%, due 7/15/2022	10,810	8,850	BB-
Dynegy Inc. @ 5.875%, due 6/1/2023	4,988	4,687	B-
El Paso Corporation @ 7.000%, due 6/15/2017	5,245	5,330	BBB-
Energy Transfer Equity, L.P. @ 7.500%, due 10/15/2020	8,655	7,960	BB
Everest Acquisition, LLC @ 9.375%, due 5/1/2020	4,525	3,440	B
Equinix Incorporated @ 5.750%, due 1/1/2025	4,175	3,970	B+
First Data Corporation @ 12.625%, due 1/15/2021	8,403	7,953	CCC+
Florida Power and Light Company @ 3.250%, due 6/1/2024	25,414	25,665	A
General Electric Company @ 4.650%, due 10/17/2021	45,039	44,991	A+
General Motors Financial Company, Inc. @ 3.250%, due 5/15/2018	5,087	5,058	BB+
General Motors Financial Company, Inc. @ 4.250%, due 5/15/2023	4,913	4,898	BB+
GenOn Escrow Corp. @ 9.875%, due 10/15/2020	4,060	3,720	B-
GLP Capital, L.P. @ 4.875%, due 11/1/2020	4,115	4,050	BB+
Goldman Sachs Group, Inc. @ 5.250%, due 7/27/2021	33,892	33,457	A-
Goodyear Tire & Rubber @ 7.000%, due 5/15/2022	4,263	4,250	BB-
Graphic Packaging International, Inc. @ 4.750%, due 4/15/2021	4,938	4,950	BB
HCA Inc. @ 5.000%, due 3/15/2024	9,028	9,023	BB+
HCA Inc. @ 3.750%, due 3/15/2019	5,069	4,988	BB+
Hertz Corporation @ 6.750%, due 4/15/2019	4,380	4,070	B
Hertz Corporation @ 6.250%, due 10/15/2022	4,125	4,015	B
IBM Corporation @ 3.625%, due 2/12/2024	30,945	30,914	AA-
Icahn Enterprise LP @ 6.000%, due 8/1/2020	4,275	4,110	BB-
Intelsat Jackson Holdings S.A. @ 7.250%, due 4/1/2019	8,480	7,449	B-
International Lease Finance Corporation @ 8.250%, due 12/15/2020	8,175	8,190	BB
Iron Mountain Incorporated @ 5.750%, due 8/15/2024	5,124	4,825	B-
JPMorgan Chase & Co. @ 4.500%, due 1/24/2022	37,193	37,764	A-
Kinetic Concepts Inc. @ 10.500%, due 11/1/2018	4,360	4,187	B-
L Brands, Inc. @ 6.625%, due 4/1/2021	8,953	8,900	BB+
Lamar Media Corp. @ 5.000%, due 5/1/2023	4,020	3,940	BB-
Lear Corporation @ 5.250%, due 1/15/2025	4,090	3,920	BB
Lennar Corporation @ 4.750%, due 5/30/2025	4,910	4,775	BB
Level 3 Communications @ 5.750%, due 12/1/2022	5,130	4,906	B

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

**Schedule of Investments - Park Fund, continued**

September 30, 2015

	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<b>Corporate Bonds, continued</b>			
Level 3 Financing, Inc. @ 7.000%, due 6/1/2020	4,355	4,140	B
Linn Energy LLC @ 7.750%, due 2/1/2021	1,810	460	B-
Markwest Energy Partners LP @ 5.500%, due 2/15/2023	9,338	8,718	BB-
Masco Corporation @ 5.950%, due 3/15/2022	4,991	5,456	BB
MetLife, Inc. @ 4.368%, due 9/15/2023	46,363	48,347	A-
MGM Resorts International @ 6.750%, due 10/1/2020	4,405	4,130	B-
Micron Technology, Inc. @ 5.875%, due 2/15/2022	4,225	3,945	BB-
Morgan Stanley @ 5.750%, due 1/25/2021	29,133	28,512	A-
Nationstar MTG, LLC @ 6.500%, due 7/1/2021	4,728	4,150	B
NRG Energy, Inc. @ 6.625%, due 3/15/2023	8,343	7,360	B+
Post Holdings, Inc. @ 7.375%, due 2/15/2022	13,925	13,195	B-
Range Resources Corporation @ 5.000%, due 3/15/2023	5,855	5,306	BB
Reynolds Group Issuer Inc. @ 5.750%, due 10/15/2020	3,960	4,040	B+
Rite Aid Corporation @ 6.750%, due 6/15/2021	4,240	4,100	CCC+
Royal Caribbean Cruises @ 5.250%, due 11/15/2022	4,290	4,197	BB+
Sally HLDGS LLC @ 5.750%, due 6/1/2022	4,270	4,170	BB
Sinclair Television Group @ 5.375%, due 4/1/2021	4,043	3,910	B+
SLM Corporation @ 5.500%, due 1/25/2023	4,713	3,966	BB-
Sprint Capital Corporation @ 6.875%, due 11/15/2028	4,841	3,587	CCC+
Sprint Communications, Inc. @ 6.000%, due 11/15/2022	4,090	3,010	CCC+
Sprint Communications, Inc. @ 11.500%, due 11/15/2021	2,215	1,980	CCC+
Steel Dynamics, Inc. @ 5.250%, due 4/15/2023	4,875	4,575	BB
Targa Res Partners LP @ 5.250%, due 5/1/2023	5,015	4,437	BB
Tenet Healthcare Corporation @ 8.125%, due 4/1/2022	5,503	5,314	CCC+
Tenet Healthcare Corporation @ 4.750%, due 6/1/2020	3,975	4,040	BB-
T-Mobile USA, Inc. @ 6.125%, due 1/15/2022	4,218	3,860	BB-
T-Mobile USA, Inc. @ 6.542%, due 4/28/2020	4,175	4,065	BB-
Toys R Us Property Company @ 8.500%, due 12/1/2017	4,084	3,820	B
TransDigm Inc. @ 5.500%, due 10/15/2020	3,990	3,812	CCC+
Triumph Group, Inc. @ 4.875%, due 4/1/2021	4,970	4,675	B+
United Rentals (North America), Inc. @ 5.750%, due 11/15/2024	4,170	3,830	B+
Wells Fargo & Company @ 3.450%, due 2/13/2023	45,050	44,789	A-
Whiting Petroleum Corporation @ 5.000%, due 3/15/2019	4,000	3,481	BB
Wyett LLC @ 6.450%, due 2/1/2024	42,914	43,371	A+
<b>Total Corporate Bonds</b>	<u>852,380</u>	<u>829,584</u>	
<b>Total Mutual Funds</b>	<u>921,450</u>	<u>786,537</u>	
<b>Total Equities</b>	<u>4,068,857</u>	<u>3,618,288</u>	
<b>Total Fixed Income Securities</b>	<u>3,296,957</u>	<u>3,277,507</u>	
<b>Total Mutual Funds, Equities and Fixed Income Securities</b>	<u>\$ 8,287,264</u>	<u>\$ 7,682,332</u>	

See accompanying Report of Independent Auditors.

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

Schedule of Administrative Expenses Compared to Budget

Year Ended September 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Money manager fees	\$ 262,500	\$ 266,862	\$ ( 4,362)
Money management administration	137,600	138,054	( 454)
Consultancy fees	129,000	129,583	( 583)
Salaries and benefits	126,160	133,153	( 6,993)
Contract services	72,000	72,678	( 678)
Office expense	57,931	57,544	387
Depreciation	41,600	37,902	3,698
Professional fees	40,000	39,340	660
Loan administration fee	33,000	33,777	( 777)
Audit	16,640	16,642	( 2)
Rent and utilities	12,250	10,785	1,465
Trustees' expenses	8,099	6,921	1,178
Repairs and maintenance	<u>5,000</u>	<u>5,838</u>	( <u>838</u> )
Total	\$ <u>941,780</u>	\$ <u>949,079</u>	\$ ( <u>7,299</u> )

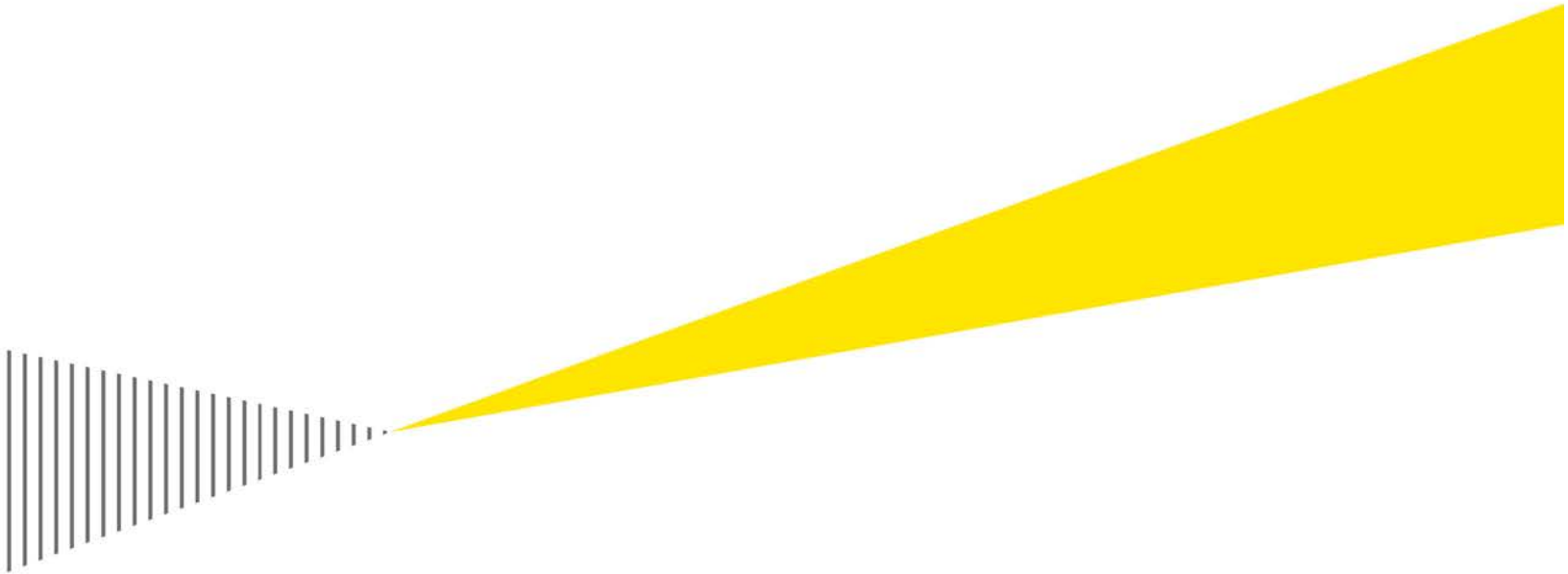
*See accompanying Report of Independent Auditors.*

*Compliance Report*

**Marianas Public Land Trust**

(A Component Unit of the Commonwealth of the  
Northern Mariana Islands)

*Year ended September 30, 2015*



## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and the Board of Trustees  
Marianas Public Land Trust

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marianas Public Land Trust (the Trust), which comprise the statement of net position as of September 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 11, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

May 11, 2016