

COMMONWEALTH OF THE  
NORTHERN MARIANA ISLANDS

REPORT ON THE AUDIT OF FINANCIAL  
STATEMENTS IN ACCORDANCE  
WITH OMB CIRCULAR A-133

YEAR ENDED SEPTEMBER 30, 1999

COMMONWEALTH OF THE  
NORTHERN MARIANA ISLANDS

GENERAL PURPOSE FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 1999

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
 GENERAL PURPOSE FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 1999

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 1999

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## INDEPENDENT AUDITORS' REPORT

Honorable Pedro P. Tenorio  
Governor  
Commonwealth of the Northern Mariana Islands:

We have audited the accompanying general purpose financial statements of the Commonwealth of the Northern Mariana Islands (CNMI), as set forth in Section II of the foregoing table of contents, as of September 30, 1999, and for the year then ended. These general purpose financial statements are the responsibility of the management of the CNMI. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Marianas Visitors Authority, which is shown as the Component Units - Governmental Fund, the financial statements of the Northern Mariana Islands Retirement Fund, which is shown as the Fiduciary Fund Type - Pension Trust Fund or the financial statements of the CNMI Workers' Compensation Commission and the Northern Mariana Islands Government Health and Life Insurance Trust Fund, which represent 51% and 97%, respectively, of the assets and revenues of the Fiduciary Fund Type - Expendable Trust Funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Component Units - Governmental Fund, the Fiduciary Fund Type - Pension Trust Fund and the Fiduciary Fund Type - Expendable Trust Funds, is based solely on the reports of the other auditors.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include financial activities of the Northern Marianas College, a Component Unit - Higher Education Fund, the Public School System, a Component Unit - School District, and the Commonwealth Government Employees' Credit Union, a Component Unit - Governmental Fund, which, in our opinion, should be included in order to conform with accounting principles generally accepted in the United States of America. The entities comprising these material omitted funds were not able to produce financial statements and the effect on the general purpose financial statements is unknown.

The CNMI has not updated the General Fixed Assets Account Group. Accordingly, a statement of changes in general fixed assets has not been included within the accompanying general purpose financial statements.

Because of inadequacies in the accounting records, we were unable to determine that receivables from federal agencies, advances, deposits payable, other liabilities and accruals, reserve for encumbrances, and reserve for continuing appropriations were fairly stated for all Governmental Fund Types; and that receivables from federal agencies were fairly stated for the Fiduciary Fund Type - Agency Fund, as of September 30, 1999. These amounts enter into the determination of revenues and expenditures of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) - All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units, and the Statement of Revenues, Expenditures and Changes in Deficit - Budget and Actual - General Fund for the year ended September 30, 1999.

Because of inadequacies in the accounting records and in the internal control over financial reporting, we were unable to form an opinion regarding receivables from federal agencies, utilities receivable, inventories, fixed assets, and contributed capital of the Commonwealth Utilities Corporation (CUC). The financial activities of CUC are included in the Component Units - Proprietary Funds and represent 38% and 75% of the assets and operating revenues, respectively, of the Component Units - Proprietary Funds.

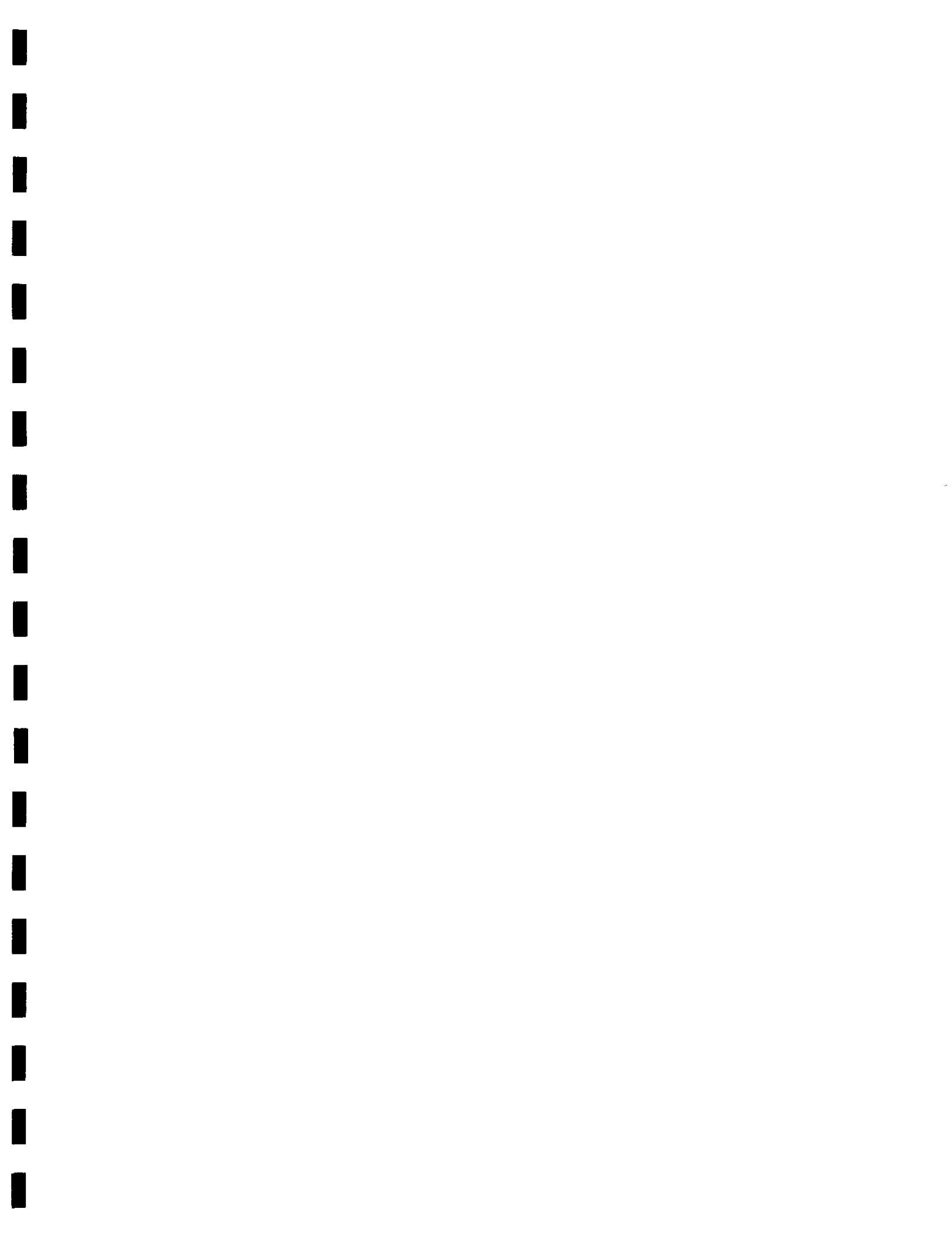
In our opinion, based on our audit and the reports of other auditors, except for the effects on the general purpose financial statements of such adjustments, if any, as might have been determined to be necessary had; 1) the General Fixed Assets Account Group been updated; 2) the propriety of receivables from federal agencies, utilities receivable, inventories, fixed assets, and contributed capital of CUC, been determinable; 3) the propriety of receivables from federal agencies, advances, deposits payable, other liabilities and accruals, reserve for encumbrances, and reserve for continuing appropriations and their effect on the determination of revenues and expenditures for all Governmental Fund Types; and receivables from federal agencies for the Fiduciary Fund Type - Agency Fund, been determinable, as discussed in the fourth through sixth paragraphs above, and the omission of the Northern Marianas College, the Public School System, and the Commonwealth Government Employees' Credit Union, discussed in the third paragraph above, such general purpose financial statements, as set forth in Section II of the table of contents, with the exception of the General Fixed Assets Account Group upon which we are unable to express an opinion because of the matter set forth in the fourth paragraph above, present fairly, in all material respects, the financial position of the CNMI as of September 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information, and combining and individual fund statements, listed in Section III of the foregoing table of contents, which are also the responsibility of the management of the CNMI, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the CNMI. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, except for the effects of the matters described in the fourth through sixth paragraphs above, and the omissions discussed in the third paragraph above, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2000, on our consideration of the CNMI's (Primary Government only) internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Deloitte & Touche*

May 12, 2000





COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combined Balance Sheet - All Fund Types, Account Groups  
and Discretely Presented Component Units  
September 30, 1999  
(With comparative totals as of September 30, 1998)

Fiduciary Fund Types		Account Groups		Total Primary Government (Memorandum Only)	Component Units		Totals Reporting Entity (Memorandum Only)	
Pension Trust	Agency	General Fixed Assets	General Long-Term Debt		Governmental	Proprietary	1999	1998
\$ 6,082,329	\$ -	\$ -	\$ -	\$ 62,107,045	\$ 918,270	\$ 21,613,286	\$ 84,638,601	\$ 66,140,301
332,180,572	-	-	-	3,380,967	-	6,324,584	9,705,551	12,786,151
12,812,571	-	-	-	397,613,450	-	1,411,790	399,025,240	329,163,994
-	888,802	-	-	12,812,571	-	44,638,671	57,451,242	53,767,831
6,940,011	-	-	-	18,131,767	-	1,897,800	20,029,567	17,473,984
-	-	-	-	5,378,069	-	-	5,378,069	9,592,312
-	-	-	-	12,176,996	-	-	12,176,996	7,834,856
-	-	-	-	13,745,590	-	-	13,745,590	13,806,075
2,071,496	-	-	-	-	-	6,677,719	6,677,719	10,068,353
1,527,354	-	-	-	4,740,109	-	2,253,247	6,993,356	23,730,620
-	-	-	-	2,040,223	-	2,135,182	4,175,405	2,049,927
76,140	-	-	-	843,811	-	-	843,811	188,306
-	-	-	-	1,202,166	36,777	1,200,379	2,439,322	3,353,566
21,505,808	34,255,861	-	-	-	1,970,940	9,938,715	11,909,655	11,909,655
-	-	-	-	94,671,410	-	14,057,657	108,729,067	89,667,553
-	-	-	-	6,910,325	-	-	6,910,325	5,930,163
1,033	-	-	-	3,777,428	-	9,387,283	13,164,711	9,415,958
-	-	-	-	1,033	3,000	28,996	33,029	135,045
-	-	-	-	-	-	1,635,709	1,635,709	1,475,122
-	-	-	-	-	-	4,172,854	4,172,854	7,091,604
-	4,132,147	-	-	4,132,147	87,411	6,236,761	10,456,319	12,741,923
-	-	-	-	-	-	24,166,320	24,166,320	31,221,374
-	-	-	-	-	-	166,642	166,642	478,640
4,552,710	-	73,336,200	-	77,937,013	-	259,078,564	337,015,577	317,685,546
-	-	-	3,126,217	3,126,217	-	-	3,126,217	1,581,843
-	-	-	31,972,939	31,972,939	-	-	31,972,939	19,151,311
<u>\$ 387,750,024</u>	<u>\$ 39,276,810</u>	<u>\$ 73,336,200</u>	<u>\$ 35,099,156</u>	<u>\$ 756,701,276</u>	<u>\$ 3,016,398</u>	<u>\$ 417,022,159</u>	<u>\$ 1,176,739,833</u>	<u>\$ 1,046,532,358</u>
\$ -	\$ -	\$ -	\$ -	\$ 14,606,762	\$ -	\$ 371,891	\$ 14,978,653	\$ 14,133,539
62,562	-	-	-	13,082,820	447,696	10,664,849	24,195,365	27,953,707
-	1,271,126	-	-	1,271,126	-	-	1,271,126	1,234,610
-	-	-	-	-	-	1,651,512	1,651,512	3,533,298
-	32,984,735	-	-	32,984,735	-	32,984,735	32,984,735	38,391,447
-	4,132,147	-	-	5,586,666	-	7,120,347	12,707,013	10,593,817
98,716	-	-	6,601,585	16,285,707	213,399	2,790,568	19,289,674	33,130,456
-	-	-	-	16,042,965	-	-	16,042,965	-
1,577,211	888,802	-	-	110,504,013	-	14,057,657	124,561,670	89,667,553
-	-	-	-	-	-	-	-	16,871,069
-	-	-	-	-	-	89,259,329	89,259,329	79,505,320
-	-	-	-	12,812,571	-	397,633	13,210,204	13,602,376
-	-	-	-	15,685,000	-	51,443,342	67,128,342	52,000,681
-	-	-	-	-	-	46,438,253	46,438,253	39,779,544
635,532	-	-	-	2,612,625	-	2,537,415	5,150,040	9,412,930
<u>2,374,021</u>	<u>39,276,810</u>	<u>-</u>	<u>35,099,156</u>	<u>241,474,990</u>	<u>661,095</u>	<u>226,732,796</u>	<u>468,868,881</u>	<u>429,810,349</u>
-	-	73,336,200	-	-	-	213,031,376	213,031,376	208,987,229
-	-	-	-	73,336,200	-	-	73,336,200	65,958,062
-	-	-	-	(184,695)	-	(22,742,013)	(22,926,708)	(22,052,594)
-	-	-	-	3,235,005	-	-	3,235,005	2,020,270
-	-	-	-	13,826,976	87,411	-	13,914,387	13,897,288
-	-	-	-	3,126,217	-	-	3,126,217	1,581,843
-	-	-	-	33,767,346	2,184,786	-	35,952,132	23,649,399
-	-	-	-	7,177,574	-	-	7,177,574	6,728,376
-	-	-	-	51,016,138	-	-	51,016,138	48,607,001
385,376,003	-	-	-	385,376,003	-	-	385,376,003	336,295,338
-	-	-	-	3,013,663	-	-	3,013,663	5,222,178
-	-	-	-	485,215	-	-	485,215	620,477
-	-	-	-	(58,949,356)	83,106	-	(58,866,250)	(74,792,858)
<u>385,376,003</u>	<u>-</u>	<u>73,336,200</u>	<u>-</u>	<u>515,226,286</u>	<u>2,355,303</u>	<u>190,289,363</u>	<u>707,870,952</u>	<u>616,722,009</u>
<u>\$ 387,750,024</u>	<u>\$ 39,276,810</u>	<u>\$ 73,336,200</u>	<u>\$ 35,099,156</u>	<u>\$ 756,701,276</u>	<u>\$ 3,016,398</u>	<u>\$ 417,022,159</u>	<u>\$ 1,176,739,833</u>	<u>\$ 1,046,532,358</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combined Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)  
 All Governmental Fund Types, Expendable Trust Funds  
 and Discretely Presented Component Units  
 Year Ended September 30, 1999  
 (With comparative totals for the year ended September 30, 1998)

	Governmental Fund Types				Fiduciary	Total	Component	Totals	
	General	Special	Debt	Capital	Expendable	Primary	Units	Reporting Entity	
		Revenue	Service	Projects	Trust	(Memorandum	Govern-	(Memorandum Only)	
						Only)	mental	1999	1998
Revenues:									
Taxes	\$ 187,884,906	\$ -	\$ -	\$ -	\$ -	\$ 187,884,906	\$ -	\$ 187,884,906	\$ 199,984,396
Federal contributions	-	20,894,947	-	21,858,658	-	42,753,605	-	42,753,605	34,384,923
Charges for sales and services	12,210,169	-	-	-	-	12,210,169	-	12,210,169	15,385,276
Licenses and fees	11,129,845	-	-	-	-	11,129,845	25,353	11,155,198	10,074,814
Division of Public Lands	6,413,370	-	-	-	-	6,413,370	-	6,413,370	6,687,416
Premiums	-	-	-	-	5,977,030	5,977,030	-	5,977,030	5,971,463
Other contributions	-	373,709	-	1,819,020	-	2,192,729	57,103	2,249,832	4,778,349
Net increase (decrease) in the fair value of investments	215,804	-	-	-	30,832	246,636	-	246,636	(17,186)
Other	3,281,009	8,908,866	49,006	-	248,831	12,487,712	155,551	12,643,263	13,037,166
Total revenues	221,135,103	30,177,522	49,006	23,677,678	6,256,693	281,296,002	238,007	281,534,009	290,286,617
Expenditures:									
Offices and departments	121,783,616	21,044,541	-	-	-	142,828,157	-	142,828,157	164,958,370
Capital projects	-	-	-	25,723,200	-	25,723,200	-	25,723,200	19,158,352
Elected offices	12,830,860	-	-	-	-	12,830,860	-	12,830,860	11,242,121
Independent programs	11,991,380	-	-	-	-	11,991,380	-	11,991,380	17,989,345
Legislative branch	7,101,054	-	-	-	-	7,101,054	-	7,101,054	6,731,710
Judicial branch	4,583,262	-	-	-	-	4,583,262	-	4,583,262	5,470,537
Interest	-	991,431	-	-	-	991,431	-	991,431	666,048
Boards and commissions	803,392	-	-	-	-	803,392	-	803,392	2,734,766
Principal repayment	-	674,499	-	-	-	674,499	-	674,499	448,779
Other	2,811,762	5,544,266	-	-	6,331,858	14,687,886	6,785,861	21,473,747	18,537,468
Total expenditures	161,905,326	28,254,737	-	25,723,200	6,331,858	222,215,121	6,785,861	229,000,982	247,937,496
Excess (deficiency) of revenues over (under) expenditures	59,229,777	1,922,785	49,006	(2,045,522)	(75,165)	59,080,881	(6,547,854)	52,533,027	42,349,121
Other financing sources (uses):									
Operating transfers in (note 15)	4,879,163	4,308,557	2,000,000	15,119,835	378,395	26,685,950	6,000,684	32,686,634	17,577,015
Operating transfers out (note 15)	(74,441,583)	(4,813,476)	-	-	-	(79,255,059)	-	(79,255,059)	(71,368,445)
Bond proceeds (note 11)	14,980,000	-	-	-	-	14,980,000	-	14,980,000	-
Total other financing sources (uses), net	(54,582,420)	(504,919)	2,000,000	15,119,835	378,395	(37,589,109)	6,000,684	(31,588,425)	(53,791,430)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,647,357	1,417,866	2,049,006	13,074,313	303,230	21,491,772	(547,170)	20,944,602	(11,442,309)
Fund balances (deficit) at beginning of year, as restated (note 16)	(44,522,351)	4,375,904	-	15,036,963	2,122,778	(22,986,706)	2,902,473	(20,084,233)	(16,359,094)
Fund balances (deficit) at end of year	\$ (39,874,994)	\$ 5,793,770	\$ 2,049,006	\$ 28,111,276	\$ 2,426,008	\$ (1,494,934)	\$ 2,355,303	\$ 860,369	\$ (27,801,403)

See accompanying notes to the general purpose financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Revenues, Expenditures and Changes in  
Deficit - Budget and Actual - General Fund  
Year Ended September 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 180,504,727	\$ 187,884,906	\$ 7,380,179
Charges for sales and services	9,514,206	12,210,169	2,695,963
Licenses and fees	12,279,408	11,129,845	(1,149,563)
Division of Public Lands	6,752,100	6,413,370	(338,730)
Other	2,434,180	3,496,813	1,062,633
Total revenues	<u>211,484,621</u>	<u>221,135,103</u>	<u>9,650,482</u>
<b>Expenditures - budgetary basis by function:</b>			
Executive branch	105,813,422	104,700,373	1,113,049
Second Senatorial District - Tinian	13,532,972	13,547,074	(14,102)
First Senatorial District - Rota	13,436,359	12,843,182	593,177
Independent programs	8,597,361	12,066,806	(3,469,445)
Legislative branch	6,919,836	7,159,033	(239,197)
Judicial branch	5,101,227	4,607,900	493,327
Office of the Mayors	2,818,313	2,924,840	(106,527)
Office of the Public Auditor	2,311,300	2,063,199	248,101
Office of the Washington Representative	1,381,317	1,611,130	(229,813)
Boards and commissions	847,452	805,191	42,261
Other	-	2,811,762	(2,811,762)
Total expenditures	<u>160,759,559</u>	<u>165,140,490</u>	<u>(4,380,931)</u>
Excess of revenues over expenditures	<u>50,725,062</u>	<u>55,994,613</u>	<u>5,269,551</u>
<b>Other financing sources (uses):</b>			
Operating transfers in (note 15)	6,489,064	4,879,163	(1,609,901)
Operating transfers out (note 15)	(74,458,879)	(74,441,583)	17,296
Bond proceeds	14,980,000	14,980,000	-
Total other financing sources (uses), net	<u>(52,989,815)</u>	<u>(54,582,420)</u>	<u>(1,592,605)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,264,753)</u>	<u>1,412,193</u>	<u>3,676,946</u>
<b>Other changes in unreserved fund balances:</b>			
Reserve for continuing appropriations	2,200,000	2,208,515	8,515
Reserve for related assets	-	(14,424)	(14,424)
Reserve for supplies inventory	-	(1,214,735)	(1,214,735)
Other (note 16)	-	5,616,915	5,616,915
Deficit at beginning of year	<u>(76,295,931)</u>	<u>(76,295,931)</u>	<u>-</u>
Deficit at end of year	<u>\$ (76,360,684)</u>	<u>\$ (68,287,467)</u>	<u>\$ 8,073,217</u>

See accompanying notes to the general purpose financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combined Statement of Revenues, Expenses  
and Changes in Fund Equity (Deficiency) - All Proprietary Fund Types,  
Similar Trust Funds and Discretely Presented Component Units  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	Proprietary Fund Type		Fiduciary Fund Types		Total Primary Government (Memorandum Only)	Component Units (Proprietary)	Totals Reporting Entity (Memorandum Only)	
	Internal Service	Nonexpendable Trust	Pension Trust				1999	1998
Operating revenues:								
Utility charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,726,468	\$ 63,726,468	\$ 62,149,208
Net increase (decrease) in the fair value of investments	-	2,494,397	47,918,086	50,412,483	452,446	50,864,929	(4,153,496)	
Contributions	-	-	39,894,739	39,894,739	-	39,894,739	46,210,973	
Interest and fees on loans	-	1,797,978	7,030,675	8,828,653	4,238,253	13,066,906	12,377,942	
Port fees	-	-	-	-	8,886,601	8,886,601	9,256,075	
Concession and lease income	-	-	-	-	6,798,312	6,798,312	6,926,350	
Dividend income	-	425,912	3,298,164	3,724,076	-	3,724,076	3,337,853	
Charges for sales and services	720,050	-	-	720,050	-	720,050	841,092	
Other	-	-	-	-	2,370,237	2,370,237	2,136,133	
Total operating revenues	720,050	4,718,287	98,141,664	103,580,001	86,472,317	190,052,318	139,082,130	
Operating expenses:								
Bad debts	-	-	19,290,811	19,290,811	3,458,856	22,749,667	1,579,919	
Retirement pension payments	-	-	30,730,598	30,730,598	-	30,730,598	26,506,259	
General and administrative	-	-	1,789,188	1,789,188	26,656,855	28,446,043	29,157,414	
Production fuel	-	-	-	-	17,452,854	17,452,854	19,714,437	
Depreciation and amortization	-	8,832	-	8,832	14,302,977	14,311,809	14,412,655	
Repairs and maintenance	-	-	-	-	9,667,724	9,667,724	6,820,851	
Refund payments	-	-	5,416,554	5,416,554	-	5,416,554	5,128,862	
Other production	-	-	-	-	2,967,842	2,967,842	2,535,395	
Supplies	639,547	5,411	-	644,958	1,096,253	1,741,211	1,906,420	
Professional fees	-	377,322	-	377,322	1,081,035	1,458,357	958,294	
Rent	-	-	-	-	811,032	811,032	710,815	
Insurance	-	-	-	-	446,738	446,738	602,965	
Utilities	-	-	-	-	336,901	336,901	418,629	
Travel	-	-	-	-	202,733	202,733	382,249	
Printing and advertising	-	-	-	-	57,579	57,579	78,213	
Other	6,508	66,277	-	72,785	1,455,140	1,527,925	1,644,970	
Total operating expenses	646,055	457,842	57,227,151	58,331,048	79,994,519	138,325,567	112,558,347	
Operating income	73,995	4,260,445	40,914,513	45,248,953	6,477,798	51,726,751	26,523,783	
Nonoperating revenues (expenses):								
Interest income	-	-	-	-	-	2,486,358	2,486,358	3,070,561
Foreign exchange gain	-	-	-	-	-	97	97	157,754
Other contributions	-	-	-	-	-	-	-	1,000,000
Recovery of doubtful accounts	-	-	-	-	-	-	-	64,383
Damages to contractor	-	-	-	-	-	-	-	(220,500)
Amortization of bond issue cost	-	-	-	-	-	(57,393)	(57,393)	(49,975)
Investment expenses	-	-	(1,618,116)	(1,618,116)	-	(1,618,116)	(1,619,382)	
Interest expense	-	-	-	-	-	(11,284,055)	(11,284,055)	(9,012,659)
Other, net	-	-	7,061,383	7,061,383	(744,842)	6,316,541	3,099,288	
Total nonoperating revenues (expenses), net	-	-	5,443,267	5,443,267	(9,599,835)	(4,156,568)	(3,510,530)	
Income (loss) before other financing sources (uses)	73,995	4,260,445	46,357,780	50,692,220	(3,122,037)	47,570,183	23,013,253	
Other financing sources (uses):								
Operating transfers in (note 15)	-	-	2,722,885	2,722,885	-	2,722,885	3,989,205	
Operating transfers out (note 15)	-	(1,402,110)	-	(1,402,110)	-	(1,402,110)	(1,584,868)	
Total other financing sources (uses), net	-	(1,402,110)	2,722,885	1,320,775	-	1,320,775	2,404,337	
Net income (loss)	73,995	2,858,335	49,080,665	52,012,995	(3,122,037)	48,890,958	25,417,590	
Add depreciation on fixed assets acquired by grants and contributions externally restricted for capital acquisition and construction that reduces contributed capital	-	-	-	-	-	4,361,415	4,361,415	4,989,797
Increase in retained earnings/fund balances (deficit)	73,995	2,858,335	49,080,665	52,012,995	1,239,378	53,252,373	30,407,387	
Retained earnings/fund balances (deficit) at beginning of year, as restated (note 16)	(258,690)	55,335,377	336,295,338	391,372,025	(23,981,391)	367,390,634	339,170,734	
Retained earnings/fund balances (deficit) at end of year	(184,695)	58,193,712	385,376,003	443,385,020	(22,742,013)	420,643,007	369,578,121	
Contributed capital at beginning of year	-	-	-	-	208,987,229	208,987,229	201,938,566	
Additions (note 13)	-	-	-	-	8,405,562	8,405,562	12,038,460	
Reductions (note 13)	-	-	-	-	(4,361,415)	(4,361,415)	(4,989,797)	
Contributed capital at end of year	-	-	-	-	213,031,376	213,031,376	208,987,229	
Fund equity (deficiency) at end of year	\$ (184,695)	\$ 58,193,712	\$ 385,376,003	\$ 443,385,020	\$ 190,289,363	\$ 633,674,383	\$ 578,565,350	

See accompanying notes to the general purpose financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combined Statement of Cash Flows  
 All Proprietary Fund Types, Nonexpendable Trust Funds  
 and Discretely Presented Component Units  
 Year Ended September 30, 1999  
 (With comparative totals for the year ended September 30, 1998)

	Proprietary	Fiduciary	Total	Component	Totals	
	Fund Type	Fund Type	Primary		Reporting Entity	
	Internal	Nonexpendable Trust	Government		(Memorandum Only)	
	Service		(Memorandum Only)	Proprietary	1999	1998
Cash flows from operating activities:						
Operating income	\$ 73,995	\$ 4,260,445	\$ 4,334,440	\$ 6,477,798	\$ 10,812,238	\$ 10,795,852
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	-	8,832	8,832	14,302,977	14,311,809	14,412,655
Net increase in the fair value of investments	-	(2,494,397)	(2,494,397)	(452,446)	(2,946,843)	(2,192,558)
Bad debts	-	-	-	3,458,856	3,458,856	1,579,919
(Increase) decrease in assets:						
Utilities receivable	-	-	-	(6,871,328)	(6,871,328)	(3,173,714)
General receivables	-	-	-	(791,279)	(791,279)	1,008,966
Interest and dividends receivable	-	(74,834)	(74,834)	(1,870,979)	(1,945,813)	(66,922)
Due from CNMI Government	-	2,132	2,132	-	2,132	-
Other receivables	-	-	-	-	-	(526)
Due from other funds	(2,230)	-	(2,230)	-	(2,230)	(47,653)
Prepaid items	-	-	-	77,955	77,955	(49,811)
Inventories	36,492	-	36,492	(2,589,329)	(2,552,837)	26,765
Other assets	-	-	-	262,092	262,092	(296,064)
Increase (decrease) in liabilities:						
Accounts payable	(224,624)	15,274	(209,350)	2,374,132	2,164,782	(2,076,262)
Security deposits	-	-	-	198,426	198,426	576,951
Due to other funds	116,367	-	116,367	-	116,367	(103,201)
Deferred revenue	-	-	-	(20,282)	(20,282)	13,476
Other liabilities and accruals	-	-	-	93,566	93,566	(49,676)
Net cash provided by operating activities	-	1,717,452	1,717,452	14,650,159	16,367,611	20,358,197
Cash flows from noncapital financing activities:						
Increase in bank overdraft	-	-	-	371,891	371,891	-
Other income (expense), net	-	(117,890)	(117,890)	(2,530)	(120,420)	1,776,234
Net proceeds of line of credit	-	-	-	151,886	151,886	269,125
Operating transfers out	-	(1,402,110)	(1,402,110)	-	(1,402,110)	(893,815)
Net cash (used for) provided by noncapital financing activities	-	(1,520,000)	(1,520,000)	521,247	(998,753)	1,151,544
Cash flows from capital and related financing activities:						
Grant disbursements to subrecipients	-	-	-	(2,695,005)	(2,695,005)	(2,727,026)
Acquisition of fixed assets	-	(3,030)	(3,030)	(28,737,261)	(28,740,291)	(25,680,428)
Contributed capital	-	-	-	4,398,110	4,398,110	12,038,460
Net disbursements of loans	-	-	-	(7,590,379)	(7,590,379)	(2,879,166)
Receipts from notes payable	-	-	-	13,619,148	13,619,148	5,000,000
Recovery on doubtful accounts	-	-	-	-	-	64,383
Principal paid on notes payable	-	-	-	(4,049,371)	(4,049,371)	(8,942,560)
Principal paid on revenue bonds	-	-	-	(557,339)	(557,339)	(31,884,999)
Receipts from bond issue, net	-	-	-	-	-	50,796,506
Additional bond issue costs	-	-	-	(217,980)	(217,980)	-
Payments received from capital development loans	-	-	-	802,945	802,945	801,089
Net disbursements for capital grants	-	-	-	(319,691)	(319,691)	(1,210,260)
(Increase) decrease in restricted assets	-	-	-	3,567,991	3,567,991	(3,567,991)
Contributions to other agencies	-	-	-	-	-	(203,541)
Interest paid on borrowings	-	-	-	(5,366,908)	(5,366,908)	(5,788,363)
Receipts from grantor agencies	-	-	-	3,776,958	3,776,958	973,952
Net cash used for capital and related financing activities	-	(3,030)	(3,030)	(23,368,782)	(23,371,812)	(13,209,944)
Cash flows from investing activities:						
Net investment disposals (acquisitions)	-	(611,206)	(611,206)	11,877,698	11,266,492	(15,831,566)
Increase in notes receivable	-	(3,936,985)	(3,936,985)	-	(3,936,985)	(1,300,000)
Proceeds from sale and maturities of investment securities	-	-	-	1,614,872	1,614,872	10,351,273
Interest on investments	-	-	-	1,577,786	1,577,786	3,070,561
Other income, net	-	-	-	775,625	775,625	-
Net cash provided by (used for) investing activities	-	(4,548,191)	(4,548,191)	15,845,981	11,297,790	(3,709,732)
Net increase (decrease) in cash and cash equivalents	-	(4,353,769)	(4,353,769)	7,648,605	3,294,836	4,590,065
Cash and cash equivalents at beginning of year	-	12,807,985	12,807,985	13,964,681	26,772,666	22,182,601
Cash and cash equivalents at end of year	\$ -	\$ 8,454,216	\$ 8,454,216	\$ 21,613,286	\$ 30,067,502	\$ 26,772,666

See accompanying notes to the general purpose financial statements.

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Notes to the General Purpose Financial Statements September 30, 1999

### (1) Summary of Significant Accounting Policies

The accompanying general purpose financial statements of the Commonwealth of the Northern Mariana Islands (CNMI) have been prepared in accordance with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the CNMI's accounting policies are described below.

#### A. Reporting Entity

The Government of the CNMI is a constitutional government comprised of three branches: the Legislative Branch (the Legislature), consisting of a nine member Senate and an eighteen member House of Representatives; the Executive Branch, with the Governor as the chief executive officer; and the Judicial Branch made up of two Commonwealth courts (the Appeals Court and the Trial Court).

For financial reporting purposes, the CNMI has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The CNMI has also considered all potential component units for which it is financially accountable as well as other entities for which the nature and significance of their relationship with the CNMI are such that exclusion would cause the CNMI's general purpose financial statements to be misleading or incomplete. As required by GAAP, these general purpose financial statements present the Commonwealth of the Northern Mariana Islands (the primary government) and its component units. Blended component units are entities that are legally separate from the CNMI, but are so related to the CNMI that they are, in substance, the same as the CNMI or entities providing services entirely or almost entirely to the CNMI. Discretely presented component units are entities which are legally separate from the CNMI, but are financially accountable to the CNMI, or whose relationships with the CNMI are such that exclusion would cause the CNMI's general purpose financial statements to be misleading or incomplete. Each blended and discretely presented component unit has a September 30 year end.

#### 1. Blended Component Units

The following Component Units are blended within the Primary Government:

The CNMI Workers' Compensation Commission (WCC) is responsible for the payment of compensation to workers who are not adequately covered under their employer's insurance policy. The Board of Trustees of the Northern Mariana Islands Retirement Fund administers WCC. WCC is reported as a Fiduciary Fund Type - Expendable Trust Fund.

The Northern Mariana Islands Government Health and Life Insurance Trust Fund (GHLITF) is responsible for administering the life and health insurance programs for CNMI government employees. The Board of Trustees of the Northern Mariana Islands Retirement Fund administers GHLITF. GHLITF is reported as a Fiduciary Fund Type - Expendable Trust Fund.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

1. Blended Component Units, Continued

The Marianas Public Land Trust (MPLT) manages all monies received by it from the CNMI Division of Public Lands for the use of public lands and distributes net income to the general fund of the CNMI. Additionally, MPLT is responsible for maintaining a separate trust fund for the development and maintenance of American Memorial Park. MPLT is governed by a five member Board of Trustees appointed by the Governor of the CNMI. MPLT is reported as a Fiduciary Fund Type - Nonexpendable Trust Fund.

The Northern Mariana Islands Retirement Fund (NMIRF) exists to provide retirement security and other benefits to government employees, their spouses and dependents, former Governors and Lieutenant Governors, and to provide for an actuarially sound, locally funded pension system within the CNMI. NMIRF is governed by a seven member Board of Trustees appointed by the Governor of the CNMI. NMIRF is reported as a Fiduciary Fund Type - Pension Trust Fund.

2. Discretely Presented Component Units

The Component Units columns of the combined financial statements include the financial data of the following entities:

The Marianas Visitors Authority (MVA) is responsible for the promotion and development of the tourism industry in the CNMI. It is governed by a fourteen-member Board of Directors, nine of which are appointed by the Governor of the CNMI with the remaining five coming from specified industry groups within the CNMI. MVA is reported as a Component Unit - Governmental Fund.

The Commonwealth Ports Authority (CPA) is responsible for the operations, maintenance and improvement of all airports and seaports within the CNMI. CPA is governed by a seven member Board of Directors appointed by the Governor of the CNMI. CPA is reported as a Component Unit - Proprietary Fund.

The Commonwealth Development Authority (CDA) functions to stimulate the economic development of the CNMI. It serves as the administrator of United States economic assistance for economic development loans and aids in the financing of capital improvement projects undertaken by the CNMI and its autonomous public agencies. CDA is governed by a six member Board of Directors appointed by the Governor of the CNMI. CDA is reported as a Component Unit - Proprietary Fund.

The Commonwealth Utilities Corporation (CUC) is responsible for supervising the construction, maintenance operations and regulation of all utility services within the CNMI. CUC is governed by a six member Board of Directors appointed by the Governor of the CNMI. CUC is reported as a Component Unit - Proprietary Fund.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

3. Omitted Component Units

The Northern Marianas College (NMC) serves as the state education agency for higher education and adult education programs within the CNMI. NMC is governed by a seven member Board of Regents appointed by the Governor of the CNMI. NMC would be reported as a Component Unit - Higher Education Fund.

The Public School System (PSS) is responsible for supervising preschool, elementary and secondary education programs in the CNMI. PSS is governed by a five member Board of Education elected at large. PSS would be reported as a Component Unit - School District.

The Commonwealth Government Employees Credit Union (CGECU) serves as a credit union for all CNMI government employees. CGECU is governed by a five member Board of Directors appointed by the Governor of the CNMI. CGECU would be reported as a Component Unit - Governmental Fund.

Complete financial statements for each of the individual component units may be obtained at the units' administrative offices.

CNMI Workers' Compensation Commission  
P.O. Box 1247  
Saipan, MP 96950

Northern Mariana Islands Government Health  
and Life Insurance Trust Fund  
P.O. Box 1247  
Saipan, MP 96950

Marianas Public Land Trust  
P.O. Box 1089  
Saipan, MP 96950

Northern Mariana Islands Retirement Fund  
P.O. Box 1247  
Saipan, MP 96950

Marianas Visitors Authority  
P.O. Box 861  
Saipan, MP 96950

Commonwealth Ports Authority  
P.O. Box 1055  
Saipan, MP 96950

Commonwealth Development Authority  
P.O. Box 2149  
Saipan, MP 96950



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Commonwealth Utilities Corporation  
P.O. Box 1220  
Saipan, MP 96950

B. Measurement Focus and Basis of Accounting

The CNMI uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain CNMI functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

In the accompanying general purpose financial statements, the CNMI's funds are classified into three categories: governmental, fiduciary and proprietary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The general fund is used to account for all activities of the primary government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Hospital functions, which could be accounted for as a separate component unit, are commingled with the General Fund. No other functions, which could be accounted for as a separate component unit have come to management's attention.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the CNMI. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the CNMI is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the CNMI holds on behalf of others as their agent.

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Notes to the General Purpose Financial Statements September 30, 1999

### (1) Summary of Significant Accounting Policies, Continued

#### C. Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. For all proprietary funds and component units that use proprietary fund accounting, the CNMI applies GASB Statement No. 20, unless FASB pronouncements conflict with or contradict GASB pronouncements, and has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The CNMI considers all revenues available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Those revenues susceptible to accrual are business gross receipts tax, hotel room occupancy tax, special assessments, licenses, interest revenue and charges for sales and services. Fines and permit revenues are not susceptible to accrual because they are generally not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary funds, pension trust funds and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Notes to the General Purpose Financial Statements September 30, 1999

### (1) Summary of Significant Accounting Policies, Continued

#### D. Budgets

An annual appropriated budget is adopted by the Legislature for the General Fund through an Appropriations Act. During the year ended September 30, 1999, the CNMI operated under Public Law No. 11-41 Appropriations and Budget Authority Act for fiscal year 1999. The CNMI does not establish budgets for the operations of its Special Revenue Funds. Accordingly, a budget to actual presentation for Special Revenue Funds is not required or presented. Project-length financial plans are adopted for all capital project funds.

Encumbrance accounting is employed in governmental funds. For budgetary purposes, the encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

#### E. Cash and Cash Equivalents and Investments

The CNMI pools cash resources of its various funds in order to facilitate the management of cash. Unless otherwise required by law, interest income received on pooled cash accrues to the General Fund. Cash and cash equivalents applicable to a particular fund are readily identifiable. Cash and cash equivalents include amounts in demand accounts, savings accounts as well as short-term investments with a maturity date within three months of the date acquired by the CNMI. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified on the balance sheet. Investments are carried at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties. As of September 30, 1999, the carrying amount of the primary government's total cash and cash equivalents was \$62,107,045 and the corresponding bank balance was \$62,378,918. Of the bank balance amount, \$53,000,760 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. Bank deposits in the amount of \$783,943 were FDIC insured. CNMI Public Law No. 9-13 requires all Commonwealth funds to be collateralized by U.S. Government obligations at the rate of 110% of the corresponding deposit. CNMI management has determined that the CNMI is substantially in compliance with this requirement with the exception of deposits totaling \$1,785,003 that were uncollateralized as of September 30, 1999. As of September 30, 1999, the carrying amount of the discretely presented component unit's total cash and cash equivalents was \$26,704,410 and the corresponding bank balance was \$27,006,425. Of the bank balance amount, \$20,353,379 is maintained in financial institutions subject to FDIC insurance. Bank deposits in the amount of \$514,000 were FDIC insured. The component units do not require collateralization of their cash deposits, and therefore deposit levels in excess of FDIC insurance coverage are uncollateralized.

#### F. Receivables

Receivables are stated net of an estimated allowance for uncollectible accounts. Reimbursements due to the CNMI for expenditures on federally-funded reimbursement and grant programs are reported as "receivables from federal agencies". The receivables of the discretely presented component units are amounts that have arisen in the normal course of operations.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

F. Receivables, Continued

Receivables of the Governmental Fund Types and Component Units are primarily due from U.S. federal agencies, CNMI government agencies, and businesses and individuals residing in the CNMI.

G. Interfund Receivables/Payables

During the course of operations, the CNMI records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as "due from other funds" or "due to other funds" on the balance sheet. Receivables and payables resulting from transactions between component units and the primary government are classified as "due to/from primary government" or "due to/from component units".

H. Advances

Advances include amounts paid in advance to vendors. The General Fund advances are offset by inclusions in the fund balance reserve for encumbrances indicating that they do not constitute expendable available resources and are therefore not available for appropriation.

I. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of the General Fund are offset by a fund balance reserve account as they represent an asset not available for appropriation.

J. Prepaid Items

Payments made to vendors or persons for services that will benefit periods beyond September 30, 1999, are recorded as prepaid items.

K. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds.

The CNMI does not maintain complete records of its property, plant and equipment used in governmental fund type operations (general fixed assets) before fiscal year 1991, including roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems. In fiscal year 1991, the CNMI began to maintain such continuing records. Accordingly, the General Fixed Assets Account Group consists of fixed assets recorded as additions commencing fiscal year 1991 for all governmental fund types.

Depreciation, when assessed, is usually charged as a reduction in the investment in general fixed assets and an increase in accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are generally, as follows:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

K. Fixed Assets, Continued

Infrastructure	20 - 30 years
Buildings	20 - 30 years
Improvements	10 - 20 years
Furniture and fixtures	3 - 10 years
Motor vehicles	3 - 5 years

Property, plant and equipment acquired and maintained by the expendable trust fund, the nonexpendable trust fund, the pension trust fund and discretely presented component units are valued at historical cost and are depreciated using the straight-line method over their estimated useful lives, which are generally, as follows:

Buildings	30 years
Improvements	3 - 10 years
Equipment	3 - 10 years

Component Units - Proprietary Funds capitalize interest expense, where applicable, in order to recognize all costs associated with construction projects based on their respective weighted average borrowing rates. During the year ended September 30, 1999, \$985,408 of eligible interest expense was capitalized.

L. Long-Term Obligations

The CNMI reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Because of its spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are, instead, reported as liabilities in the general long-term debt account group.

For governmental fund types, bond issuance costs are recognized during the current period. Bond issuance costs for discretely presented component units are deferred and amortized over the term of the bonds using the straight-line method. Bond issuance costs are recorded as deferred charges.

The CNMI Constitution, Article X, Section 4, limits public indebtedness, other than bonds or other obligations of the government payable solely from the revenues derived from a public improvement or undertaking, to no more than 10% of the aggregate assessed valuation of the real property within the CNMI. The CNMI aggregate assessed valuation has not been determined as of September 30, 1999. However, the CNMI has estimated the aggregate assessed valuation of real property within the Commonwealth to be \$1,596,236,822 as of September 30, 1999. This estimation was based on the 1995 CNMI Mid-Decade Census.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

M. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. The liability as of September 30, 1999, is \$6,601,585. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and a fund liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The accumulated amount of unused sick leave as of September 30, 1999, is \$6,153,926.

Annual leave accumulates at the rate of thirteen working days for each year of service for up to three years of service, 19.5 working days for each year of service for three to six years of service, and 26 working days for each year of service for more than six years of service. Accrued annual leave is limited to 45 working days for civil service employees, with any amounts over 45 days transferred to sick leave. There is no limit on accumulated annual leave for non-civil service employees.

Sick leave accumulates at the rate of thirteen working days for each year of service, without limit.

N. Deferred Revenue

The CNMI reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the CNMI before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the CNMI has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

O. Income Taxes and Wage and Salary Taxes

*The Covenant to Establish the Commonwealth of the Northern Mariana Islands in Political Union with the United States of America* (the Covenant) adopted the Internal Revenue Code of the United States of America as the local income tax. Percentages of income tax due to the CNMI from CNMI source income are rebated. Beginning January 1, 1997, Public Law 9-22 reduced the effective rebate to 90%, 70% or 50%, based on specified tax brackets for corporate and individual income taxes paid. The rebate liability is therefore estimated at the end of each fiscal year and an amount is maintained in the Rebate Trust Fund, a Fiduciary Fund Type - Agency Fund, to ensure the adequacy of the rebate reserve.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

O. Income Taxes and Wage and Salary Taxes, Continued

Movements in income taxes and wage and salary taxes for the year ended September 30, 1999, is as follows:

Total income tax and wage and salary tax collections	\$ 90,723,353
Transfers to Rebate Trust Fund	<u>(30,687,147)</u>
Income taxes and wage and salary taxes per general purpose financial statements	<u>\$ 60,036,206</u>

P. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Designated fund balances represent tentative plans for future payment of special disability claims. The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution.

Discretely presented component units follow the generally accepted accounting principle of recording grants-in-aid for the construction or acquisition of facilities and equipment as contributions. Under this principle, depreciation applicable to contributed assets is recorded as a reduction against the related contribution and depreciation applicable to non-contributed assets is recorded as a charge against income.

The reserve for related assets as of September 30, 1999, is represented by the following assets:

	<u>Governmental Fund Type General</u>	<u>Component Unit Governmental</u>	<u>Totals</u>
Investments	\$ 2,142,856	\$ -	\$ 2,142,856
Receivables, net:			
Other agencies	5,225,431	-	5,225,431
General	1,906,191	-	1,906,191
Due from other funds	1,814,478	-	1,814,478
Advances	2,738,020	-	2,738,020
Restricted assets:			
Time certificates of deposit	<u>-</u>	<u>87,411</u>	<u>87,411</u>
	<u>\$ 13,826,976</u>	<u>\$ 87,411</u>	<u>\$ 13,914,387</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

Q. Reserve for General Fund

Fund balance reserved for the General Fund consists of \$51,007,205 in principal and \$8,933 in income of the Marianas Public Land Trust (MPLT), a Fiduciary Fund Type - Nonexpendable Trust Fund. The income portion is available for distribution to the General Fund of the CNMI. The principal portion is invested and managed by MPLT.

R. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

S. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

T. Estimates

The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(2) Budgetary and Legal Compliance

Under Public Law No. 3-68, as amended by Public Law No. 3-93, the Governor submits a proposed budget to the Legislature by April 1 for the fiscal year commencing the following October 1. By July 1, the Legislature sets limits on expenditures by House Concurrent Resolution (a resolution originating in the House of Representatives which is passed by both the House and Senate). By September 1, the budget is legally enacted by the Legislature through passage of Annual Appropriation Acts. If a balanced budget is not approved before the first day of the fiscal year, appropriations for government operations and obligations shall be at the same level for the previous fiscal year. Budgetary control is maintained at the department level. To the extent not expended or encumbered, General Fund appropriations generally lapse at the end of the fiscal year for which appropriations were made.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(2) Budgetary and Legal Compliance, Continued

The CNMI passed Public Law 11-41 as the Appropriations and Budget Authority Act of 1999.

The Governor is authorized to reprogram up to 25% of total appropriated funds for the operations and activities of departments, agencies and offices of the Executive Branch, provided that any reprogramming which increases or decreases the annual appropriation of a particular executive office, department or agency by more than 25%, or establishes a new position, function, program or duty not otherwise authorized by law, shall be subject to prior approval by joint resolution of the Legislature. On June 4, 1999, a joint resolution of the Legislature authorized the Governor to reprogram appropriations and allocations under Public Law 11-41 in excess of the 25% limitation. This authorization was based on revised estimated revenue collections for the General Fund from \$242,516,000 to \$210,000,000. Expenditures may not legally exceed budgeted appropriations at the activity level. Certain activity levels within the General Fund may have overexpended their budgeted appropriations, however, the effect of such overexpenditures, if any, is presently undeterminable.

(3) Investments

GASB Statement No. 3 requires government entities to categorize investments to give an indication of the level of credit risk assumed by the entity at year end. The three categories are described below:

Category 1 - Insured or registered, or securities held by the Primary Government or the Component Unit - Proprietary Funds or its agent in the Primary Government's or the Component Unit - Proprietary Funds' name;

Category 2 - Uninsured and unregistered, with securities held by the broker's or dealer's trust department or agent in the Primary Government's or the Component Unit - Proprietary Funds' name; or

Category 3 - Uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent but not in the Primary Government's or the Component Unit - Proprietary Funds' name.

A. General Fund

Investments of the General Fund as of September 30, 1999, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash management fund	\$ -	\$ 15,205,205	\$ -	\$ 15,205,205
Equities	-	2,142,856	-	2,142,856
	\$ -	\$ 17,348,061	\$ -	\$ 17,348,061

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(3) Investments, Continued

B. Debt Service Fund

Investments of the Debt Service Fund as of September 30, 1999, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash management fund	\$ <u>-</u>	\$ <u>2,049,006</u>	\$ <u>-</u>	\$ <u>2,049,006</u>

C. Expendable Trust Funds

Investments of the Expendable Trust Funds as of September 30, 1999, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Saipan Trust Fund:				
Equities	\$ -	\$ -	\$ 632,316	\$ 632,316
Money market placements	-	-	15,411	15,411
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>647,727</u>	\$ <u>647,727</u>

D. Nonexpendable Trust Fund

Investments of the Nonexpendable Trust Fund as of September 30, 1999, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Equities	\$ -	\$ -	\$ 25,473,801	\$ 25,473,801
Corporate bonds	-	-	13,529,499	13,529,499
U.S. Government securities	-	-	6,384,784	6,384,784
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>45,388,084</u>	\$ <u>45,388,084</u>

E. Pension Trust Fund

Investments of the Pension Trust Fund as of September 30, 1999, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Equity securities	\$ 209,127,821	\$ -	\$ -	\$ 209,127,821
U.S. Government securities	74,345,610	-	-	74,345,610
Money market placements	26,611,871	-	-	26,611,871
Corporate debt securities	21,550,270	-	-	21,550,270
Real property	545,000	-	-	545,000
	\$ <u>332,180,572</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>332,180,572</u>

Investments of the Pension Trust Fund are stated at fair value. Fair value is determined by quoted prices in active markets for equity securities, mutual fund investments, and corporate debt securities. No investments in any one organization represent 5% or more of net assets available for benefits for the pension trust fund as of September 30, 1999.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(3) Investments, Continued

F. Component Units

Investments of the Component Units - Proprietary Funds as of September 30, 1999, are as follows:

	Categories			Fair Value
	1	2	3	
Unrestricted:				
Commonwealth Ports Authority:				
U.S. Government securities	\$ -	\$ 1,364,968	\$ -	\$ 1,364,968
Cash management fund	-	46,822	-	46,822
	<u>-</u>	<u>1,411,790</u>	<u>-</u>	<u>1,411,790</u>
Restricted:				
Commonwealth Ports Authority (see note 6):				
U.S. Government money market fund	\$ -	\$ 10,024,234	\$ -	\$ 10,024,234
U.S. Government securities	-	4,030,132	-	4,030,132
	<u>-</u>	<u>14,054,366</u>	<u>-</u>	<u>14,054,366</u>
Commonwealth Development Authority (see note 6):				
U.S. Government agency bonds	-	10,111,954	-	10,111,954
	<u>\$ -</u>	<u>\$ 25,578,110</u>	<u>\$ -</u>	<u>\$ 25,578,110</u>

(4) Receivables

Receivables as of September 30, 1999, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Fund Types			Fiduciary Fund Types			Component Units		Totals	
	General	Special Revenue	Capital Projects	Expendable Trust	Nonexpendable Trust	Pension Trust	Agency	Governmental		Proprietary
Receivables:										
Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,812,571	\$ -	\$ -	\$ 118,306,719	\$ 131,119,290
Federal agencies	-	7,416,571	9,826,394	-	-	-	888,802	-	1,897,800	20,029,567
Other agencies	18,602,132	-	-	-	52,638	-	-	-	-	18,654,770
Notes	-	-	-	-	5,236,985	9,822,646	-	-	-	15,059,631
Taxes	13,745,590	-	-	-	-	-	-	-	-	13,745,590
Utilities	-	-	-	-	-	-	-	10,853,196	-	10,853,196
General	5,435,525	-	-	-	-	2,071,496	-	-	2,593,648	10,100,669
Interest and dividends	-	-	-	-	512,869	1,527,354	-	-	3,122,724	5,162,947
Leases	3,029,434	-	-	-	-	-	-	-	-	3,029,434
Other	-	-	701,372	733,314	2,265	76,140	-	36,777	1,660,065	3,209,933
Gross receivables	40,812,681	7,416,571	10,527,766	733,314	5,804,757	26,310,207	888,802	36,777	138,434,152	230,965,027
Less: allowance for uncollectibles	(18,229,236)	-	-	(310,925)	-	(2,882,635)	-	-	(79,631,154)	(101,053,950)
Net receivables	\$ 22,583,445	\$ 7,416,571	\$ 10,527,766	\$ 422,389	\$ 5,804,757	\$ 23,427,572	\$ 888,802	\$ 36,777	\$ 58,802,998	\$ 129,911,077

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(4) Receivables, Continued

Notes receivable of the Nonexpendable Trust Fund are recorded by the Marianas Public Land Trust (MPLT). On January 23, 1999, MPLT executed a loan agreement to lend funds to the Northern Marianas Housing Corporation (NMHC) of up to \$5,000,000 for the purpose of funding home loans. The loan is due on March 31, 2000, interest at 6.5%, payable quarterly, and is collateralized by a pledge agreement that creates a security interest in the Collateral Account, which shall maintain at all times in an amount equal to one quarter's interest payable to MPLT (see note 9). The loan agreement has the full faith and credit of the CNMI Government per Public Law No. 10-29. Additionally, MPLT has a short term notes receivable with NMHC of \$236,985, due October 25, 1999, interest at 6.5%. The note was subsequently renegotiated (see notes 9 and 21) and is collateralized by specifically pledged loans receivable of NMHC.

Notes receivable of the Pension Trust Fund are recorded by the Northern Mariana Islands Retirement Fund (NMIRF) under the Member Home Loan Program (MHLP). MHLP was created through Public Law No. 6-17 (effective April 1, 1991) and made available to all vested members of the Fund with at least 36 months of contributing service. Public Law No. 6-17 authorized up to 40% of Fund assets to be made available to the program. Borrowings are restricted to the construction, purchase, and improvement of principal residences or refinancing of existing mortgages on a member's home. The Fund will lend amounts ranging from \$5,000 to \$150,000 with the current interest rates at 8.5% to 9% per annum. As of September 30, 1999, notes receivable under MHLP was \$7,847,870. In addition, Public Law 9-52 (effective September 18, 1995) authorized the NMIRF to loan the Commonwealth Government Employees Credit Union (CGECU) up to \$2,000,000 for a period of thirty years. On October 31, 1995, the NMIRF approved a loan of \$2,000,000 to CGECU, interest at 8%, to be repaid from the operating income of CGECU. As of September 30, 1999, the note receivable from CGECU was \$1,974,776.

Loan receivable of the Pension Trust Fund is recorded by the NMIRF. On February 28, 1995, the Board of Trustees approved a loan in an amount not to exceed \$15,000,000 for the construction of a Judicial Complex on Saipan. The loan is to be repaid from revenues collected by the CNMI courts. During the year ended September 30, 1999, the NMIRF recognized \$314,768 in additional progress billings. As of September 30, 1999, the NMIRF has paid or accrued all progress billings on this project. The NMIRF controls the bank account used to deposit revenues that will be used to retire the debt. The NMIRF began transferring monthly principal and interest payments from this account to the NMIRF general checking account in May 1998. As of September 30, 1999, the loan receivable was \$12,812,571 (see note 10).

Loans receivable of the Component Units - Proprietary Funds are recorded by the Commonwealth Development Authority. The details of these loans are as follows:

Commonwealth Development Authority

Development Banking Division:

Note receivable from the Commonwealth Utilities Corporation (CUC), due February 17, 2013, interest at 7%, principal and interest are payable in quarterly installments of \$658,469 (see note 9).

\$ 30,000,000

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(4) Receivables, Continued

Commonwealth Development Authority, Continued

Development Banking Division, Continued:

Note receivable from CUC, due January 12, 2014, interest at 5%, principal and interest are payable in quarterly installments of \$359,514 (see note 9).	16,068,750
Note receivable from CUC, interest at 7%, principal and interest payable in monthly installments of \$58,509. No promissory agreement related to this note has been signed (see note 9).	10,000,000
Note receivable from CUC, due January 30, 2000, interest at 7%, principal and interest payable in quarterly installments of \$276,471 (see note 9).	5,500,000
Note receivable from the Commonwealth Ports Authority, due June 1, 2012, interest at 5%, principal and interest payable in quarterly installments of \$350,944 (see note 9).	<u>11,367,671</u>
Total loans receivable	72,936,421
Less allowance for loan losses	<u>(61,568,750)</u>
	<u>\$ 11,367,671</u>

Development Corporation Division (DCD):

DCD was established to serve as the economic development loan fund agency for qualified private sector enterprises. Loans receivable as of September 30, 1999, totaling \$33,259,871, are due within various periods not to exceed twenty (20) years. Interest rates are based on the economic purpose of the loan. Production development loans bear interest at 9%, marine and agriculture loans bear interest at 5%, and commercial development loans bear interest at 9%.

Northern Marianas Housing Corporation (NMHC):

NMHC grants loans for the specific purpose of providing residents of the CNMI with approved low-cost housing. Loans receivable as of September 30, 1999, totaling \$12,110,427, have terms from ten to thirty-three years in duration at interest rates of 4.5% to 12%. Loans are restricted to ninety percent (90%) of the appraised value of the property or the purchase price, whichever is lower. For construction loans, the purchase price of the property is defined as the value of the land plus the estimated cost of construction.

Major classifications of loans issued by DCD and NMHC as of September 30, 1999, including applicable allowance for loan losses, are as follows:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(4) Receivables, Continued

Commonwealth Development Authority, Continued

Northern Marianas Housing Corporation (NMHC), Continued:

	<u>DCD</u>	<u>NMHC</u>	<u>Total</u>
Commercial	\$ 24,989,313	\$ 112,189	\$ 25,101,502
Direct family home loans	-	9,635,339	9,635,339
Marine	5,585,957	-	5,585,957
Agriculture	2,666,810	-	2,666,810
HOME Investment Partnerships Act grant	-	837,322	837,322
Housing construction	-	583,069	583,069
Tinian turnkey	-	528,360	528,360
Other	<u>17,791</u>	<u>414,148</u>	<u>431,939</u>
	33,259,871	12,110,427	45,370,298
Less allowance for loan losses	<u>(11,670,839)</u>	<u>(428,459)</u>	<u>(12,099,298)</u>
	<u>\$ 21,589,032</u>	<u>\$ 11,681,968</u>	<u>\$ 33,271,000</u>

(5) Interfund Receivables and Payables

Receivables and payables between funds reflected as due to/from other funds in the combined balance sheet at September 30, 1999, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Federal Grants	\$ 3,607,134
General	Human Resources Development Trust	542,076
General	Commonwealth Alien Deportation	798,031
General	Commonwealth Medical Center	279,801
General	Public Works Grants	121,742
General	NMHC Grants	199,457
General	American Memorial Park	70,914
General	Serv-Mart Revolving	347,024
General	Special Surplus Property	56,433
General	Marianas Public Land Trust	1,320,000
General	Autonomous Agencies Pass Through	888,802
Pension Trust	Workers' Compensation Commission	207,861
Commonwealth Ports Authority	Commonwealth Ports Authority	
- Airport Division	- Seaport Division	71,758
Commonwealth Development Authority	Commonwealth Development Authority -	
- Development Corporation Division	Development Banking Division	9,459,066
Commonwealth Development Authority	Commonwealth Development Authority -	
- Development Banking Division	Northern Marianas Housing Corporation	4,526,833
Private Grants	General	650,109
Commonwealth Arts Council	General	49,680
Oil Overcharge	General	128,374
Commonwealth Nonresident		
Workers' Fee	General	1,123,378
Judicial Building	General	1,851,633
Commonwealth Museum	General	648,595

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(5) Interfund Receivables and Payables, Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Local Revenue	General	1,045,929
DOI Capital Projects	General	17,657,719
Commonwealth Development Authority	General	658,412
Infrastructure Tax	General	2,482,949
Local Capital Projects	General	756,697
Private Capital Grants	General	537,508
Internal Service	General	69,616
Agriculture Revolving	General	76,107
Saipan Trust	General	3,980
CNMI Workers' Compensation Commission	General	139,949
Marianas Garment Manufacturing	General	1,014,341
Miscellaneous Expendable Trust	General	206,140
Tinian Land Condemnation	General	1,271,126
Rebate Trust	General	32,984,735
Pension Trust	General	37,130,550
Judicial Building	Pension Trust	1,077,211
CNMI Workers' Compensation Commission	Pension Trust	<u>500,000</u>
		<u>\$ 124,561,670</u>

The amount recorded as due to other funds of \$124,561,670 does not equal the corresponding due from other funds of \$108,729,067 due to an allowance for uncollectibles of \$15,832,603 recorded by the Pension Trust Fund.

Receivables and payables between funds reflected as due to/from primary government in the combined balance sheet at September 30, 1999, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
<u>Component Units</u>		
Marianas Visitors Authority	\$ 1,970,940	\$ -
Commonwealth Utilities Corporation	<u>9,938,715</u>	<u>-</u>
	<u>\$ 11,909,655</u>	<u>\$ -</u>

Receivables and payables between funds reflected as due to/from component units in the combined balance sheet at September 30, 1999, are summarized as follows:

<u>Primary Government</u>		
General Fund:		
Marianas Visitors Authority	\$ -	\$ 1,970,940
Commonwealth Utilities Corporation	-	9,938,715
Public School System	-	3,831,115
Northern Marianas College	<u>-</u>	<u>302,195</u>
	<u>\$ -</u>	<u>\$ 16,042,965</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(5) Interfund Receivables and Payables, Continued

The amount recorded as due from primary government of the component units of \$11,909,655 does not equal the corresponding due to component units of the primary government of \$16,042,965 due to contributions payable of \$4,133,310 to the Public School System and the Northern Marianas College, whose financial statements are not included within the accompanying general purpose financial statements.

(6) Restricted Assets

Restricted assets as of September 30, 1999, are as follows:

	Fiduciary Fund Type	Component Units			Total
		Agency	Governmental	Proprietary	
	Security Deposit Fund	Marianas Visitors Authority	Common- wealth Ports Authority	Common- wealth Development Authority	
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 4,172,854	\$ 4,172,854
Time certificates of deposit	4,132,147	87,411	-	6,236,761	10,456,319
Investments (see note 3F)	-	-	14,054,366	10,111,954	24,166,320
	<u>\$ 4,132,147</u>	<u>\$ 87,411</u>	<u>\$ 14,054,366</u>	<u>\$ 20,521,569</u>	<u>\$ 38,795,493</u>

Security Deposit Fund

Restricted assets represent time certificates of deposit of foreign investors required by law to operate businesses in the CNMI.

Marianas Visitors Authority (MVA)

Restricted assets represent a time certificate of deposit set aside as approved by the Board of Directors of MVA for the future funding of certain recreational and tourism activities.

Commonwealth Ports Authority (CPA)

Restricted assets represent the unused proceeds of the Airport Revenue Bonds and the Seaport Revenue Bonds, both issued on March 26, 1998, deposited with the Trustee. The Trustee is a commercial lending institution and the securities are held in the name of CPA. Disbursements from unused bond proceeds are to be made solely for the purpose of paying the costs of the projects, and pursuant to the Act establishing CPA (Public Law No. 2-48), payment of the costs of issuance and the payment of bond principal and interest to the extent provided in the Indenture. Application of the unused bond proceeds is initially allocated based on the following order of priority:



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(6) Restricted Assets, Continued

Commonwealth Ports Authority (CPA), Continued

<u>Fund</u>	<u>1998 Senior Series A Airport Revenue Bonds</u>	<u>1998 Senior Series A Seaport Revenue Bonds</u>
Bond Reserve Fund	\$ 1,597,431	\$ 2,760,082
Supplemental Reserve Fund	-	1,568,480
Construction Fund	3,749,527	2,815
Reimbursement Fund	3,551,217	-
Capitalized Interest Fund	<u>777,666</u>	<u>47,148</u>
	<u>\$ 9,675,841</u>	<u>\$ 4,378,525</u>

Commonwealth Development Authority

Development Banking Division (DBD):

Restricted assets represent the proceeds of Covenant funding and liquidated revenue bonds derived from pledged Covenant funding to be used for capital development purposes. Restricted assets of DBD as of September 30, 1999, are comprised of the following:

Cash and cash equivalents	\$ 2,700,049
Time certificates of deposit	6,236,761
Investments	<u>10,111,954</u>
	<u>\$ 19,048,764</u>

Northern Marianas Housing Corporation:

Restricted assets represent depository accounts with financial institutions in the CNMI that are restricted for various purposes, as summarized below:

Savings account and time certificates of deposit restricted for the loan program established pursuant to Covenant Section 702(c) (see note 18).	\$ 47,893
Savings account which acts as collateral against a bank line of credit (see note 9).	1,130,275
Escrow account maintained as a guarantee for any deficiency in foreclosure proceeds related to U.S. Farmers Home Administration loans (see note 18).	7,598
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development (see note 18).	18,811
Savings account maintained as a guarantee of housing loans made by a savings and loan in the CNMI (see note 18).	108,790
Marianas Public Land Trust collateral account (see note 18)	10,693
Other depository accounts reserved for various purposes.	<u>148,745</u>
	<u>\$ 1,472,805</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(7) Fixed Assets

A summary of the CNMI's general fixed assets accounted for in the General Fixed Assets Account Group as of September 30, 1999, is as follows:

Other infrastructure	\$ 28,559,275
Utility properties	22,465,056
Office equipment	5,259,828
Buildings and improvements	5,224,866
Office furniture and fixtures	4,128,778
Roads	4,005,439
Vehicles	2,688,060
Machinery and equipment	1,522,014
Leasehold improvements	326,621
Surveying equipment	<u>32,073</u>
	74,212,010
Less accumulated depreciation	<u>(875,810)</u>
	<u>\$ 73,336,200</u>

A summary of fixed assets accounted for in the Component Units - Proprietary Funds as of September 30, 1999, is as follows:

	Estimated Useful Lives	Commonwealth Ports Authority	Commonwealth Development Authority	Commonwealth Utilities Corporation	Totals
Electric plant	20 years	\$ -	\$ -	\$ 101,457,487	\$ 101,457,487
Harbor facilities	20 years	60,776,976	-	-	60,776,976
Terminal facilities	20 years	57,008,399	-	-	57,008,399
Water plant	20 years	-	-	44,712,562	44,712,562
Runway and improvements	20 years	34,071,514	-	-	34,071,514
Sewer plant	20 years	-	-	16,627,845	16,627,845
Housing projects	30 years	-	11,214,709	-	11,214,709
Terminal equipment	2 - 10 years	8,017,403	-	-	8,017,403
Other improvements	3 - 20 years	6,172,405	903,474	-	7,075,879
Administrative equipment	3 - 5 years	-	-	3,709,394	3,709,394
Infrastructure	30 years	-	2,823,491	-	2,823,491
Fire and rescue	2 - 8 years	1,745,947	-	-	1,745,947
Office furniture and fixtures	2 - 10 years	667,069	569,638	-	1,236,707
General transportation	3 - 5 years	764,339	441,900	-	1,206,239
Other equipment	3 - 20 years	571,461	-	-	571,461
Ground maintenance and shop equipment	2 - 5 years	<u>483,155</u>	<u>-</u>	<u>-</u>	<u>483,155</u>
		170,278,668	15,953,212	166,507,288	352,739,168
Less accumulated depreciation and amortization		<u>(48,814,156)</u>	<u>(6,451,414)</u>	<u>(72,154,747)</u>	<u>(127,420,317)</u>
		121,464,512	9,501,798	94,352,541	225,318,851
Construction work in progress		10,371,530	-	22,923,754	33,295,284
Land		<u>464,429</u>	<u>-</u>	<u>-</u>	<u>464,429</u>
		<u>\$ 132,300,471</u>	<u>\$ 9,501,798</u>	<u>\$ 117,276,295</u>	<u>\$ 259,078,564</u>

The Commonwealth Ports Authority (CPA) leases significant portions of airport terminal facilities and certain grounds and improvements to concessionaires, airlines, and other lessees. CPA additionally holds title to 13,646,163 square meters of land on the islands of Saipan, Tinian and Rota for seaport and airport operations. No value for this land has been recorded by CPA as an appraisal has not been performed.

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Notes to the General Purpose Financial Statements September 30, 1999

### (7) Fixed Assets, Continued

Land acquired by CPA on the islands of Saipan and Rota from the former Marianas Public Land Corporation for seaport improvement and use has been recorded by CPA at its estimated fair market value. This estimated value is based on a land valuation established by Article VIII of the Marianas Political Status Commission, as contained in the Section-by-Section Analysis of the Covenant to Establish a Commonwealth of the Northern Mariana Islands, dated February 15, 1975, for land of a similar nature leased by the CNMI to the U.S. Government.

The Northern Marianas Housing Corporation (NMHC) holds title to approximately 487,000 square meters of land acquired at no cost that was originally held for development of low income rental housing or resale to low income families for construction of housing. The land is not recorded by NMHC as it was transferred at no cost. Public Law No. 6-34 provides NMHC, subject to certain terms and conditions, the authority to lease for commercial development certain land situated in the North Garapan Subdivision Annex No. 2. NMHC is currently in the process of promoting the development of the above mentioned land to allow NMHC to meet its future commitments.

Expendable Trust Fund fixed assets as of September 30, 1999, are comprised of motor vehicles and office furniture, totaling \$33,551, and are being depreciated over estimated useful lives ranging from three to five years.

Pension Trust Fund fixed assets as of September 30, 1999, are comprised of: 1) construction work in progress; and 2) office furniture, equipment and leasehold improvements, totaling \$275,513 and \$4,277,197, respectively. Depreciation and amortization are provided over estimated useful lives ranging from three to ten years.

Nonexpendable Trust Fund fixed assets as of September 30, 1999, are comprised of office furniture and fixtures, totaling \$14,552, and are being depreciated over estimated useful lives ranging from three to five years.

Component Unit - Governmental Fund fixed assets as of September 30, 1999, are comprised of equipment, leasehold improvements, vehicles and office furniture and fixtures, totaling \$444,040, and are being depreciated over estimated useful lives ranging from two to twenty years. These fixed assets are recorded in a General Fixed Asset Account Group of the Marianas Visitors Authority. These assets are not, however, included in the general purpose financial statements.

### (8) Tax Rebates Payable

The CNMI makes significant estimates in determining the tax rebates payable liability recorded in the Rebate Trust Fund, a Fiduciary Fund Type - Agency Fund. The Rebate Trust Fund was established to account for amounts paid to the CNMI, with respect to taxes imposed under the Northern Marianas Income Tax Act of 1984 (Public Law No. 4-24), which are rebateable to the taxpayers. The rebate percentage is either 90%, 70%, or 50%, based on the specified tax brackets for taxes paid. Amounts may be withdrawn from the trust fund only for the purpose of making rebates, payments into the general fund (but only after a final determination that the amount in question is not validly subject to rebate), or payments into the general fund of interest derived from the trust accounts. Tax rebate liabilities amounted to \$32,984,735 as of September 30, 1999. Actual cash to fund this liability is recorded within the General Fund. Any changes in the estimates will be accounted for in a prospective manner.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(9) Notes Payable

Component Units - Proprietary Funds

Commonwealth Ports Authority

Note payable to the Commonwealth Development Authority (CDA), due June 1, 2012, interest at 5%, principal and interest are payable in quarterly installments of \$350,944 (see note 4). \$ 11,367,671

Commonwealth Development Authority

Notes payable to the Marianas Public Land Trust (MPLT) drawn against a line of credit of up to \$5,000,000, due March 31, 2000, interest at 6.5%, payable quarterly, guaranteed by the CNMI pursuant to Public Law 10-29 (see note 4). 5,000,000

Note payable to MPLT, due October 25, 1999, interest at 6.5%, collateralized by specifically pledged loans receivable (see notes 4 and 21). 236,985

Note to bank, drawn against a bank line of credit of the lesser of 95% of savings account balance or \$6,000,000, interest at savings account interest rate plus 3% (5.5% as of September 30, 1999), collateralized by savings account balance (see note 6). 1,077,002

Note to bank, due February 28, 2000, interest at 10.25%, principal and interest are payable in monthly installments of \$26,946, collateralized by mortgage of Saipan Mihaville and Tinian Section 8 projects. 268,920

Commonwealth Utilities Corporation

Note payable to CDA, due February 17, 2013, interest at 7%, principal and interest are payable in quarterly installments of \$658,469 (see notes 4 and 17). 30,000,000

Note payable to CDA, due January 12, 2014, interest at 5%, principal and interest are payable in quarterly installments of \$359,514 (see notes 4 and 17). 16,068,750

Note payable to CDA, due January 30, 2000, interest at 7%, principal and interest are payable in quarterly installments of \$276,471 (see notes 4 and 17). 5,500,000

Note payable to CDA, interest at 7%, principal and interest are payable in monthly installments of \$58,509. No promissory agreement related to this note has been signed (see note 4). 10,000,000

Note payable to contractor, due February 1, 2009, interest at 19.7%, principal is payable in monthly installments of \$180,000 plus interest, collateralized by property, plant and equipment situated in Tinian (see note 17). 9,740,001

\$ 89,259,329

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(9) Notes Payable, Continued

Component Units - Proprietary Funds, Continued

Future debt service requirements to maturity for Component Units - Proprietary Funds notes payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 69,434,656	\$ 48,817,712	\$ 118,252,368
2001	1,411,473	2,152,303	3,563,776
2002	1,558,892	2,004,884	3,563,776
2003	1,728,671	1,835,105	3,563,776
2004	1,924,867	1,638,909	3,563,776
Thereafter	<u>13,200,770</u>	<u>4,001,090</u>	<u>17,201,860</u>
	<u>\$ 89,259,329</u>	<u>\$ 60,450,003</u>	<u>\$ 149,709,332</u>

(10) Loans Payable

General Long-Term Debt Account Group

On February 28, 1995, the CNMI entered into a loan agreement with the Northern Mariana Islands Retirement Fund (NMIRF), a Fiduciary Fund Type - Pension Trust Fund, for the construction of a Judicial Complex on the island of Saipan, in an amount not to exceed \$15,000,000 (see note 4). All revenue collected by the courts are deposited into the Judicial Building Fund, a Governmental Fund Type - Special Revenue Fund, to finance debt service on the loan. As of September 30, 1999, cash balances controlled by NMIRF for the retirement of debt totaled \$1,077,211. Accordingly, this amount is included within the amount available for debt service within the General Long-Term Debt Account Group. The loan is for a period of fifteen years and is due February 28, 2010, interest at 7.5%, principal and interest payable in monthly installments of \$132,406.

Future debt service requirements to maturity for General Long-Term Debt Account Group loans payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 649,970	\$ 938,902	\$ 1,588,872
2001	700,429	888,443	1,588,872
2002	754,806	834,066	1,588,872
2003	813,403	775,469	1,588,872
2004	876,550	712,322	1,588,872
Thereafter	<u>9,017,413</u>	<u>2,766,724</u>	<u>11,784,137</u>
	<u>\$ 12,812,571</u>	<u>\$ 6,915,926</u>	<u>\$ 19,728,497</u>

Changes in the General Long-Term Debt Account Group loans payable for the year ended September 30, 1999, are as follows:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(10) Loans Payable, Continued

General Long-Term Debt Account Group, Continued

	Balance October 1, 1998	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 1999
NMIRF loan	\$ <u>13,172,302</u>	\$ <u>314,768</u>	\$ <u>(674,499)</u>	\$ <u>12,812,571</u>

Component Units - Proprietary Funds

On June 29, 1988, the CNMI executed a loan contract with the United States Department of Agriculture, Farmers Home Administration in the amount of \$1,033,400. The loan bears interest at 6-1/8% with repayments due on January 1 beginning in 1989 and continuing through 2008. Loan proceeds were used for the acquisition and construction of improvements and replacements to the Saipan Water System, which is administered by the Commonwealth Utilities Corporation (CUC), a Component Unit - Proprietary Fund. CUC is required to deposit all water system revenue and funds received through the Covenant into a water system revenue fund to provide for repayment of the loan. As of September 30, 1999, CUC had not established the required water system revenue fund but has established separate general ledger accounts to summarize water system revenues and Covenant funds. It is CUC's intention to repay the loan from these sources and management is of the opinion that its process of accounting for water system revenues and Covenant funds is in compliance with the intent of the loan agreement. As of September 30, 1999, the loan payable was \$397,633.

Future debt service requirements to maturity for the Component Units - Proprietary Funds loans payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 34,430	\$ 24,355	\$ 58,785
2001	36,539	22,246	58,785
2002	38,777	20,008	58,785
2003	41,152	17,633	58,785
2004	43,672	15,113	58,785
Thereafter	<u>203,063</u>	<u>32,011</u>	<u>235,074</u>
	\$ <u>397,633</u>	\$ <u>131,366</u>	\$ <u>528,999</u>

(11) Bonds Payable

General Long-Term Debt Account Group

On May 1, 1999, the CNMI issued \$15,685,000 in 1999 Series A general obligation bonds with an average interest rate of 4.76%. The bonds were authorized by a joint resolution adopted by the CNMI Legislature. Net bond proceeds of \$14,980,000 (after payment of \$705,000 in issuance costs) are to be used as the local match for grants received from the U.S. federal government financing the cost of various capital facilities and improvements for use by the Public School System.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(11) Bonds Payable, Continued

General Long-Term Debt Account Group, Continued

Installments are payable to the Bond Trustee every October 1 through 2008. These funds are held in a Bond Fund Account from which the Bond Trustee makes semiannual payments every April 1 and October 1, commencing October 1, 1999. General obligation bonds payable as of September 30, 1999, consist of the following:

1999 Series A general obligation bonds \$ 15,685,000

Future debt service requirements to maturity for General Long-Term Debt Account Group bonds payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 1,755,000	\$ 290,618	\$ 2,045,618
2001	1,365,000	627,282	1,992,282
2002	1,420,000	572,682	1,992,682
2003	1,470,000	522,982	1,992,982
2004	1,525,000	470,062	1,995,062
Thereafter	<u>8,150,000</u>	<u>1,231,052</u>	<u>9,381,052</u>
	<u>\$ 15,685,000</u>	<u>\$ 3,714,678</u>	<u>\$ 19,399,678</u>

Component Units - Proprietary Funds

\$20,050,000 Bond Issue

On March 26, 1998, the Commonwealth Ports Authority (CPA) issued \$20,050,000 in 1998 Senior Series A tax-exempt airport revenue bonds with an interest rate of 6.25% for a current refunding of \$8,250,000 in 1987 Series B tax-exempt airport revenue bonds. The refunding was undertaken to consolidate existing debt with new debt issued for the purpose of financing various airport projects and to reduce total future debt service. The reacquisition price exceeded the net carrying amount of the old debt by \$503,906. This amount was netted against the new debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt.

Installments are payable to the Bond Trustee in annual amounts on March 15 through 2028. Interest is payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 1998.

Revenue bonds payable as of September 30, 1999, consist of the following:

1998 Series A tax-exempt airport revenue bonds	\$ 19,810,000
Deferred costs of debt refunding	<u>(424,416)</u>
	<u>\$ 19,385,584</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(11) Bonds Payable, Continued

Component Units - Proprietary Funds, Continued

\$20,050,000 Bond Issue Continued

Future debt service requirements to maturity for the 1998 Series A tax-exempt airport revenue bonds are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 260,000	\$ 1,230,000	\$ 1,490,000
2001	275,000	1,213,281	1,488,281
2002	290,000	1,195,625	1,485,625
2003	310,000	1,176,875	1,486,875
2004	330,000	1,156,875	1,486,875
Thereafter	<u>18,345,000</u>	<u>16,977,970</u>	<u>35,322,970</u>
	<u>\$ 19,810,000</u>	<u>\$ 22,950,626</u>	<u>\$ 42,760,626</u>

The 1998 Series A tax-exempt airport revenue bonds are limited obligations of CPA and, except to the extent payable from bond proceeds, are payable solely out of revenues, assets and funds pledged under the Indenture.

The 1998 Series A tax-exempt airport revenue bonds are subject to redemption prior to their respective stated maturities on or after March 15, 2013, at the option of CPA, from any source of available funds, as a whole on any date, or in part on any interest payment date and by lot within a maturity, at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus interest accrued thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
March 15, 2013 through March 14, 2014	102%
March 15, 2014 through March 14, 2015	101%
March 15, 2015 and thereafter	100%

\$33,775,000 Bond Issue

On March 26, 1998, CPA issued \$33,775,000 in 1998 Series A tax-exempt seaport revenue bonds with interest rates of 6.5% and 6.85% for a current refunding of \$22,470,000 of 1995 Series A tax-exempt seaport revenue bonds. The refunding was undertaken to consolidate existing debt with new debt issued for the purpose of financing various seaport projects and to reduce total future debt service. The reacquisition price exceeded the net carrying amount of the old debt by \$1,345,593. This amount was netted against the new debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt.

Installments are payable to the Bond Trustee in annual amounts on March 15 through 2028. Interest is payable semi-annually at 6.4% to March 15, 1999 and at 6.85% subsequent to March 15, 1999 on March 15 and September 15 of each year, commencing on September 15, 1998.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(11) Bonds Payable, Continued

Component Units - Proprietary Funds, Continued

\$33,775,000 Bond Issue, Continued

Revenue bonds payable as of September 30, 1999, consist of the following:

1998 Series A tax-exempt seaport revenue bonds	\$ 33,375,000
Deferred costs of debt refunding	<u>(1,317,242)</u>
	<u>\$ 32,057,758</u>

Future debt service requirements to maturity for the 1998 Series A tax-exempt seaport revenue bonds are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 425,000	\$ 2,271,631	\$ 2,696,631
2001	450,000	2,241,663	2,691,663
2002	480,000	2,209,810	2,689,810
2003	510,000	2,175,903	2,685,903
2004	545,000	2,139,769	2,684,769
Thereafter	<u>30,965,000</u>	<u>31,537,375</u>	<u>62,502,375</u>
	<u>\$ 33,375,000</u>	<u>\$ 42,576,151</u>	<u>\$ 75,951,151</u>

The 1998 Series A tax-exempt seaport revenue bonds are limited obligations of CPA and, except to the extent payable from bond proceeds, are payable solely out of revenues and funds pledged under the Indenture.

The 1998 Series A tax-exempt seaport revenue bonds are subject to redemption prior to their stated maturity, at the option of CPA, as a whole or in part by lot, on any date from the proceeds of available funds, the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

The bond indentures contain several restrictive covenants, including restrictions on the use of bond proceeds. Management of CPA is of the opinion that CPA was in compliance with all significant covenants as of September 30, 1999.

(12) Interest Payable

Interest payable of the Component Units - Proprietary Funds represents interest on certain loans of the Commonwealth Utilities Corporation (CUC) payable to the Commonwealth Development Authority (CDA). Management of CDA has determined that collection of these loans is unlikely and has included 100% of the CUC loan balances in its allowance for loan losses. CDA has also suspended accrual of interest income on these loans. As of September 30, 1999, unrecorded accrued interest receivable of CDA totaled \$45,807,504.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(13) Contributed Capital

Contributed capital for Component Units - Proprietary Funds as of September 30, 1999, is derived from the following sources:

Commonwealth Ports Authority

U.S. Federal Aviation Administration	\$ 50,273,424
U.S. Department of the Interior	15,448,900
Commonwealth of the Northern Mariana Islands	4,980,128
U.S. Economic Development Administration	2,282,839
Trust Territory of the Pacific Islands	1,851,015
U.S. Federal Emergency Management Agency	<u>673,852</u>
	75,510,158
Less accumulated amortization of contributed assets	<u>(26,373,686)</u>

\$ 49,136,472

Commonwealth Development Authority

Development Banking Division (DBD):

U.S. Department of the Interior: Section 702(c) of the Covenant	\$ <u>75,068,750</u>
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DBD is required to establish a revolving loan fund with proceeds of economic assistance received under Section 702(c) of the Covenant. At September 30, 1999, this revolving loan fund consists of the capital development loans receivable, excluding repayments. Since these funds are restricted for the financing of revenue-producing capital development projects, the amounts have been recorded as contributed capital.

Development Corporation Division (DCD):

U.S. Department of the Interior: Section 702(c) of the Covenant	24,640,497
Trust Territory of the Pacific Islands	<u>1,459,929</u>

26,100,426

DCD accounts for all funds received by the former Northern Mariana Islands Economic Development Loan Fund. Since these funds are restricted for a loan program to assist the general economic development of the CNMI, the amounts have been recorded as contributed capital. Of the above amounts, \$7,016,000 is restricted for small loans to farmers, fishermen, and to agricultural and marine cooperatives.

Northern Marianas Housing Corporation (NMHC):

Commonwealth of the Northern Mariana Islands:	
Public Law No. 9-36	2,600,000
Public Law No. 3-100	500,000
Public Law No. 4-40	495,000
Fourth Northern Mariana Islands Legislature Act. No. 119-1976	50,000

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(13) Contributed Capital, Continued

Commonwealth Development Authority, Continued

Northern Marianas Housing Corporation (NMHC), Continued:

U.S. Department of Housing and Urban Development:	
HOME program	929,590
U.S. Department of the Interior:	
Section 702(c) of the Covenant	3,465,500
Covenant Capital Improvement	200,000
U.S. Department of Agriculture:	
Housing Preservation	<u>73,014</u>
	8,313,104
Less accumulated amortization of contributed assets	<u>(751,639)</u>
	<u>7,561,465</u>

\$ 108,730,641

Commonwealth Utilities Corporation

Commonwealth of the Northern Mariana Islands	\$ 33,448,417
U.S. Department of the Interior	25,132,979
U.S. Environmental Protection Agency	6,853,117
Developer Contributions	6,054,514
U.S. Department of Commerce	4,484,718
U.S. Department of Agriculture	2,608,012
U.S. Federal Emergency Management Agency	<u>425,705</u>
	79,007,462
Less accumulated amortization of contributed assets	<u>(23,843,199)</u>

\$ 55,164,263

The changes in the CNMI's contributed capital accounts for Component Units - Proprietary Funds were as follows:

	Commonwealth Ports Authority		Commonwealth Development Authority			Commonwealth	Totals
	Airport	Seaport	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Utilities Corporation	
Contributed capital at beginning of year	\$ 36,893,468	\$ 11,173,732	\$ 75,068,750	\$ 26,100,426	\$ 7,597,860	\$ 52,152,993	\$ 208,987,229
Contributed sources:							
U.S. Federal Aviation Administration	4,000,076	-	-	-	-	-	4,000,076
U.S. Department of the Interior	7,376	-	-	-	-	2,381,655	2,389,031
U.S. Federal Emergency Management Agency	-	-	-	-	-	(28,256)	(28,256)
U.S. Environmental Protection Agency	-	-	-	-	-	556,079	556,079
U.S. Department of Housing and Urban Development	-	-	-	-	92,759	-	92,759
DOI Capital Projects Fund	-	-	-	-	-	191,155	191,155
Other	-	-	-	-	-	1,204,718	1,204,718
	<u>4,007,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,759</u>	<u>4,305,351</u>	<u>8,405,562</u>
Reductions:							
Depreciation	(2,414,379)	(523,801)	-	-	(129,154)	(1,294,081)	(4,361,415)
Contributed capital at end of year	\$ 38,486,541	\$ 10,649,931	\$ 75,068,750	\$ 26,100,426	\$ 7,561,465	\$ 55,164,263	\$ 213,031,376

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(14) Reserve for Continuing Appropriations

The CNMI's fund balance reserved for continuing appropriations represents those portions of fund balance legally segregated for a specific future use.

Continuing appropriations as of September 30, 1999, consist of the following:

	<u>Authorizing Legislation</u>	<u>Outstanding Balance</u>
<b>General Fund:</b>		
Medical referral	Public Law No. 9 - 66	\$ 80,758
Salary adjustment	Public Law No. 10-41	520,698
Other programs	Various	<u>567,803</u>
		<b>\$ <u>1,169,259</u></b>
<b>Local Capital Projects Fund:</b>		
Tinian Courthouse	Public Law No. 9 - 28	\$ 500,000
Rota Sewer Outfall	Public Law No. 7 - 36	421,880
Saipan Youth Center	Public Law No. 7 - 36	350,000
Man'amko Center	Public Law No. 9 - 28	241,410
Songsong Village Road Improvements	Public Law No. 7 - 36	220,357
Other programs	Various	<u>110,757</u>
		<b>\$ <u>1,844,404</u></b>

(15) Transfers In/Out

Operating Fund Transfers

Operating transfers in/out for all fund types, for the year ended September 30, 1999, are as follows:

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<b>General Fund</b>		
From General Fund to:		
Public School System	\$ 37,238,462	\$ -
Marianas Visitors Authority	6,000,684	-
Northern Marianas College	6,785,444	-
Northern Mariana Islands Retirement Fund	2,722,885	-
CNMI Workers' Compensation Commission	378,395	-
Human Resources Development Trust Fund	1,594,858	-
Debt Service Fund	2,000,000	-
Federal Grants Fund	2,105,193	-
DOI Capital Projects Fund	14,980,000	-
Local Capital Projects Fund	57,725	-
Commonwealth Alien Deportation Fund	320,785	-
Commonwealth Museum Fund	257,152	-
To General Fund from:		
Commonwealth Nonresident Workers' Fee Fund	-	3,559,163
Marianas Public Land Trust	-	<u>1,320,000</u>
	<b>\$ <u>74,441,583</u></b>	<b>\$ <u>4,879,163</u></b>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(15) Transfers In/Out, Continued

Operating Fund Transfers, Continued

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<u>Special Revenue Funds</u>		
From Commonwealth Nonresident Workers' Fee Fund to:		
General Fund	\$ 3,559,163	\$ -
Northern Marianas College	1,223,744	-
From General Fund to:		
Human Resources Development Trust Fund	-	1,594,858
Federal Grants Fund	-	2,105,193
Commonwealth Alien Deportation Fund	-	320,785
Commonwealth Museum Fund	-	257,152
From Private Grants Fund to:		
Local Revenue Fund	<u>30,569</u>	<u>30,569</u>
	<u>\$ 4,813,476</u>	<u>\$ 4,308,557</u>
<u>Debt Service Fund</u>		
From General Fund to:		
Debt Service Fund	<u>\$ -</u>	<u>\$ 2,000,000</u>
<u>Capital Project Funds</u>		
To American Memorial Park Fund from:		
Marianas Public Land Trust	\$ -	\$ 82,110
From General Fund to:		
DOI Capital Projects Fund	-	14,980,000
Local Capital Projects Fund	<u>-</u>	<u>57,725</u>
	<u>\$ -</u>	<u>\$ 15,119,835</u>
<u>Expendable Trust Funds</u>		
From General Fund to:		
CNMI Workers' Compensation Commission	<u>\$ -</u>	<u>\$ 378,395</u>
<u>Nonexpendable Trust Fund</u>		
From Marianas Public Land Trust to:		
General Fund	\$ 1,320,000	\$ -
American Memorial Park Fund	<u>82,110</u>	<u>-</u>
	<u>\$ 1,402,110</u>	<u>\$ -</u>
<u>Pension Trust Fund</u>		
From General Fund to:		
Northern Mariana Islands Retirement Fund	<u>\$ -</u>	<u>\$ 2,722,885</u>
<u>Component Units - Governmental Funds</u>		
From General Fund to:		
Marianas Visitors Authority	<u>\$ -</u>	<u>\$ 6,000,684</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(16) Restatements/Reclassification of Fund Equity

General Fund

Deficit - October 1, 1998, as previously reported	\$ (48,834,395)
Overstatement of bank overdraft	5,923,044
Appropriations under Public Law Nos. 7-36 and 10-41 for the Commonwealth Museum Fund previously not recorded	<u>(1,611,000)</u>
Deficit - October 1, 1998, as restated	\$ <u>(44,522,351)</u>

In addition, management subsequently determined that the reserve for encumbrances was overstated by \$5,616,915 as of September 30, 1998 resulting in a corresponding overstatement of the unreserved deficit balance within the General Fund.

Special Revenue Funds

Fund balance - October 1, 1998, as previously reported	\$ 296,517
Reclassification from Governmental Fund Types - Capital Projects Fund of the Judicial Building Fund	3,307,783
Reclassification from Governmental Fund Types - Capital Projects Fund of the Commonwealth Museum Fund	(839,396)
General Fund appropriations under Public Law Nos. 7-36 and 10-41 for the Commonwealth Museum Fund previously not recorded	<u>1,611,000</u>
Fund balance - October 1, 1998, as restated	\$ <u>4,375,904</u>

Capital Projects Funds

Fund balance - October 1, 1998, as previously stated	\$ 16,725,565
Overstatement of accounts payable of the Private Capital Grants Fund	779,785
Reclassification to Governmental Fund Types - Special Revenue Funds of the Judicial Building Fund	(3,307,783)
Reclassification to Governmental Fund Types - Special Revenue Funds of the Commonwealth Museum Fund	<u>839,396</u>
Fund balance - October 1, 1998, as restated	\$ <u>15,036,963</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(16) Restatements/Reclassification of Fund Equity, Continued

Expendable Trust Funds

Fund balance - October 1, 1998, as previously reported	\$ 1,108,437
Inclusion of the financial statements of the Marianas Garment Manufacturing Fund for the year ended September 30, 1999	<u>1,014,341</u>
Fund balance - October 1, 1998, as restated	\$ <u>2,122,778</u>

Component Units - Proprietary Funds

Deficit - October 1, 1998, as previously reported	\$ (21,793,904)
Write down of the Commonwealth Development Authority Northern Marianas Housing Corporation assets to approximate value in accordance with Public Law 11-57	<u>(2,187,487)</u>
Deficit - October 1, 1998, as restated	\$ <u>(23,981,391)</u>

(17) Commitments

Commonwealth Ports Authority (CPA)

CPA's Airport Division leases rental car concession booths, office space, other ground space, and an electronic scanning device. The Seaport Division leases land and warehouse space. Lease terms range from one to fifteen years and in most instances contain provisions for percentage rent. Concession and lease income for the year ended September 30, 1999, amounted to \$4,740,295. Minimum future lease income is as follows:

<u>Year ending September 30,</u>	<u>Minimum Lease Income Due</u>
2000	\$ 1,376,113
2001	1,114,602
2002	1,118,466
2003	1,135,932
2004	1,065,122
Thereafter	<u>14,083,982</u>
	<u>\$ 19,894,217</u>

Commonwealth Development Authority (CDA)

CDA has committed to the Commonwealth Utilities Corporation (CUC) that it will lend capital improvement project funds of up to \$89,000,000. At September 30, 1999, CDA has loaned \$61,568,750 to CUC.

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Notes to the General Purpose Financial Statements September 30, 1999

### (17) Commitments, Continued

#### Commonwealth Development Authority (CDA), Continued

CDA has committed to various economic development loan fund borrowers that it will lend funds in the future, provided such borrowers comply with certain requirements. These commitments amounted to \$743,761 as of September 30, 1999.

CDA has entered into subgrant agreements with the CNMI Office of the Governor and the CNMI Public School System, whereby \$7,408,000 and \$6,592,000, respectively, of economic assistance will be used to fund certain capital improvement projects. As of September 30, 1999, \$7,045,832 and \$6,583,645, respectively, have been disbursed against these agreements.

CDA has committed funds to the CNMI Office of the Governor remaining from the issuance of bonds secured by Covenant funds for use as matching funds for grants from the U.S. Department of the Interior. As of September 30, 1999, CDA has committed funds of \$6,930,000, \$9,000,000, \$3,000,000 and \$5,474,548, of which \$1,781,318, \$5,713,079, \$938,017 and \$383,472, respectively, have been disbursed.

On March 10, 1998, CNMI Public Law 11-2 authorized CDA to issue general obligation bonds on behalf of the CNMI Government. The bond issue size is anticipated to be approximately \$50,000,000 to \$60,000,000. No bonds have been issued pursuant to this authorization at September 30, 1999 (see note 21).

#### Commonwealth Utilities Corporation (CUC)

CUC has entered into a binding commitment to borrow \$89,000,000 from the Commonwealth Development Authority for proposed capital improvement projects. As of September 30, 1999, CUC had outstanding notes payable of \$30,000,000, \$16,068,750, and \$5,500,000, respectively, against the \$89,000,000 (see note 9).

On June 10, 1997, CUC entered into an agreement with a contractor for the construction, maintenance and operation, and transfer of ownership of a 10 Megawatt Power Plant on Tinian. The agreement is for a guaranteed price of \$21,600,000 payable over ten years in equal monthly installments. During this period, the contractor will maintain and operate the power plant and be paid operation, production and maintenance fees in addition to the guaranteed price. The power plant will be turned over to CUC at the end of the ten year period from the date of substantial completion (see note 9). On December 13, 1998, CUC executed a change order to expand the 10 Megawatt Power Plant to 30 Megawatts. Such expansion is to be fulfilled within the ten year period as stated in the original agreement.

CUC has entered into a contract for generator refurbishment for \$2,880,499. At September 30, 1999, \$1,000,087 is committed for future work under this contract.

### (18) Contingencies

#### Land Acquisitions

The CNMI has acquired certain properties from landowners for right-of-way or easement projects. The CNMI government's liability for future reimbursement costs associated with these land acquisitions is unknown.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(18) Contingencies, Continued

Landfill Closure Costs

The CNMI operates a solid waste disposal site in Puerto Rico, Saipan, which is under administrative order from the U.S. Environmental Protection Agency to close in the near future. The CNMI government's liability for future costs associated with closing this disposal site is unknown.

Litigation

A number of lawsuits are pending or threatened against the CNMI which arose from the ordinary course of operations. These include claims for property damage and personal injury, land exchange, breaches of contract, and other alleged violations of laws. For those cases in which it is probable that a loss will be incurred and the amount of the potential judgment can be reasonably estimated or a settlement or judgment has been reached but not paid, the Office of the Attorney General estimates the liability to be approximately \$1,540,000. No provision for any liability that may result from settlement of these cases has been made in the accompanying general purpose financial statements.

Questioned Costs Under Federally Funded Programs

The CNMI administers various programs funded by the United States Government. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs of \$265,187 have been set forth in the CNMI's Single Audit Report for the year ended September 30, 1999. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying general purpose financial statements.

Loan Guarantees

Commonwealth Development Authority (CDA):

CDA is authorized to guarantee up to 90% of the principal of loans and lines of credit made by financial institutions to qualified borrowers, in addition to approving direct loans. The amount for which CDA is contingently liable under this arrangement as of September 30, 1999, is \$14,963,134. Unutilized line of credit facilities guaranteed by CDA amount to \$22,759 as of September 30, 1999.

Northern Marianas Housing Corporation (NMHC) participates in the Lower Income Housing Assistance Program funded by the U.S. Department of Housing and Urban Development (HUD). Under this program, NMHC has signed contracts with HUD whereby HUD provides rent subsidies for low income tenants in six housing developments administered by NMHC. The contracts with HUD for two of the six housing developments expired in fiscal year 1998, and were converted to a Voucher/Certificate Program.

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Notes to the General Purpose Financial Statements September 30, 1999

### (18) Contingencies, Continued

#### Loan Guarantees, Continued

##### Commonwealth Development Authority (CDA), Continued:

NMHC has entered into a loan agreement and related loan purchase agreement with a savings and loan in the CNMI whereby the savings and loan will make available up to \$6,000,000 for housing loans. Under the agreements, NMHC is responsible for administering the loan purchase program and the savings and loan agrees to purchase qualified loans from NMHC. NMHC guarantees the first 25% of the principal balance plus interest on each loan sold to the savings and loan. As of September 30, 1999, NMHC was contingently liable for \$1,717,004 of the balance of loans purchased by the savings and loan. In addition, NMHC is required to maintain an account at the savings and loan equal to the lesser of 5% of all loans sold to the savings and loan or \$100,000. The balance in the account as of September 30, 1999 was \$108,790 (see note 6).

NMHC has entered into an agreement with the U.S. Farmers Home Administration (FmHA) whereby NMHC assists borrowers in obtaining FmHA financing for housing construction. The agreement requires NMHC to guarantee any deficiency in foreclosure proceeds should borrowers default on the FmHA loans. As security under the agreement, NMHC is required to maintain an escrow account of \$286,436. Beginning September 30, 1993, the amount in the escrow account has been reduced each year by the product of \$1,500 multiplied by the number of loans paid in full for that particular year, or 4% of the total outstanding balance, whichever is less. As of September 30, 1999, NMHC has guaranteed outstanding loans of approximately \$12,960,000, and the balance in the escrow account is \$7,598 (see note 6). Notwithstanding the reduction in the escrow account, NMHC is required to maintain a minimum balance of \$100,000. NMHC has not complied with this restriction as of September 30, 1999 (see below).

#### Loan Authorizations

Public Law No. 10-29 authorizes the Marianas Public Land Trust (MPLT) to loan up to \$10,000,000 to the Northern Marianas Housing Corporation at an interest rate of 6.5% per annum for use in the establishment of programs to finance home loans to qualified low-income CNMI residents. The loan would be guaranteed by the CNMI Government.

#### Insurance Coverage

The CNMI does not maintain insurance coverage for a significant amount of fixed assets. In the event of a loss, the CNMI may be self-insured to a material extent. The CNMI, however, maintains fidelity bonding insurance coverage over employees with access to cash. In the event of a loss through employee malfeasance, the CNMI will be self-insured for losses in excess of \$1,000,000.

Commonwealth Utilities Corporation (CUC) does not maintain insurance on their inventories and property and equipment. In the event of a loss, CUC may be self-insured to a material extent.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(18) Contingencies, Continued

Going Concern

CUC has a working capital deficiency and cumulative deficit of \$84,927,172 and \$32,053,662, respectively, at September 30, 1999. The results of operations are consistent with management's budget estimates. Management of CUC perceives that an increase in future operating revenues will result through decreasing line losses, expanding metering and increasing generation and distribution capacities to meet the magnitude of forecasted development.

Other

The CNMI has invested and paid \$642,856 for stock in Pacific Islands Development Bank (PIDB) as of September 30, 1999. The CNMI has an additional commitment of \$357,144 outstanding to achieve a total investment of \$1,000,000. As of September 30, 1999, the CNMI does not have a formal written document mandating the investment of \$1,000,000 in PIDB.

Commonwealth Ports Authority (CPA):

CPA has not withheld or remitted funds to the U.S. Social Security System for the health insurance component prior to April 1, 1995. If CPA is found to be liable for such amounts, an indeterminate liability could result. It has been the practice of CPA that it is excluded from the requirements of this health insurance component previous to April 1, 1995. Therefore, no liability for any amount that may ultimately arise from this matter has been recorded in the financial statements of CPA.

CPA has incurred a net loss of \$5,099,785 during the year ended September 30, 1999. Management's plans to increase revenues and/or decrease costs are as follows:

- a) Increase Airport and Seaport Rates - The Board of Directors have approved increases in Airport and Seaport rates. Effective July 1, 1999, all Seaport fees were increased by approximately 30% as well as various increases on certain Airport ground fees. An increase in Airport landing fees and passenger departure fees is scheduled to take effect March 1, 2000.
- b) Implement cost cutting measures - The Board of Directors approved and initiated the implementation of certain austerity measures in an attempt to reduce operating costs.

Management believes that these efforts will be successful in reducing future losses of CPA.

Commonwealth Development Authority (CDA):

NMHC is deficient in several required restricted asset accounts at September 30, 1999 (see note 6), as follows:

	<u>Balances at September 30, 1999</u>	<u>Required Restricted Assets</u>
Savings account and time certificates of deposit restricted for the loan program established pursuant to Covenant Section 702(c).	\$ 47,893	\$ 393,014

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(18) Contingencies, Continued

Other, Continued

Commonwealth Development Authority (CDA), Continued:

	<u>Balances at September 30, 1999</u>	<u>Required Restricted Assets</u>
Escrow account maintained as a guarantee for any deficiency in foreclosure proceeds related to U.S. Farmers Home Administration loans.	7,598	296,631
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development.	18,811	165,776
MPLT collateral account	<u>10,693</u>	<u>81,250</u>
	<u>\$ 84,995</u>	<u>\$ 936,671</u>
Total deficiency		<u>\$ 851,676</u>

Commonwealth Utilities Corporation (CUC):

CUC entered into certain memorandums of understanding (MOUs) with developers who paid CUC sewer connection fees in excess of that required by CUC's regulations. To the extent that CUC has not complied with obligations imposed on it by the MOUs (i.e., depositing the contributions in a special fund, making accountings, and spending the contributions for specified capital improvement projects), developers could consider CUC to have breached the terms of the MOUs. The maximum amount that CUC could be required to expend pursuant to the MOUs is \$3,027,951.

(19) Risk Management

The CNMI is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the primary government not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, CNMI management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the CNMI reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No material losses as a result of these risks have occurred. Effective June 21, 1997, Public Law No. 10-19 transferred administration of the government health and life insurance programs from the Department of Finance to the Northern Mariana Islands Retirement Fund. This legislation established the Northern Mariana Islands Government Health and Life Insurance Trust Fund, a Fiduciary Fund Type - Expendable Trust Fund, as the fund for administering employer and employee contributions and payment of insurance premiums and claims. Although administered by the Northern Mariana Islands Retirement Fund, the CNMI retains responsibility for all liabilities of the government health and life insurance programs.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(20) Pension Trust Fund

The CNMI contributes to the Northern Mariana Islands Retirement Fund (NMIRF), a defined benefit, cost-sharing multi-employer pension plan (the Plan) established and administered by the CNMI.

The Plan provides retirement, security and other benefits to employees, and their spouses and dependents, of the CNMI Government and CNMI agencies, instrumentalities and public corporations. Benefits are based on the average annual salary of the beneficiary over the term of credited service. CNMI Public Law No. 6-17, the Northern Mariana Islands Retirement Fund Act of 1988, is the authority under which benefit provisions are established. The NMIRF issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Northern Mariana Islands Retirement Fund, P.O. Box 1247, Saipan, MP, 96950.

Plan members are required to contribute 6.5% and 9.0% of their annual covered salary for Class I and Class II members, respectively, and the CNMI is required to contribute at an actuarially determined rate. The current rate is 24% of annual covered payroll. The contribution requirements of plan members and the CNMI are established and may be amended by the Board of Trustees of the NMIRF. The CNMI's total personnel expense for governmental fund types, inclusive of pension cost, for fiscal year 1999 was \$117,294,493, which was covered in total by the NMIRF's pension plan.

All component units of the CNMI government reporting entity also contribute to the Plan. Separate actuarial valuations have not been performed for these separate component units.

(21) Subsequent Events

On February 18, 2000, the CNMI secured a \$30,000,000 bond anticipation note with a bank. The note bears interest at the bank's reference rate less a margin of 1% per annum. Proceeds from the note will be used to match Covenant funds relating to certain capital projects. This note is expected to be repaid from the proceeds of general obligation bonds to be issued by the Commonwealth Development Authority pursuant to Public Law No. 11-2 (see note 17).

Marianas Public Land Trust (MPLT)

On November 9, 1999, MPLT approved and disbursed an additional \$900,000 in notes receivable to the Northern Marianas Housing Corporation (NMHC) and combined all short-term notes into one note, in an amount not to exceed \$1,137,000, which is due on May 9, 2000 (see notes 4 and 9).

Commonwealth Utilities Corporation (CUC)

On March 31, 2000, the Governor of the CNMI signed into law Public Law 12-1, reinstating an 80 Megawatt Power Project originally cancelled by CUC's Board of Directors. The law requires CUC to proceed with the project under the original request for proposal. The project will be accomplished in phases, beginning with a 60-megawatt power plant.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements  
September 30, 1999

(22) Individual Deficit Fund Balances or Deficit Retained Earnings

Specific individual funds that had individual deficit fund balances or retained earnings as of September 30, 1999, are as follows:

General Fund	\$ <u>39,874,994</u>
Special Revenue Funds:	
Private Grants Fund	\$ <u>30,569</u>
Human Resources Development Trust Fund	\$ <u>584,715</u>
Commonwealth Alien Deportation Fund	\$ <u>27,245</u>
Capital Projects Funds:	
American Memorial Park Fund	\$ <u>114,487</u>
Internal Service Funds:	
Serv-Mart Revolving Fund	\$ <u>199,421</u>
Special Surplus Property Fund	\$ <u>56,433</u>
Component Units - Proprietary Funds:	
Commonwealth Development Authority - Development Banking Division	\$ <u>51,829,768</u>
Commonwealth Utilities Corporation	\$ <u>32,053,662</u>

Deficits of the Component Units - Proprietary Funds are offset within fund equity by contributed capital of \$75,068,750 and \$55,164,263 of the Commonwealth Development Authority - Development Banking Division and the Commonwealth Utilities Corporation, respectively.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Expenditures by Account  
 All Governmental Fund Types, Expendable Trust Funds  
 and Component Units - Governmental Funds  
 Year Ended September 30, 1999  
 (With comparative totals for the year ended September 30, 1998)

	Governmental Fund Types			Fiduciary	Total	Component	Totals	
	General	Special Revenue	Capital Projects	Fund Type	Government	Units	Reporting Entity	
				Expendable Trust	(Memorandum Only)	Govern- mental	(Memorandum Only)	
							1999	1998
Salaries and wages	\$ 107,919,583	\$ 9,255,700	\$ 119,210	\$ 463,292	\$ 117,757,785	\$ -	\$ 117,757,785	\$ 127,102,731
Capital outlay:								
Road improvements	-	-	5,171,204	-	5,171,204	-	5,171,204	3,575,447
Office equipment	2,060,407	1,556,288	4,335	3,702	3,624,732	-	3,624,732	3,367,875
Building improvements	166,757	-	1,085,341	-	1,252,098	-	1,252,098	2,300,009
Vehicles	667,892	432,973	-	-	1,100,865	-	1,100,865	1,334,186
Furniture and fixtures	171,726	223,718	196,378	-	591,822	2,506	594,328	562,521
Machinery and equipment	301,664	111,221	598	-	413,483	1,884	415,367	1,214,142
Other	195,294	375,374	10,771,716	-	11,342,384	-	11,342,384	4,204,063
Professional services	10,919,863	4,456,093	1,246,396	27,829	16,650,181	1,829,545	18,479,726	18,310,072
Utilities	10,608,994	-	-	-	10,608,994	-	10,608,994	10,840,062
Supplies	7,114,503	732,271	21,791	17,831	7,886,396	-	7,886,396	5,838,756
Construction in progress	-	-	6,535,300	-	6,535,300	-	6,535,300	11,323,634
Rentals	5,508,620	462,196	-	27,921	5,998,737	174,329	6,173,066	7,605,255
Medical claims	-	-	-	5,574,296	5,574,296	-	5,574,296	5,937,298
Travel	3,727,450	1,233,086	241	12,442	4,973,219	124,275	5,097,494	5,457,582
Food items	465,606	4,390,432	-	139	4,856,177	-	4,856,177	3,968,485
Scholarships/grants	3,592,754	633,443	-	-	4,226,197	-	4,226,197	7,988,268
Advertising	83,289	48,845	-	3,177	135,311	3,680,355	3,815,666	3,415,613
Repairs and maintenance	1,499,793	576,898	7,984	15,812	2,100,487	-	2,100,487	2,382,615
Communications	1,443,328	169,346	1,492	10,377	1,624,543	-	1,624,543	2,110,539
Interest	-	991,431	-	-	991,431	-	991,431	666,048
Official representation	946,229	-	-	-	946,229	-	946,229	1,432,824
Bad debts	878,096	-	-	-	878,096	-	878,096	1,114,509
Fuel and lubrication	832,431	40,479	-	338	873,248	-	873,248	1,075,883
Printing	559,213	106,678	-	22,072	687,963	83,279	771,242	882,947
Indirect costs	-	767,063	-	-	767,063	-	767,063	567,037
Principal repayment	-	674,499	-	-	674,499	-	674,499	448,779
Miscellaneous services	444,891	159,461	-	-	604,352	-	604,352	818,956
Insurance	214,629	-	-	-	214,629	-	214,629	194,880
Judgments	200,563	-	-	-	200,563	-	200,563	103,703
Books and library materials	97,597	95,778	-	649	194,024	-	194,024	196,023
Freight	150,292	35,049	-	3,831	189,172	-	189,172	204,940
Dues and subscription	138,148	42,280	-	3,112	183,540	-	183,540	114,777
Licenses and fees	20,471	-	-	-	20,471	-	20,471	32,849
Other	975,243	684,135	561,214	145,038	2,365,630	889,688	3,255,318	11,244,188
	<u>\$ 161,905,326</u>	<u>\$ 28,254,737</u>	<u>\$ 25,723,200</u>	<u>\$ 6,331,858</u>	<u>\$ 222,215,121</u>	<u>\$ 6,785,861</u>	<u>\$ 229,000,982</u>	<u>\$ 247,937,496</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
GENERAL FUND

September 30, 1999

The general fund is used to account for resources traditionally associated with the government which are not required legally or by sound financial management to be accounted for in another fund.

See Accompanying Independent Auditors' Report.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
GENERAL FUND

Statement of Revenues, Expenditures by Function  
and Changes in Deficit  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	<u>1999</u>	<u>1998</u>
Revenues:		
Taxes:		
Income	\$ 60,036,206	\$ 62,589,158
Business gross revenue	54,157,302	61,443,340
Garment certification	39,311,347	36,850,025
Excise	19,882,966	24,304,427
Hotel room occupancy	5,957,365	7,743,925
Fuel	4,182,643	2,485,629
Bar and liquor	2,885,713	2,937,854
Penalties and interest	1,058,463	1,103,911
Other	412,901	526,127
	<u>187,884,906</u>	<u>199,984,396</u>
Charges for sales and services:		
Hospital	8,363,680	8,370,585
Reimbursements	1,587,588	1,602,036
Other	2,258,901	3,124,627
	<u>12,210,169</u>	<u>13,097,248</u>
Licenses and fees:		
Amusement machines	5,719,435	4,328,535
Entry, alien labor, and transfer fees	2,731,335	2,840,850
Vehicle registration	888,272	942,123
Business licenses	645,470	721,192
Corporation	238,407	235,097
Vehicle operator license	218,028	240,197
Other	688,898	719,788
	<u>11,129,845</u>	<u>10,027,782</u>
Division of Public Lands:		
Land leases	4,853,857	5,657,676
Fees	1,125,937	688,510
Interest	433,576	341,230
	<u>6,413,370</u>	<u>6,687,416</u>
Other:		
Interest	824,776	645,949
Net increase in the fair value of investments	215,804	-
Other	2,456,233	4,212,105
	<u>3,496,813</u>	<u>4,858,054</u>
Total revenues	<u>221,135,103</u>	<u>234,654,896</u>
Expenditures by function:		
Department of Public Health	39,636,818	42,847,049
Department of Public Safety	17,808,291	20,848,649
Office of the Governor	14,030,985	23,736,397
Department of Finance	11,236,730	14,659,812
Department of Lands and Natural Resources	7,401,949	7,656,938
Department of Public Works	8,861,221	11,305,359
Department of Labor and Immigration	6,408,023	7,383,179
Department of Community and Cultural Affairs	3,771,253	5,268,313
Division of Public Lands	3,090,796	3,840,685
Office of the Attorney General	2,606,418	3,208,550
Department of Commerce	2,319,263	2,547,763
Department of Personnel	2,007,126	2,031,586
Office of the Public Defender	543,291	594,864
Total offices and departments	<u>119,722,164</u>	<u>145,929,144</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
GENERAL FUND

Statement of Revenues, Expenditures by Function  
and Changes in Deficit, Continued  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	<u>1999</u>	<u>1998</u>
Elected offices:		
Tinian mayor/municipal council	4,998,983	4,470,616
Rota mayor/municipal council	3,460,419	2,234,554
Saipan mayor/municipal council	2,373,290	2,575,041
Washington representative	1,456,933	1,454,480
Northern Islands mayor	541,235	507,430
Total elected offices	<u>12,830,860</u>	<u>11,242,121</u>
Legislative branch:		
House of Representatives	3,454,437	3,202,140
Legislative Bureau	1,880,543	808,409
Senate	1,766,074	2,721,161
Total legislative branch	<u>7,101,054</u>	<u>6,731,710</u>
Independent programs:		
Government utilities	10,608,944	10,805,360
Public Library	253,697	332,127
Land acquisition/exchange (Public Law No. 10-41)	206,930	2,539,021
Carolinian language	172,866	168,037
Micronesia Legal Services Corporation	171,452	198,000
Karidat	128,589	151,389
Judgments and settlements	126,563	103,703
Other	322,339	1,253,520
Total independent programs	<u>11,991,380</u>	<u>15,551,157</u>
Boards and commissions:		
Civil Service Commission	377,007	413,268
Board of Election	285,831	260,489
Board of Professional Licensing	140,554	150,160
Total boards and commissions	<u>803,392</u>	<u>823,917</u>
Judicial branch:		
Superior Court	2,849,564	2,848,117
Supreme Court	1,371,303	1,700,647
Law Revision Commission	303,522	578,910
Family Court	58,873	342,863
Total judicial branch	<u>4,583,262</u>	<u>5,470,537</u>
Office of the Public Auditor	<u>2,061,452</u>	<u>2,061,009</u>
Other	<u>2,811,762</u>	<u>-</u>
Total expenditures	<u>161,905,326</u>	<u>187,809,595</u>
Excess of revenues over expenditures	<u>59,229,777</u>	<u>46,845,301</u>
Other financing sources (uses):		
Operating transfers in	4,879,163	5,339,499
Operating transfers out	(74,441,583)	(65,748,727)
Bond proceeds	14,980,000	-
Total other financing sources (uses), net	<u>(54,582,420)</u>	<u>(60,409,228)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,647,357	(13,563,927)
Deficit at beginning of year	<u>(44,522,351)</u>	<u>(30,958,424)</u>
Deficit at end of year	<u>\$ (39,874,994)</u>	<u>\$ (44,522,351)</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
GENERAL FUND

Statement of Revenues, Expenditures and Changes in  
Deficit - Budget and Actual  
Year Ended September 30, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 180,504,727	\$ 187,884,906	\$ 7,380,179
Charges for sales and services	9,514,206	12,210,169	2,695,963
Licenses and fees	12,279,408	11,129,845	(1,149,563)
Division of Public Lands	6,752,100	6,413,370	(338,730)
Other	2,434,180	3,496,813	1,062,633
Total revenues	<u>211,484,621</u>	<u>221,135,103</u>	<u>9,650,482</u>
Expenditures - budgetary basis by function:			
Executive branch:			
Department of Public Health	34,111,561	35,702,540	(1,590,979)
Office of the Governor	15,345,228	16,151,262	(806,034)
Department of Public Safety	12,364,986	14,929,688	(2,564,702)
Department of Finance	10,866,703	10,471,872	394,831
Department of Public Works	7,819,689	7,228,843	590,846
Department of Labor and Immigration	5,577,852	5,043,198	534,654
Department of Lands and Natural Resources	4,265,012	4,236,759	28,253
Division of Public Lands	6,817,600	3,090,796	3,726,804
Department of Community and Cultural Affairs	2,886,537	2,858,513	28,024
Office of the Attorney General	3,177,410	2,694,931	482,479
Department of Commerce	1,938,041	1,735,185	202,856
Office of the Public Defender	642,803	556,786	86,017
	<u>105,813,422</u>	<u>104,700,373</u>	<u>1,113,049</u>
First Senatorial District - Rota:			
Mayor	2,932,082	2,666,022	266,060
Public Health	2,450,914	2,267,881	183,033
Lands and Natural Resources	1,848,585	1,756,955	91,630
Public Safety	1,558,402	1,551,873	6,529
Public Works	1,042,981	958,737	84,244
Finance	900,220	902,479	(2,259)
Municipal Council	852,989	864,166	(11,177)
Labor and Immigration	703,920	726,288	(22,368)
Community and Cultural Affairs	584,569	634,778	(50,209)
Commerce	324,348	284,308	40,040
Personnel Office	237,349	229,695	7,654
	<u>13,436,359</u>	<u>12,843,182</u>	<u>593,177</u>
Second Senatorial District - Tinian:			
Mayor	3,998,480	4,130,954	(132,474)
Public Health	2,406,960	2,369,656	37,304
Public Safety	1,590,129	1,573,802	16,327
Lands and Natural Resources	1,444,107	1,407,283	36,824
Municipal Council	908,837	913,558	(4,721)
Finance	679,360	775,791	(96,431)
Public Works	790,300	750,504	39,796
Labor and Immigration	762,275	681,554	80,721
Personnel Office	346,455	344,608	1,847
Commerce	310,260	305,018	5,242
Community and Cultural Affairs	295,809	294,346	1,463
	<u>13,532,972</u>	<u>13,547,074</u>	<u>(14,102)</u>
Office of the Mayors:			
Saipan	2,101,157	2,180,868	(79,711)
Northern Islands	538,603	546,424	(7,821)
Saipan Municipal Council	178,553	197,548	(18,995)
	<u>2,818,313</u>	<u>2,924,840</u>	<u>(106,527)</u>
Office of the Washington Representative	<u>1,381,317</u>	<u>1,611,130</u>	<u>(229,813)</u>
Legislative branch:			
House of Representatives	3,457,394	3,486,672	(29,278)
Legislative Bureau	1,647,657	1,884,671	(237,014)
Senate	1,814,785	1,787,690	27,095
	<u>6,919,836</u>	<u>7,159,033</u>	<u>(239,197)</u>

See Accompanying Independent Auditors' Report.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
GENERAL FUND**

**Statement of Revenues, Expenditures and Changes in  
Deficit - Budget and Actual, Continued  
Year Ended September 30, 1999**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures - budgetary basis by function, continued:</b>			
<b>Independent programs:</b>			
Government utilities	6,061,447	10,608,944	(4,547,497)
Public Library	343,008	264,834	78,174
Land acquisition/exchange (Public Law No. 10-41)	-	206,930	(206,930)
Carolinian language	170,927	173,335	(2,408)
Micronesian Legal Services Corporation	173,184	171,452	1,732
Karidat	129,888	128,589	1,299
Judgments and settlements	182,456	126,563	55,893
Other	1,536,451	386,159	1,150,292
	<u>8,597,361</u>	<u>12,066,806</u>	<u>(3,469,445)</u>
<b>Boards and commissions:</b>			
Civil Service Commission	381,114	377,431	3,683
Board of Election	321,643	287,206	34,437
Board of Professional Licensing	144,695	140,554	4,141
	<u>847,452</u>	<u>805,191</u>	<u>42,261</u>
<b>Judicial branch:</b>			
Superior Court	3,052,665	2,856,154	196,511
Supreme Court	1,720,811	1,387,486	333,325
Law Revision Commission	327,751	305,437	22,314
Family Court	-	58,823	(58,823)
	<u>5,101,227</u>	<u>4,607,900</u>	<u>493,327</u>
<b>Office of the Public Auditor</b>			
	<u>2,311,300</u>	<u>2,063,199</u>	<u>248,101</u>
<b>Other</b>			
	<u>-</u>	<u>2,811,762</u>	<u>(2,811,762)</u>
Total expenditures	<u>160,759,559</u>	<u>165,140,490</u>	<u>(4,380,931)</u>
Excess of revenues over expenditures	<u>50,725,062</u>	<u>55,994,613</u>	<u>5,269,551</u>
<b>Other financing sources (uses):</b>			
<b>Operating transfers in:</b>			
Commonwealth Nonresident Workers Fund	5,796,764	3,559,163	(2,237,601)
Marianas Public Land Trust	692,300	1,320,000	627,700
	<u>6,489,064</u>	<u>4,879,163</u>	<u>(1,609,901)</u>
<b>Operating transfers out:</b>			
Public School System	37,730,342	37,238,462	491,880
Northern Marianas College	6,854,021	6,785,444	68,577
Marianas Visitors Authority	6,061,447	6,000,684	60,763
Northern Mariana Islands Retirement Fund	2,750,388	2,722,885	27,503
Federal Grants Fund	1,933,703	2,105,193	(171,490)
Debt Service Fund	2,000,000	2,000,000	-
Human Resources Development Trust Fund	1,188,823	1,594,858	(406,035)
Workers' Compensation Commission	382,218	378,395	3,823
Commonwealth Alien Deportation Fund	320,785	320,785	-
Commonwealth Museum Fund	257,152	257,152	-
DOI Capital Projects Fund	14,980,000	14,980,000	-
Local Capital Projects Fund	-	57,725	(57,725)
	<u>74,458,879</u>	<u>74,441,583</u>	<u>17,296</u>
<b>Bond proceeds</b>			
	<u>14,980,000</u>	<u>14,980,000</u>	<u>-</u>
Total other financing sources (uses), net	<u>(52,989,815)</u>	<u>(54,582,420)</u>	<u>(1,592,605)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,264,753)	1,412,193	3,676,946
<b>Other changes in unreserved fund balances:</b>			
Reserve for continuing appropriations	2,200,000	2,208,515	8,515
Reserve for related assets	-	(14,424)	(14,424)
Reserve for supplies inventory	-	(1,214,735)	(1,214,735)
Other	-	5,616,915	5,616,915
Deficit at beginning of year	<u>(76,295,931)</u>	<u>(76,295,931)</u>	<u>-</u>
Deficit at end of year	<u>\$ (76,360,684)</u>	<u>\$ (68,287,467)</u>	<u>\$ 8,073,217</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
SPECIAL REVENUE FUNDS

September 30, 1999

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Federal Grants Fund

This fund accounts for all financial transactions related to direct grants received from various U.S. departments.

Private Grants Fund

This fund accounts for all financial transactions related to miscellaneous grants that are not directly from the U.S. government. Included in this fund are transactions relating to grants from world organizations and private business organizations in the CNMI.

Commonwealth Arts Council

The Commonwealth Arts Council was established through Executive Order No. 26 pursuant to Section 15 Article III of the Constitution. The fund accounts for financial transactions of the Commonwealth Arts Council related to the receipt of donations and gifts and the use of those funds.

Human Resources Development Trust Fund

The Human Resources Development Trust Fund was established pursuant to Public Law No. 5-3. The fund accounts for the use of 10% of all revenues raised from the licensing of amusement machines that are restricted for use by the Job Training Partnership Program. Public Law No. 5-3 was subsequently amended in fiscal year 1999. Under Public Law No. 10-41, funds earmarked under Public Law No. 5-3 are transferred into the General Fund for general appropriation.

Oil Overcharge Fund

This fund accounts for payments awarded to the 50 States, and U.S. territories and possessions, by the U.S. courts in settlement of charges against several U.S. oil companies that had violated U.S. Department of Energy price control regulations by overcharging their distributors and customers. The CNMI has received oil overcharge funds from the Warner, Exxon, and Stripper Well Cases that are restricted for use in several energy related approved programs.

Commonwealth Nonresident Workers' Fee Fund

The Commonwealth Nonresident Workers Fee Fund was established pursuant to Public Law No. 5-32. The fund accounts for the collection of fees related to application and renewal certificates of nonresident workers and their immediate relatives. In accordance with the enabling legislation, the fees collected are to be used primarily for the Northern Marianas College Apprenticeship, Vocational and Trade Training programs.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
SPECIAL REVENUE FUNDS

September 30, 1999

Commonwealth Alien Deportation Fund

The Commonwealth Alien Deportation Fund was established pursuant to Public Law No. 10-1. The fund accounts for the collection of nonresident workers' fees designated for the fund and for the expenditure of those funds in detecting and deporting illegal aliens.

Commonwealth Museum Fund

The Commonwealth Museum Fund was established pursuant to Public Law No. 10-5. This fund accounts for all funds received from legislative appropriations for the activities and operations of the Museum; fees generated by the Museum and all gifts, loans or other funds designated for any and all operations and activities of the Museum.

Judicial Building Fund

This fund was created by Public Law No. 7-25 to account for financing restricted to the construction and furnishing of the CNMI Supreme Court and Superior Court building. At September 30, 1999, the project was completed. Revenues generated by the court will be used to finance the debt service on the loan with the NMIRF.

Local Revenue Fund

Accounts for revenues generated under local senatorial district laws for use by the local governments of Saipan, Rota and Tinian. Such revenues are based on Saipan local laws 11-1 and 11-2 and Rota local law 11-1.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
SPECIAL REVENUE FUNDS

Combining Balance Sheet  
September 30, 1999  
(With comparative totals as of September 30, 1998)

	Federal	Private	Commonwealth	Human	Oil	Commonwealth	Commonwealth	Commonwealth	Judicial	Local	Totals	
	Grants	Grants	Arts	Resources	Overcharge	Nonresident	Alien	Museum	Building	Revenue	1999	1998
	Fund	Fund	Council	Development	Fund	Workers'	Deportation	Fund	Fund	Fund		
				Trust		Fee Fund	Fund					
<b>Assets</b>												
Receivables, net:												
Federal agencies	\$ 6,604,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 811,793	\$ -	\$ -	\$ -	\$ 7,416,571	\$ 10,025,025
Due from other funds	-	650,109	49,680	-	128,374	1,123,378	-	648,595	2,928,844	1,045,929	6,574,909	2,014,733
	<u>\$ 6,604,778</u>	<u>\$ 650,109</u>	<u>\$ 49,680</u>	<u>\$ -</u>	<u>\$ 128,374</u>	<u>\$ 1,123,378</u>	<u>\$ 811,793</u>	<u>\$ 648,595</u>	<u>\$ 2,928,844</u>	<u>\$ 1,045,929</u>	<u>\$ 13,991,480</u>	<u>\$ 12,039,758</u>
<b>Liabilities and Fund Balances (Deficit)</b>												
Liabilities:												
Accounts payable	\$ 1,841,637	\$ 11,883	\$ 1,560	\$ 10,311	\$ -	\$ 63,042	\$ 38,370	\$ 9,945	\$ -	\$ -	\$ 1,976,748	\$ 1,426,546
Other liabilities and accruals	406,007	-	-	32,328	-	25,609	2,637	9,971	-	-	476,532	438,991
Due to other funds	3,607,134	-	-	542,076	-	-	798,031	-	-	-	4,947,241	9,101,043
Deferred revenue	-	668,795	-	-	128,374	-	-	-	-	-	797,169	776,661
Total liabilities	<u>5,854,778</u>	<u>680,678</u>	<u>1,560</u>	<u>584,715</u>	<u>128,374</u>	<u>88,651</u>	<u>839,038</u>	<u>19,916</u>	<u>-</u>	<u>-</u>	<u>8,197,710</u>	<u>11,743,241</u>
Fund balances (deficit):												
Reserved for:												
Encumbrances	3,338,306	22,306	4,668	55,726	-	-	57,218	12,496	219	-	3,491,139	1,306,153
Debt service	-	-	-	-	-	-	-	-	1,077,211	-	1,077,211	-
Unreserved:												
Undesignated	(2,588,306)	(53,075)	43,452	(640,441)	-	1,034,727	(84,463)	616,183	1,851,414	1,045,929	1,225,420	(1,009,636)
Total fund balances (deficit)	<u>750,000</u>	<u>(30,569)</u>	<u>48,120</u>	<u>(584,715)</u>	<u>-</u>	<u>1,034,727</u>	<u>(27,245)</u>	<u>628,679</u>	<u>2,928,844</u>	<u>1,045,929</u>	<u>5,793,770</u>	<u>296,517</u>
	<u>\$ 6,604,778</u>	<u>\$ 650,109</u>	<u>\$ 49,680</u>	<u>\$ -</u>	<u>\$ 128,374</u>	<u>\$ 1,123,378</u>	<u>\$ 811,793</u>	<u>\$ 648,595</u>	<u>\$ 2,928,844</u>	<u>\$ 1,045,929</u>	<u>\$ 13,991,480</u>	<u>\$ 12,039,758</u>

See Accompanying Independent Auditors' Report.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
SPECIAL REVENUE FUNDS**

**Combining Statement of Revenues, Expenditures by Function  
and Changes in Fund Balances (Deficit)  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)**

	Federal Grants Fund	Private Grants Fund	Commonwealth Arts Council	Human Resources Development Trust Fund	Oil Overcharge Fund	Commonwealth Nonsident Workshop Fee Fund	Commonwealth Alien Deportation Fund	Commonwealth Museum Fund	Judicial Building Fund	Local Revenue Fund	Totals	
											1999	1998
<b>Revenues:</b>												
Federal contributions	\$ 20,083,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 811,793	\$ -	\$ -	\$ -	\$ 20,894,947	\$ 18,418,052
Other contributions	287,439	56,906	29,364	-	-	-	-	-	-	-	373,709	373,952
Interest	4,155	-	-	-	-	-	-	-	-	-	4,155	6,843
Other	246,894	68,971	-	-	-	5,358,165	790,652	16,289	1,286,991	1,136,749	8,904,711	7,699,631
<b>Total revenues</b>	<b>20,621,642</b>	<b>125,877</b>	<b>29,364</b>	<b>-</b>	<b>-</b>	<b>5,358,165</b>	<b>1,602,445</b>	<b>16,289</b>	<b>1,286,991</b>	<b>1,136,749</b>	<b>30,177,322</b>	<b>26,498,478</b>
<b>Expenditures by function:</b>												
Department of Community and Cultural Affairs	7,179,440	27,131	-	-	-	105,351	-	-	-	-	7,311,922	6,109,985
Department of Health and Environmental Services	4,123,365	615	-	-	-	-	-	-	-	-	4,123,980	1,114,633
Office of the Governor	3,872,490	-	-	-	-	-	-	-	-	-	3,872,490	3,070,027
Department of Labor and Immigration	959,895	-	-	-	-	468,307	1,694,456	-	-	-	3,122,658	1,754,214
Department of Land and Natural Resources	1,650,003	28,922	-	-	-	-	-	-	-	-	1,678,925	1,154,499
Developmental Trust	-	-	-	891,693	-	-	-	-	-	-	891,693	1,009,281
Department of Public Safety	801,034	56,597	-	-	-	-	-	-	-	-	857,631	5,819,841
Department of Commerce	76,935	-	-	-	-	-	-	-	-	-	76,935	6,027
Commonwealth Arts Council	-	-	38,533	-	-	-	-	-	-	-	38,533	16,939
Other	4,063,673	12,612	-	-	-	-	-	416,366	1,665,930	121,389	6,279,970	3,791,230
<b>Total expenditures</b>	<b>22,726,835</b>	<b>125,877</b>	<b>38,533</b>	<b>891,693</b>	<b>-</b>	<b>573,658</b>	<b>1,694,456</b>	<b>416,366</b>	<b>1,665,930</b>	<b>121,389</b>	<b>28,254,737</b>	<b>23,846,666</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,105,193)</b>	<b>-</b>	<b>(9,169)</b>	<b>(891,693)</b>	<b>-</b>	<b>4,784,507</b>	<b>(92,011)</b>	<b>(400,077)</b>	<b>(378,939)</b>	<b>1,015,360</b>	<b>1,922,785</b>	<b>2,651,812</b>
<b>Other financing sources (uses):</b>												
Operating transfers in	2,105,193	-	-	1,594,858	-	-	320,785	257,152	-	30,569	4,308,557	3,807,311
Operating transfers out	-	(30,569)	-	-	-	(4,782,907)	-	-	-	-	(4,813,476)	(5,817,718)
<b>Total other financing sources (uses), net</b>	<b>2,105,193</b>	<b>(30,569)</b>	<b>-</b>	<b>1,594,858</b>	<b>-</b>	<b>(4,782,907)</b>	<b>320,785</b>	<b>257,152</b>	<b>-</b>	<b>30,569</b>	<b>(504,919)</b>	<b>(2,010,407)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>-</b>	<b>(30,569)</b>	<b>(9,169)</b>	<b>703,165</b>	<b>-</b>	<b>1,600</b>	<b>238,774</b>	<b>(142,925)</b>	<b>(378,939)</b>	<b>1,045,929</b>	<b>1,417,866</b>	<b>641,405</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>750,000</b>	<b>-</b>	<b>57,289</b>	<b>(1,287,880)</b>	<b>-</b>	<b>1,033,127</b>	<b>(255,019)</b>	<b>771,604</b>	<b>3,307,783</b>	<b>-</b>	<b>4,375,904</b>	<b>(344,888)</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 750,000</b>	<b>\$ (30,569)</b>	<b>\$ 48,120</b>	<b>\$ (584,715)</b>	<b>\$ -</b>	<b>\$ 1,034,727</b>	<b>\$ (27,245)</b>	<b>\$ 628,679</b>	<b>\$ 2,928,844</b>	<b>\$ 1,045,929</b>	<b>\$ 5,793,770</b>	<b>\$ 296,517</b>

See Accompanying Independent Auditors' Report.



**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
SPECIAL REVENUE FUNDS**

**Combining Statement of Revenues, Expenditures by Account  
and Changes in Fund Balances (Deficit)  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)**

	Federal Grants Fund	Private Grants Fund	Commonwealth Arts Council	Human Resources Development Trust Fund	Oil Overcharge Fund	Commonwealth Nonresident Workers' Fee Fund	Commonwealth Allea Deportation Fund	Commonwealth Museum Fund	Judicial Building Fund	Local Revenue Fund	Totals	
											1999	1998
<b>Revenues:</b>												
Federal contributions	\$ 20,083,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 811,793	\$ -	\$ -	\$ -	\$ 20,894,947	\$ 18,418,052
Other contributions	287,439	56,906	29,364	-	-	-	-	-	-	-	373,709	373,952
Interest	4,155	-	-	-	-	-	-	-	-	-	4,155	6,843
Other	246,894	68,971	-	-	-	5,358,165	790,652	16,289	1,286,991	1,136,749	8,904,711	7,699,631
<b>Total revenues</b>	<b>20,621,642</b>	<b>125,877</b>	<b>29,364</b>	<b>-</b>	<b>-</b>	<b>5,358,165</b>	<b>1,602,445</b>	<b>16,289</b>	<b>1,286,991</b>	<b>1,136,749</b>	<b>30,177,522</b>	<b>26,498,478</b>
<b>Expenditures by account:</b>												
Salaries and wages	6,657,818	-	4,351	806,049	-	554,895	946,873	253,103	-	32,611	9,255,700	8,633,235
Professional services	4,338,494	11,978	17,993	5,490	-	-	51,741	28,597	-	1,800	4,456,093	4,101,849
Food items	4,266,381	925	-	-	-	-	119,218	-	-	3,908	4,390,432	3,126,351
Capital outlay:												
Office equipment	1,525,151	7,972	-	60	-	-	900	7,910	-	14,295	1,556,288	437,303
Vehicles	409,478	23,495	-	-	-	-	-	-	-	-	432,973	247,712
Furniture and fixtures	206,830	2,738	-	-	-	-	85	11,124	-	2,941	223,718	70,478
Machinery and equipment	102,272	5,950	-	-	-	-	-	1,329	-	970	111,221	43,473
Other	351,263	24,111	-	-	-	-	-	-	-	-	375,374	627,550
Travel	786,166	7,710	1,920	20,305	-	127	404,752	6,107	-	5,999	1,233,086	690,649
Interest	-	-	-	-	-	-	-	-	991,431	-	991,431	-
Indirect costs	767,063	-	-	-	-	-	-	-	-	-	767,063	567,037
Supplies	669,377	7,022	1,668	6,770	-	-	22,913	18,216	-	6,305	732,271	469,638
Principal repayment	629,883	2,950	610	-	-	-	-	-	674,499	-	674,499	-
Scholarships/grants	529,473	13,212	203	10,815	-	-	3,321	-	-	19,874	576,898	340,625
Repairs and maintenance	293,384	1,866	9,453	2,073	-	-	103,290	34,652	-	17,478	462,196	264,175
Rentals	148,865	1,000	-	12,968	-	-	-	6,513	-	-	169,346	125,287
Miscellaneous services	138,302	480	266	-	-	-	20,413	-	-	-	159,461	162,370
Printing	90,558	9,629	1,920	2,778	-	-	399	-	-	1,394	106,678	109,864
Books and library materials	95,174	604	-	-	-	-	-	-	-	-	95,778	41,581
Advertising	28,649	613	25	18,313	-	-	-	1,245	-	-	48,845	33,068
Dues and subscriptions	37,697	1,166	-	1,490	-	-	-	-	-	1,927	42,280	21,145
Fuel and lubrication	32,581	-	-	1,887	-	-	6,011	-	-	-	40,479	98,608
Freight	17,789	859	-	801	-	-	211	15,389	-	-	35,049	20,898
Other	603,487	1,597	124	1,894	-	18,636	14,329	32,181	-	11,887	684,135	909,478
<b>Total expenditures</b>	<b>22,726,835</b>	<b>125,877</b>	<b>38,533</b>	<b>891,693</b>	<b>-</b>	<b>573,658</b>	<b>1,694,456</b>	<b>416,366</b>	<b>1,685,930</b>	<b>121,389</b>	<b>28,254,737</b>	<b>23,846,666</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,105,193)</b>	<b>-</b>	<b>(9,169)</b>	<b>(891,693)</b>	<b>-</b>	<b>4,784,507</b>	<b>(92,011)</b>	<b>(400,077)</b>	<b>(378,939)</b>	<b>1,015,360</b>	<b>1,922,785</b>	<b>2,651,812</b>
<b>Other financing sources (uses):</b>												
Operating transfers in	2,105,193	-	-	1,594,858	-	-	320,785	257,152	-	30,569	4,308,557	3,807,311
Operating transfers out	-	(30,569)	-	-	-	(4,782,907)	-	-	-	-	(4,813,476)	(5,817,718)
<b>Total other financing sources (uses), net</b>	<b>2,105,193</b>	<b>(30,569)</b>	<b>-</b>	<b>1,594,858</b>	<b>-</b>	<b>(4,782,907)</b>	<b>320,785</b>	<b>257,152</b>	<b>-</b>	<b>30,569</b>	<b>(504,919)</b>	<b>(2,010,407)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>-</b>	<b>(30,569)</b>	<b>(9,169)</b>	<b>703,165</b>	<b>-</b>	<b>1,600</b>	<b>228,774</b>	<b>(142,915)</b>	<b>(378,939)</b>	<b>1,045,929</b>	<b>1,417,866</b>	<b>641,405</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>750,000</b>	<b>-</b>	<b>57,289</b>	<b>(1,287,880)</b>	<b>-</b>	<b>1,033,127</b>	<b>(256,019)</b>	<b>771,604</b>	<b>3,307,783</b>	<b>-</b>	<b>4,375,904</b>	<b>(344,888)</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 750,000</b>	<b>\$ (30,569)</b>	<b>\$ 48,120</b>	<b>\$ (584,715)</b>	<b>\$ -</b>	<b>\$ 1,034,727</b>	<b>\$ (27,245)</b>	<b>\$ 628,679</b>	<b>\$ 2,928,844</b>	<b>\$ 1,045,929</b>	<b>\$ 5,793,770</b>	<b>\$ 296,517</b>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
CAPITAL PROJECTS FUNDS

September 30, 1999

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

U.S. Department of the Interior Capital Projects Fund

This fund accounts for various capital projects funded through grant awards from the U.S. Department of the Interior.

Commonwealth Development Authority Fund

This fund accounts for various capital projects funded by proceeds of general obligation bonds issued by the Commonwealth Development Authority.

Commonwealth Medical Center

This fund accounts for the construction of the Commonwealth Medical Center funded through grant awards from the U.S. Department of the Interior.

Infrastructure Tax Fund

This fund was created by Public Law No. 8-23 which restricts the 2% Developers' Tax for funding of infrastructure by senatorial delegation.

Public Works Grants

This fund accounts for various capital projects administered by the CNMI Department of Public Works and funded by the U.S. Department of Transportation.

Northern Marianas Housing Corporation (NMHC) Grants

This fund accounts for various capital projects administered by the Northern Marianas Housing Corporation and funded by the U.S. Department of Housing and Urban Development.

American Memorial Park Fund

This fund accounts for capital projects at the American Memorial Park. These projects are partially funded by the earnings of the Marianas Public Land Trust - Park Fund, a nonexpendable trust fund.

Local Capital Projects

This fund accounts for various capital projects funded by appropriations contained in Annual Appropriations Acts.

Private Capital Grants

This fund accounts for various capital projects funded by various grants that are not directly from the U.S. government. Included in this fund are transactions relating to capital project grants from CNMI agencies and private business organizations in the CNMI.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
CAPITAL PROJECTS FUNDS

Combining Balance Sheet  
September 30, 1999  
(With comparative totals as of September 30, 1998)

	DOI	Commonwealth	Commonwealth	Infrastructure	Public		American	Local	Private	Totals	
	Capital Projects Fund	Development Authority Fund	Medical Center	Tax Fund	Works Grants	NMHC Grants	Memorial Park Fund	Capital Projects	Capital Grants	1999	1998
<b>Assets</b>											
Receivables, net:											
Federal agencies	\$ 8,702,638	\$ -	\$ 279,801	\$ -	\$ 644,498	\$ 199,457	\$ -	\$ -	\$ -	\$ 9,826,394	\$ 4,313,460
Other	-	-	-	-	-	-	-	-	701,372	701,372	563,536
Due from other funds	<u>17,657,719</u>	<u>658,412</u>	<u>-</u>	<u>2,482,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>756,697</u>	<u>537,508</u>	<u>22,093,285</u>	<u>16,948,104</u>
	<u>\$ 26,360,357</u>	<u>\$ 658,412</u>	<u>\$ 279,801</u>	<u>\$ 2,482,949</u>	<u>\$ 644,498</u>	<u>\$ 199,457</u>	<u>\$ -</u>	<u>\$ 756,697</u>	<u>\$ 1,238,880</u>	<u>\$ 32,621,051</u>	<u>\$ 21,825,100</u>
<b>Liabilities and Fund Balances (Deficit)</b>											
Liabilities:											
Accounts payable	\$ 2,519,071	\$ 263,411	\$ -	\$ -	\$ 522,756	\$ -	\$ 780	\$ 59,128	\$ 31,575	\$ 3,396,721	\$ 3,529,738
Other liabilities and accruals	3,346	-	-	-	-	-	-	-	-	3,346	95,880
Due to other funds	-	-	279,801	-	121,742	199,457	70,914	-	-	671,914	529,459
Deferred revenue	-	395,001	-	-	-	-	42,793	-	-	437,794	944,458
Total liabilities	<u>2,522,417</u>	<u>658,412</u>	<u>279,801</u>	<u>-</u>	<u>644,498</u>	<u>199,457</u>	<u>114,487</u>	<u>59,128</u>	<u>31,575</u>	<u>4,509,775</u>	<u>5,099,535</u>
Fund balances (deficit):											
Reserved for:											
Continuing appropriation	-	-	-	-	-	-	-	1,844,404	-	1,844,404	1,844,404
Encumbrances	13,973,981	630,063	-	700	4,876,102	147,333	22,654	439,914	1,640	20,092,387	9,230,616
Debt service	-	-	-	-	-	-	-	-	-	-	1,581,843
Unreserved	<u>9,863,959</u>	<u>(630,063)</u>	<u>-</u>	<u>2,482,249</u>	<u>(4,876,102)</u>	<u>(147,333)</u>	<u>(137,141)</u>	<u>(1,586,749)</u>	<u>1,205,665</u>	<u>6,174,485</u>	<u>4,068,702</u>
Total fund balances (deficit)	<u>23,837,940</u>	<u>-</u>	<u>-</u>	<u>2,482,949</u>	<u>-</u>	<u>-</u>	<u>(114,487)</u>	<u>697,569</u>	<u>1,207,305</u>	<u>28,111,276</u>	<u>16,725,565</u>
	<u>\$ 26,360,357</u>	<u>\$ 658,412</u>	<u>\$ 279,801</u>	<u>\$ 2,482,949</u>	<u>\$ 644,498</u>	<u>\$ 199,457</u>	<u>\$ -</u>	<u>\$ 756,697</u>	<u>\$ 1,238,880</u>	<u>\$ 32,621,051</u>	<u>\$ 21,825,100</u>

See Accompanying Independent Auditors' Report.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
CAPITAL PROJECTS FUNDS**

**Combining Statement of Revenues, Expenditures by Function  
and Changes in Fund Balances (Deficit)  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)**

	DOI Capital Projects Fund	Commonwealth Development Authority Fund	Commonwealth Medical Center	Infrastructure Tax Fund	Public Works Grants	NMHC Grants	American Memorial Park Fund	Local Capital Projects	Private Capital Grants	Totals	
										1999	1998
<b>Revenues:</b>											
Federal contributions	\$ 14,523,318	\$ 466,235	\$ -	\$ -	\$ 5,337,908	\$ 1,531,197	\$ -	\$ -	\$ -	\$ 21,858,658	\$ 15,966,871
Other contributions	1,321,508	-	-	275,465	-	-	-	91,994	130,053	1,819,020	4,367,797
<b>Total revenues</b>	<b>15,844,826</b>	<b>466,235</b>	<b>-</b>	<b>275,465</b>	<b>5,337,908</b>	<b>1,531,197</b>	<b>-</b>	<b>91,994</b>	<b>130,053</b>	<b>23,677,628</b>	<b>20,334,668</b>
<b>Expenditures by function:</b>											
Chalan Pale Arnold Phase 5	180,000	-	-	-	3,538,909	-	-	-	-	3,718,909	776,369
PSS 60 Classrooms Project	2,073,321	-	-	-	-	-	-	-	-	2,073,321	2,313,779
Kagman Elem. & Sec. School	1,938,916	-	-	-	-	-	-	-	-	1,938,916	300,308
NMHC Projects	-	-	-	-	-	1,531,197	-	-	-	1,531,197	698,968
SongSong Village Road Paving	1,306,144	-	-	-	-	-	-	-	-	1,306,144	-
New Prison and Correlitus	908,247	-	-	-	-	-	-	-	-	908,247	-
Integrate Computer Tax System	806,792	-	-	-	-	-	-	-	-	806,792	519,935
Rota Health Center	724,733	-	-	-	-	-	-	4,420	-	729,153	-
Marpi Solid Waste Landfill	694,179	-	-	-	-	-	-	-	-	694,179	-
Suicide Cliff Rd Tinian	-	-	-	-	662,645	-	-	-	-	662,645	-
Vil. Electrical Upgrade	570,755	-	-	-	-	-	-	-	-	570,755	79,793
Electric Power Trans. Sub.	539,740	-	-	-	-	-	-	-	-	539,740	3,416,599
Saipan Multipurpose Recreational Fac.	-	-	-	-	-	-	-	539,351	-	539,351	107,278
Sinapalo to SongSong Waterline	533,625	-	-	-	-	-	-	-	-	533,625	-
Sinapalo to Chuigai Waterline	523,315	-	-	-	-	-	-	-	-	523,315	-
Sinapalo Subdivision Road Project	496,191	-	-	-	-	-	-	-	-	496,191	-
TIQ Courthouse	-	-	-	-	-	-	-	495,000	-	495,000	-
Culvert Replace	-	-	-	-	451,399	-	-	-	-	451,399	-
Isey San Vicente Waterline	389,604	-	-	-	-	-	-	-	-	389,604	434,933
A/E Design San Jose Water	387,397	-	-	-	-	-	-	-	-	387,397	-
Tataching Songsong Water	370,407	-	-	-	-	-	-	-	-	370,407	13,793
Kagman III Waterline	280,794	-	-	-	-	-	-	-	-	280,794	571,776
Immigration and Labor Project	277,218	-	-	-	-	-	-	-	-	277,218	265,356
San Roque/Tanapag Waterline	-	-	-	-	-	-	-	276,051	-	276,051	79,850
Road Improvement Puerto Rico	247,655	-	-	-	-	-	-	-	-	247,655	-
Solid Waste Management	166,856	-	-	-	61,402	-	-	-	-	228,258	231,833
Pathway Light	-	-	-	-	225,032	-	-	-	-	225,032	-
Chalan Mgr. Guerrero Drainage	180,077	-	-	-	-	-	-	-	-	180,077	-
Rota High School JROTC	174,500	-	-	-	-	-	-	-	-	174,500	-
Existing Prison Facilities	168,323	-	-	-	-	-	-	-	-	168,323	-
1.5 Megawatt Diesel Generator	167,650	-	-	-	-	-	-	-	-	167,650	241,500
Des. & Const. Beach Rd. Sewer	166,668	-	-	-	-	-	-	-	-	166,668	(260,704)
American Memorial Park	5,376	-	-	-	-	-	148,690	-	-	154,066	179,311
Tech. Transfer/High Plan	-	-	-	-	143,117	-	-	-	-	143,117	7,060
Road Paving and Drainage	-	-	-	-	-	-	-	142,579	-	142,579	-
Tinian Rd. Resurfacing	135,937	-	-	-	-	-	-	-	-	135,937	1,554,210
Man'amko Center	-	-	-	-	-	-	-	121,609	-	121,609	51,421
As Matus Rd. Paving Drain	120,124	-	-	-	-	-	-	-	-	120,124	1,413,729
Obyan Well & Waterline	104,988	-	-	-	-	-	-	-	-	104,988	28,931
A/E Design Oloai Waterline	103,987	-	-	-	-	-	-	-	-	103,987	367,372
Upgrade Feeder 4 - Elec. Power	94,444	-	-	-	-	-	-	-	-	94,444	423,666
MHS Gym/Classroom	-	-	-	-	-	-	-	-	89,165	89,165	188,741
Traffic Light Inst.	-	-	-	-	72,179	-	-	-	-	72,179	204,084
Songsong Village Waterline	46,933	-	-	-	-	-	-	-	-	46,933	77,169
Afetna Road	26,743	-	-	-	-	-	-	-	-	26,743	228,040
Cross Island Road	-	-	-	-	13,600	-	-	-	-	13,600	-
Adm Hearing Office Project	7,551	-	-	-	-	-	-	-	-	7,551	26,316
Design Traffic Lights	-	-	-	-	5,000	-	-	-	-	5,000	-
Oloai Elementary School Sewer Line	-	-	-	-	-	-	-	1,549	-	1,549	98,451
CMU Judicial Building	-	-	-	-	-	-	-	-	-	-	1,113,190
HK Ent. Inv Tiq Hotel and Casino	-	-	-	-	-	-	-	-	-	-	760,366
Road Resurface - Carolina Heights	-	-	-	-	-	-	-	-	-	-	437,802
Commonwealth Museum	-	-	-	-	-	-	-	-	-	-	348,746
Sinapalo Waterline	-	-	-	-	-	-	-	-	-	-	310,368
A&E Chalan Pale Arnold - Ph. 6	-	-	-	-	-	-	-	-	-	-	255,062
Traffic Signal Inst.	-	-	-	-	-	-	-	-	-	-	184,857
Oloai Elem. School Project	-	-	-	-	-	-	-	-	-	-	183,237
Carolina Heights Waterline	-	-	-	-	-	-	-	-	-	-	163,304
Tinian Elementary School	-	-	-	-	-	-	-	-	-	-	127,918
Chalan Pale Arnold Waterline	-	-	-	-	-	-	-	-	-	-	76,081
Highway Master Plan	-	-	-	-	-	-	-	-	-	-	70,000
PSS Water Tanks	-	-	-	-	-	-	-	-	-	-	35,736
Navy Hill Road	-	-	-	-	-	-	-	-	-	-	22,760
Waterline Project Sin Vill - Tatch	-	-	-	-	-	-	-	-	-	-	18,834
Beach Road/Quartermaster Waterline	-	-	-	-	-	-	-	-	-	-	17,624
Administrative Cost	-	-	-	-	-	-	-	-	-	-	10,095
Tinian High School	-	-	-	-	-	-	-	-	-	-	10,000
Isey Booster Pump Renovation	-	-	-	-	-	-	-	-	-	-	10,000
Immigration Advisor	-	-	-	-	-	-	-	-	-	-	8,220
Depopulation Program Rota	-	-	-	-	-	-	-	-	-	-	6,763
Employment Service Advisor	-	-	-	-	-	-	-	-	-	-	6,127
ADA Improvement - Garapan School	-	-	-	-	-	-	-	-	-	-	5,173
10% DOE Share to DPW-TSD	-	-	-	-	-	-	-	-	-	-	1,297
Other Projects	925,616	466,235	-	4,325	164,625	-	-	496,913	223,382	2,281,096	1,449,730
<b>Total expenditures</b>	<b>15,844,826</b>	<b>466,235</b>	<b>-</b>	<b>4,325</b>	<b>5,337,908</b>	<b>1,531,197</b>	<b>148,690</b>	<b>2,077,472</b>	<b>312,547</b>	<b>25,723,200</b>	<b>20,273,179</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	271,140	-	-	(148,690)	(1,985,478)	(182,494)	(2,045,522)	61,489
<b>Other financing sources:</b>											
Operating transfers in	14,980,000	-	-	-	-	-	82,110	57,725	-	15,119,835	164,868
<b>Total other financing sources</b>	<b>14,980,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,110</b>	<b>57,725</b>	<b>-</b>	<b>15,119,835</b>	<b>164,868</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	14,980,000	-	-	271,140	-	-	(66,580)	(1,927,753)	(182,494)	13,074,313	226,357
<b>Fund balances (deficit) at beginning of year</b>	<b>8,857,940</b>	<b>-</b>	<b>-</b>	<b>2,211,809</b>	<b>-</b>	<b>-</b>	<b>(47,907)</b>	<b>2,625,322</b>	<b>1,389,799</b>	<b>15,036,963</b>	<b>16,499,208</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 23,837,940</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,482,949</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (114,487)</b>	<b>\$ 697,569</b>	<b>\$ 1,207,305</b>	<b>\$ 28,111,276</b>	<b>\$ 16,725,565</b>

See Accompanying Independent Auditors' Report.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
CAPITAL PROJECTS FUNDS**

**Combining Statement of Revenues, Expenditures by Account  
and Changes in Fund Balances (Deficit)  
Year Ended September 30, 1999**

(With comparative totals for the year ended September 30, 1998)

	DOI	Commonwealth	Commonwealth	Infrastructure	Public	NMHC	American	Local	Private	Totals	
	Capital Projects Fund	Development Authority Fund	Medical Center	Tax Fund	Works Grants		Memorial Park Fund	Capital Projects	Capital Grants	1999	1998
<b>Revenues:</b>											
Federal contributions	\$ 14,523,318	\$ 466,235	\$ -	\$ -	\$ 5,337,908	\$ 1,531,197	\$ -	\$ -	\$ -	\$ 21,858,658	\$ 15,966,871
Other contributions	1,321,508	-	-	275,465	-	-	-	91,994	130,053	1,819,020	4,367,797
<b>Total revenues</b>	<b>15,844,826</b>	<b>466,235</b>	<b>-</b>	<b>275,465</b>	<b>5,337,908</b>	<b>1,531,197</b>	<b>-</b>	<b>91,994</b>	<b>130,053</b>	<b>23,677,678</b>	<b>20,334,668</b>
<b>Expenditures by account:</b>											
<b>Capital outlay:</b>											
Road improvements	-	-	-	-	5,116,706	54,498	-	-	-	5,171,204	1,631,588
Building improvements	-	-	-	-	-	1,085,341	-	-	-	1,085,341	1,567,076
Office equipment	-	-	-	4,335	-	-	-	-	-	4,335	136,940
Furnitures and fixtures	-	-	-	-	30,498	165,051	-	-	829	196,378	34,774
Machinery and equipment	-	-	-	-	-	598	-	-	-	598	770
Other	8,536,416	-	-	-	-	85,372	72,456	2,077,472	-	10,771,716	2,671,235
Construction in progress	-	95,092	-	-	(72,179)	-	-	-	269,969	6,535,300	11,323,634
Professional services	6,242,418	-	-	-	67,200	1,970	76,234	-	35,000	1,246,396	1,006,563
Salaries and wages	-	-	-	-	119,210	-	-	-	-	119,210	87,228
Supplies	-	-	-	-	8,358	11,505	-	-	1,928	21,791	25,784
Repairs and maintenance	-	-	-	-	-	3,163	-	-	4,821	7,984	144,762
Communications	-	-	-	-	-	1,492	-	-	-	1,492	5,383
Travel	-	-	-	(10)	251	-	-	-	-	241	10,952
Interest	-	-	-	-	-	-	-	-	-	-	666,048
Principal repayment	-	-	-	-	-	-	-	-	-	-	448,779
Rentals	-	-	-	-	-	-	-	-	-	-	53,781
Advertising	-	-	-	-	-	-	-	-	-	-	3,353
Other	-	371,143	-	-	67,864	122,207	-	-	-	561,214	454,529
<b>Total expenditures</b>	<b>15,844,826</b>	<b>466,235</b>	<b>-</b>	<b>4,325</b>	<b>5,337,908</b>	<b>1,531,197</b>	<b>148,690</b>	<b>2,077,472</b>	<b>312,547</b>	<b>25,723,200</b>	<b>20,273,179</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	271,140	-	-	(148,690)	(1,985,478)	(182,494)	(2,045,522)	61,489
<b>Other financing sources:</b>											
Operating transfers in	14,980,000	-	-	-	-	-	82,110	57,725	-	15,119,835	164,868
<b>Total other financing sources</b>	<b>14,980,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,110</b>	<b>57,725</b>	<b>-</b>	<b>15,119,835</b>	<b>164,868</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	14,980,000	-	-	271,140	-	-	(66,580)	(1,927,753)	(182,494)	13,074,313	226,357
<b>Fund balances (deficit) at beginning of year</b>	<b>8,857,940</b>	<b>-</b>	<b>-</b>	<b>2,211,809</b>	<b>-</b>	<b>-</b>	<b>(47,907)</b>	<b>2,625,322</b>	<b>1,389,799</b>	<b>15,036,963</b>	<b>16,499,208</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 23,837,940</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,482,949</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (114,487)</b>	<b>\$ 697,569</b>	<b>\$ 1,207,305</b>	<b>\$ 28,111,276</b>	<b>\$ 16,725,565</b>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
INTERNAL SERVICE FUNDS

September 30, 1999

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Internal Service Fund

The internal service fund was established for the purchase of fuel supplies for redistribution to various offices and departments of the government.

Serv-Mart Revolving Fund

The serv-mart revolving fund was established for the purchase of office supplies for redistribution to various offices and departments of the government.

Special Surplus Property Fund

The special surplus property fund was established pursuant to Public Law No. 2-3. The fund enables the CNMI Department of Finance to participate in a State Plan for the acquisition of federal surplus property.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
INTERNAL SERVICE FUNDS

Combining Balance Sheet  
September 30, 1999

(With comparative totals as of September 30, 1998)

	Internal Service Fund	Serv-Mart Revolving Fund	Special Surplus Property Fund	Totals	
				1999	1998
<u>Assets</u>					
Due from other funds	\$ 69,616	\$ -	\$ -	\$ 69,616	\$ 67,386
Inventories	1,543	289,806	-	291,349	327,841
	<u>\$ 71,159</u>	<u>\$ 289,806</u>	<u>\$ -</u>	<u>\$ 360,965</u>	<u>\$ 395,227</u>
 <u>Liabilities and Fund Equity (Deficiency)</u>					
Accounts payable	\$ -	\$ 142,203	\$ -	\$ 142,203	\$ 366,827
Due to other funds	-	347,024	56,433	403,457	287,090
Total liabilities	-	489,227	56,433	545,660	653,917
 Fund equity (deficiency):					
Retained earnings (deficit):					
Unreserved	71,159	(199,421)	(56,433)	(184,695)	(258,690)
Total fund equity (deficiency)	<u>71,159</u>	<u>(199,421)</u>	<u>(56,433)</u>	<u>(184,695)</u>	<u>(258,690)</u>
	<u>\$ 71,159</u>	<u>\$ 289,806</u>	<u>\$ -</u>	<u>\$ 360,965</u>	<u>\$ 395,227</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
INTERNAL SERVICE FUNDS

Combining Statement of Revenues, Expenses  
and Changes in Fund Equity (Deficiency)  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	Internal Service Fund	Serv-Mart Revolving Fund	Special Surplus Property Fund	Totals	
				1999	1998
Operating revenues:					
Charges for sales and services	\$ 2,230	\$ 715,210	\$ 2,610	\$ 720,050	\$ 841,092
Total operating revenues	<u>2,230</u>	<u>715,210</u>	<u>2,610</u>	<u>720,050</u>	<u>841,092</u>
Operating expenses:					
Supplies	-	639,547	-	639,547	678,640
Freight	-	-	-	-	6,516
Other	-	6,508	-	6,508	3,502
Total operating expenses	<u>-</u>	<u>646,055</u>	<u>-</u>	<u>646,055</u>	<u>688,658</u>
Operating income	2,230	69,155	2,610	73,995	152,434
Retained earnings (deficit) at beginning of year	<u>68,929</u>	<u>(268,576)</u>	<u>(59,043)</u>	<u>(258,690)</u>	<u>(411,124)</u>
Retained earnings (deficit) at end of year	<u>\$ 71,159</u>	<u>\$ (199,421)</u>	<u>\$ (56,433)</u>	<u>\$ (184,695)</u>	<u>\$ (258,690)</u>

See Accompanying Independent Auditors' Report.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
INTERNAL SERVICE FUNDS

Combining Statement of Cash Flows  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	Internal Service Fund	Serv-Mart Revolving Fund	Special Surplus Property Fund	Totals	
				1999	1998
Cash flows from operating activities:					
Operating income	\$ 2,230	\$ 69,155	\$ 2,610	\$ 73,995	\$ 152,434
Adjustments to reconcile operating income to net cash provided by operating activities:					
(Increase) decrease in assets:					
Due from other funds	(2,230)	-	-	(2,230)	(62,997)
Inventories	-	36,492	-	36,492	(68,058)
Increase (decrease) in liabilities:					
Accounts payable	-	(213,960)	(10,664)	(224,624)	66,478
Due to other funds	-	108,313	8,054	116,367	(87,857)
Net cash provided by operating activities	-	-	-	-	-
Net increase in cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at beginning of year	-	-	-	-	-
Cash and cash equivalents at end of year	\$ -	\$ -	\$ -	\$ -	\$ -

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
EXPENDABLE TRUST FUNDS

September 30, 1999

Expendable trust funds are used to account for assets held by a government unit in a trustee capacity for individuals, private organizations, or other governmental units, whose resources, including both principal and earnings, may be expended. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Agriculture Revolving Fund

This fund accounts for receipts and disbursements of the Kagman nursery, which is a self supporting operation, making sales to the general public.

Saipan Trust Fund

The Saipan Trust Fund accounts for funds from the United States Government to develop the Saipan Marine and Fishing Complex.

CNMI Workers' Compensation Commission

The CNMI Workers' Compensation Commission (WCC) was created by Public Law No. 6-33 to create a governmental fund for the payment of compensation to workers who are not adequately covered under their employer's insurance policy. The Board of Trustees of the Northern Mariana Islands Retirement Fund administers the WCC.

Northern Mariana Islands (NMI) Government Health and Life Insurance Trust Fund

This fund was created by Public Law No. 10-19 to administer medical and life insurance benefits for CNMI Government employees. The Board of Trustees of the Northern Mariana Islands Retirement Fund administers the fund.

Marianas Garment Manufacturing Fund

This fund accounts for settlement claims on behalf of certain garment workers.

Miscellaneous Expendable Trust Funds

The miscellaneous expendable trust fund combines the following:

- San Antonio Park Fund
- Smiling Cove Operations and Maintenance Fund
- Law Revision Commission Revolving Fund
- CRM Publication Fund
- Tinian Municipal School Fund
- Zoning Board Revolving Fund
- Joeten-Kiyu Library Revolving Fund
- Department of Corrections Revolving Fund
- Animal Health Revolving Fund
- Fish and Game Revolving Fund

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
EXPENDABLE TRUST FUNDS

Combining Balance Sheet  
September 30, 1999  
(With comparative totals as of September 30, 1998)

	Agriculture	Saipan	CNMI	NMI	Marianas	Miscellaneous	Totals	
	Revolving Fund	Trust Fund	Workers' Compensation Commission	Government Health and Life Insurance Trust Fund	Garment Manufacturing Fund	Expendable Trust Funds	1999	1998
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 419,629	\$ -	\$ -	\$ 419,629	\$ -
Time certificates of deposit	-	-	-	513,696	-	-	513,696	1,190,056
Investments	-	647,727	-	-	-	-	647,727	613,163
Receivables, net:								
Other	-	-	45,330	377,059	-	-	422,389	893,117
Due from other funds	76,107	3,980	639,949	-	1,014,341	206,140	1,940,517	779,997
Fixed assets (net of accumulated depreciation)	-	-	17,231	16,320	-	-	33,551	70,109
	<u>\$ 76,107</u>	<u>\$ 651,707</u>	<u>\$ 702,510</u>	<u>\$ 1,326,704</u>	<u>\$ 1,014,341</u>	<u>\$ 206,140</u>	<u>\$ 3,977,509</u>	<u>\$ 3,546,442</u>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable	\$ -	\$ 7,342	\$ 9,434	\$ 346,593	\$ -	\$ 160	\$ 363,529	\$ 804,550
Other liabilities and accruals	-	-	-	980,111	-	-	980,111	1,307,570
Due to other funds	-	-	207,861	-	-	-	207,861	325,885
Total liabilities	-	7,342	217,295	1,326,704	-	160	1,551,501	2,438,005
<b>Fund balances:</b>								
Reserved for:								
Encumbrances	-	-	-	-	-	2,587	2,587	11,638
Unreserved:								
Designated	-	-	485,215	-	-	-	485,215	259,737
Undesignated	76,107	644,365	-	-	1,014,341	203,393	1,938,206	837,062
Total fund balances	76,107	644,365	485,215	-	1,014,341	205,980	2,426,008	1,108,437
	<u>\$ 76,107</u>	<u>\$ 651,707</u>	<u>\$ 702,510</u>	<u>\$ 1,326,704</u>	<u>\$ 1,014,341</u>	<u>\$ 206,140</u>	<u>\$ 3,977,509</u>	<u>\$ 3,546,442</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
EXPENDABLE TRUST FUNDS

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	Agriculture Revolving Fund	Saipan Trust Fund	CNMI Workers' Compensation Commission	NMI Government Health and Life Insurance Trust Fund	Marianas Garment Manufacturing Fund	Miscellaneous Expendable Trust Funds	Totals	
							1999	1998
Revenues:								
Premiums	\$ -	\$ -	\$ 58,253	\$ 5,918,777	\$ -	\$ -	\$ 5,977,030	\$ 5,971,463
Interest	-	13,497	-	56,568	-	2,648	72,713	136,794
Net increase (decrease) in the fair value of investments	-	30,832	-	-	-	-	30,832	(17,186)
Other	1,947	-	46,752	-	-	127,419	176,118	149,630
<b>Total revenues</b>	<b>1,947</b>	<b>44,329</b>	<b>105,005</b>	<b>5,975,345</b>	<b>-</b>	<b>130,067</b>	<b>6,256,693</b>	<b>6,240,701</b>
Expenditures:								
Medical claims	-	-	-	5,574,296	-	-	5,574,296	5,937,298
General-administrative	576	12,049	257,922	401,049	-	85,966	757,562	722,988
<b>Total expenditures</b>	<b>576</b>	<b>12,049</b>	<b>257,922</b>	<b>5,975,345</b>	<b>-</b>	<b>85,966</b>	<b>6,331,858</b>	<b>6,660,286</b>
Excess (deficiency) of revenues over (under) expenditures	1,371	32,280	(152,917)	-	-	44,101	(75,165)	(419,585)
Other financing sources:								
Operating transfers in	-	-	378,395	-	-	-	378,395	594,891
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>378,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>378,395</b>	<b>594,891</b>
Excess of revenues and other financing sources over expenditures	1,371	32,280	225,478	-	-	44,101	303,230	175,306
Fund balances at beginning of year	74,736	612,085	259,737	-	1,014,341	161,879	2,122,778	933,131
Fund balances at end of year	\$ 76,107	\$ 644,365	\$ 485,215	\$ -	\$ 1,014,341	\$ 205,980	\$ 2,426,008	\$ 1,108,437

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
NONEXPENDABLE TRUST FUND

September 30, 1999

Nonexpendable trust funds are used to account for assets held by a governmental unit in a trustee capacity for individuals, private organizations, or other governmental units, the principal of which may not be expended. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Marianas Public Land Trust

The Marianas Public Land Trust (MPLT) was formed on January 9, 1978 concurrently with the establishment of the CNMI. MPLT's operating fund is used to account for all funds received by it from the former Marianas Public Land Corporation (MPLC) for the use of public lands. Such funds are maintained intact and invested. Investment earnings in excess of MPLT's administrative expenses are transferred to the General Fund of the CNMI.

MPLT's American Memorial Park Fund is used to account for the earnings received by it from the investment of the proceeds of a \$2,000,000 lease payment from the U.S. Government. The principal amount of the proceeds is to remain intact, while the earnings thereon are to be used for the development and maintenance of the Park.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
PENSION TRUST FUND

September 30, 1999

Pension trust funds are used to account for a Public Employee Retirement System. Pension trust funds, like nonexpendable trust funds, use the accrual basis of accounting and have a capital maintenance measurement focus. The general purpose financial statements reflect the balances and activity of the pension trust fund of the Government, which is described below.

Northern Mariana Islands Retirement Fund

The Northern Mariana Islands Retirement Fund (the Fund) was established as a public corporation on January 18, 1980, under CNMI Public Law No. 1-43, amended by Public Law Nos. 2-18, 2-47, 3-99 and 4-20, and Constitutional Amendment No. 19 to provide pension benefits to all government civil service employees including those working for government autonomous agencies, CNMI elected officials, and employees of the former Trust Territory of the Pacific Islands, who are U.S. citizens pursuant to the CNMI Constitution. On May 7, 1989, Public Law No. 6-17, the Northern Mariana Islands Retirement Fund Act of 1988, repealed the above mentioned laws and re-established the Fund as an autonomous agency and a public corporation of the CNMI to provide retirement security and other benefits to government employees, their spouses and dependents, former Governors and Lieutenant Governors, and to provide for an actuarially sound, locally funded pension system pursuant to the Agreement of the Special Representative on Future United States Financial Assistance for the Northern Mariana Islands, and in accordance with Constitutional provisions protecting the rights of government employees. Public Law No. 6-17 was later amended by Public Law Nos. 6-41, 8-24, 8-30, 8-31, 8-39, 9-25, 9-45, 10-8, 10-19 and 11-9. The Fund is administered by a seven-member Board of Trustees, appointed by the Governor of the CNMI with the advice and consent of the CNMI Senate.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
AGENCY FUNDS

September 30, 1999

Agency funds are normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Tinian Land Condemnation Fund

As part of the U.S. Military's lease of Tinian, the CNMI Government, the former Marianas Public Land Corporation and the U.S. Government, setup an escrow fund pending the obtaining of all the private land holdings on Tinian within the leased area. Subsequently, the escrow was jointly terminated wherein it was mutually agreed the funds could be used by the CNMI to acquire the private land holdings through direct acquisition or legal condemnation proceedings. This agency fund represents the net amount available after the costs of land acquisitions. Land condemnation proceedings are still in process.

Autonomous Agencies Pass Through

The CNMI received various grants from U.S. Federal agencies that were subgranted to the Commonwealth Utilities Corporation (CUC), Commonwealth Ports Authority (CPA), and Public School System (PSS). Although terms and conditions of the subgrants were never documented, the administration of the grant activities conveys the intention that CUC, CPA and PSS are responsible for these funds. Transactions related to these grant awards are recorded at the CNMI Department of Finance, which receives and disburses funds related to the grant awards. Accordingly, the CNMI has established an agency fund to account for the resources it receives on behalf of CUC, CPA and PSS. The receipt or disbursement of these resources does not affect the operations of the CNMI except for the imposed accounting and reporting requirements. These pass-through resources are reported as revenue and contributed capital and as expenditures or expenses, as appropriate, by CUC, CPA and PSS.

Security Deposit Fund

The security deposit fund was established to account for security deposits received from persons licensed to engage in the business of selling foreign currency notes or receiving money for the purpose of transmitting the same or its equivalent to any country outside the CNMI (pursuant to 1 CMC 2, Section 2454 and 4 CMC 6, Sections 6351 and 6108) and for security deposits received from alien insurers (pursuant to CNMI Public Law No. 3-107).

Rebate Trust Fund

The Rebate Trust Fund was established to account for at least 95% of amounts paid to the CNMI with respect to taxes. Amounts may be withdrawn from the trust fund only for the purpose of making rebates, payments into the general fund (but only after a final determination that the amount in question is not validly subject to rebate), or payments into the general fund of interest derived from the trust accounts.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
AGENCY FUNDS

Combining Balance Sheet  
September 30, 1999  
(With comparative totals as of September 30, 1998)

	Tinian Land Condemnation Fund	Autonomous Agencies Pass Through	Security Deposit Fund	Rebate Trust Fund	Totals	
					1999	1998
<u>Assets</u>						
Receivables, net:						
Federal agencies	\$ -	\$ 888,802	\$ -	\$ -	\$ 888,802	\$ 888,802
Due from other funds	1,271,126	-	-	32,984,735	34,255,861	41,561,179
Restricted assets:						
Time certificates of deposit	-	-	4,132,147	-	4,132,147	2,198,358
	<u>\$ 1,271,126</u>	<u>\$ 888,802</u>	<u>\$ 4,132,147</u>	<u>\$ 32,984,735</u>	<u>\$ 39,276,810</u>	<u>\$ 44,648,339</u>
<u>Liabilities</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,935,122
Claims payable	1,271,126	-	-	-	1,271,126	1,234,610
Tax rebates payable	-	-	-	32,984,735	32,984,735	38,391,447
Deposits payable	-	-	4,132,147	-	4,132,147	2,198,358
Due to other funds	-	888,802	-	-	888,802	888,802
	<u>\$ 1,271,126</u>	<u>\$ 888,802</u>	<u>\$ 4,132,147</u>	<u>\$ 32,984,735</u>	<u>\$ 39,276,810</u>	<u>\$ 44,648,339</u>

See Accompanying Independent Auditors' Report.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
GENERAL LONG-TERM DEBT ACCOUNT GROUP

September 30, 1999

The General Long-Term Debt Account Group is a self-balancing group of accounts established to account for the unmatured general long-term debt of a government. It is also used to report that portion of the liabilities for claims, judgments, compensated absences and unfunded pension contributions of governmental funds and expendable trust funds not expected to be liquidated through the use of expendable available financial resources. The general purpose financial statements reflect the balance of the CNMI's liability for bonds payable, loans payable, accrued annual leave and deferred revenue as of September 30, 1999.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
GENERAL FIXED ASSETS ACCOUNT GROUP

September 30, 1999

The General Fixed Assets Account Group is a self-balancing group of accounts established to account for fixed assets of a government not accounted for through specific proprietary funds or trust funds.

The CNMI does not maintain continuing records of its property, plant and equipment used in governmental fund type operations (general fixed assets), including roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems. However, in fiscal year 1991, the CNMI began to maintain such continuing records. Accordingly, the General Fixed Assets Account Group presented consists of fixed assets recorded as additions commencing fiscal year 1991 for all governmental fund types.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
COMPONENT UNITS - GOVERNMENTAL FUNDS

September 30, 1999

Component units - governmental funds are legally separate organizations for which the elected officials of the CNMI are financially accountable. Governmental funds are used to account for a government's general activities, including the collection and disbursement of specific revenue sources that are legally restricted to expenditure for specified purposes. Revenues and expenditures are recognized on a modified accrual basis, and the measurement focus is on the flow of current financial resources rather than the measurement of net profit.

Marianas Visitors Authority

The Marianas Visitors Bureau was established pursuant to Public Law No. 4-145, now the Marianas Visitors Authority (MVA), as a legal entity for the promotion and development of the tourism industry in the CNMI. Executive Order 94-3 allocated MVA to the CNMI Department of Commerce for purposes of administration and coordination. MVA is governed by a fourteen member Board of Directors, nine of which are appointed by the Governor of the CNMI with the remaining five members coming from specified industry groups within the CNMI.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
COMPONENT UNITS - PROPRIETARY FUNDS

September 30, 1999

Component units - proprietary funds are legally separate organizations for which the elected officials of the CNMI are financially accountable. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business and quasi-business activities - where net income and capital maintenance are measured - are accounted for through proprietary funds. The generally accepted accounting principles here are generally those applicable to similar businesses in the private sector; the measurement focus is on determination of net income, financial position and cash flows.

Commonwealth Ports Authority

The Commonwealth Ports Authority (CPA) was established as a public corporation by CNMI Public Law No. 2-48, effective November 8, 1981. CPA was given responsibility for the operations, maintenance and improvement of all airports and seaports within the CNMI. The islands of Saipan, Tinian and Rota currently have airports and seaports. CPA is governed by a seven-member Board of Directors appointed by the Governor of the CNMI for terms of four years.

Public Law No. 2-48 effected the transfer to CPA of all assets, liabilities and operations of the former Mariana Islands Airport Authority, as well as the identifiable assets, liabilities, operations and unexpended capital improvement funding allocations of the existing seaports, formerly administered directly by the CNMI government, Department of Public Works, Port Control Division.

Commonwealth Development Authority

The Commonwealth Development Authority (CDA) was created as an autonomous public agency of the CNMI pursuant to Public Law No. 4-49 as amended by Public Law Nos. 4-63 and 5-27. CDA's existence is to be perpetual and it shall have all the rights and privileges of a corporation. The purpose of CDA is to stimulate the economic development of the CNMI.

The functions of CDA are carried out through a Development Banking Division (government and public sector activities), a Development Corporation Division (private sector activities), and a discretely presented component unit, the Northern Marianas Housing Corporation (NMHC), formerly the Mariana Islands Housing Authority (MIHA), established under Public Law No. 5-37 to assist in the development and administration of low cost residential housing in the Northern Mariana Islands. In 1977, Public Law No. 5-37 was succeeded by Public Law No. 5-67, which empowered MIHA to provide low cost residential housing and employment through the construction, maintenance, and repair of such housing. On October 20, 1994, Executive Order 94-3 became effective which abolished MIHA and all of its functions, assets and liabilities were transferred to CDA. CDA established a subsidiary corporation (i.e., NMHC) to account for the operations, assets and liabilities of MIHA. NMHC is governed by a five-member Board of Directors appointed by the Board of Directors of CDA. The purpose and functions for the two divisions and NMHC are as follows:

Development Banking Division:

- To receive and hold United States economic assistance for economic development loans provided under Section 702(c) of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (the Covenant);

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
COMPONENT UNITS - PROPRIETARY FUNDS

September 30, 1999

Commonwealth Development Authority, Continued

- . To aid in the financing of capital improvement projects and other projects under taken by the CNMI and its autonomous public agencies;
- . To achieve the greatest possible return, in terms of economic development, on the funds made available to the CNMI by the United States in accordance with the Covenant; and on such other funds as may be made available to CDA as capital contributions;
- . To disseminate modern practices and techniques of financing, management and business administration in order to raise the levels of efficiency and productivity in all sectors;
- . To serve as the Northern Marianas development bank identified in Article IX, Section 6(c) of the Constitution.

Development Corporation Division:

- . To identify, formulate, initiate, stimulate and facilitate business and commercial enterprises, with special emphasis on agricultural and marine resources, manufacturing and processing activities, import substitution, export development and responsible use of indigenous raw materials;
- . To identify, formulate, initiate, stimulate and facilitate business and commercial enterprises where a service necessary and vital to economic development is required, or where profit incentives are not sufficient to attract private sector investors; and
- . To serve as the economic development loan fund agency for qualified private sector enterprises.

Northern Marianas Housing Corporation:

- . Direct loans to qualified individuals for housing construction.
- . Participation as a guarantor or trustee in housing loan programs.
- . Development and construction of rental housing.
- . Construction and/or administration of various other Federal and local residential housing projects.
- . Participate in projects subsidized by the U.S. Department of Housing and Urban Development (HUD) under Section 8, Title II of the Housing and Community Development Act of 1974. Upon completion of the projects, the residential units are rented to qualifying families and individuals.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
COMPONENT UNITS - PROPRIETARY FUNDS

September 30, 1999

Commonwealth Utilities Corporation

The Commonwealth Utilities Corporation (CUC) was established as a Public Corporation by CNMI Public Law No. 4-47, as amended by Public Law No. 5-47, effective October 1, 1985, and began operations on October 1, 1987. CUC was given responsibility for supervising the construction, maintenance operations, and regulation of all utility services, including power, sewage, refuse collection, telephone, cable television, and water, provided however, that whenever feasible, CUC shall contract for private businesses to assume its duties with respect to one or more of these divisions. CUC was also designated the responsibility to establish rates, meter, bill and collect fees in a fair and rational manner from all customers of utility services in order for CUC to become financially independent of appropriations by the CNMI Legislature. CUC is governed by a nine-member Board of Directors, appointed for terms of four years by the Governor of the CNMI.

Public Law No. 4-47 effected transfer to CUC of identifiable assets, liabilities, operations, and unexpended capital improvement funding allocations formerly administered directly by the CNMI Department of Public Works.

See Accompanying Independent Auditors' Report.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
COMPONENT UNITS - PROPRIETARY FUNDS**

**Combining Balance Sheet  
September 30, 1999  
(With comparative totals as of September 30, 1998)**

	Commonwealth Ports Authority		Commonwealth Development Authority			Commonwealth Utilities Corporation	Totals	
	Airport Division	Seaport Division	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation		1999	1998
<b>Assets</b>								
Cash and cash equivalents	\$ 2,836,536	\$ 3,573,852	\$ -	\$ 712,358	\$ -	\$ 14,490,540	\$ 21,613,286	\$ 13,964,681
Time certificates of deposit	-	-	-	6,324,584	-	-	6,324,584	8,882,146
Investments	786,314	625,476	-	-	-	-	1,411,790	1,266,471
Receivables, net:								
Federal agencies	973,637	-	-	-	133,337	790,826	1,897,800	2,246,697
General	1,400,172	628,121	-	-	224,954	-	2,253,247	1,615,726
Utilities	-	-	-	-	-	6,677,719	6,677,719	10,068,353
Loans	-	-	11,367,671	21,589,032	11,681,968	-	44,638,671	40,595,529
Interest	-	-	141,898	1,830,622	162,662	-	2,135,182	264,203
Other	24,692	2,249	-	-	-	1,173,438	1,200,379	1,571,275
Due from primary government	-	-	-	-	-	9,938,715	9,938,715	-
Due from other funds	71,758	-	4,526,833	9,459,066	-	-	14,057,657	13,753,337
Inventories	-	-	-	-	-	9,387,283	9,387,283	6,797,954
Prepaid items	-	-	-	28,196	800	-	28,996	106,951
Deferred bond issue costs	697,079	938,630	-	-	-	-	1,635,709	1,475,122
Restricted assets:								
Cash and cash equivalents	-	-	2,700,049	-	1,472,805	-	4,172,854	7,091,604
Time certificates of deposit	-	-	6,236,761	-	-	-	6,236,761	10,458,829
Investments	9,675,841	4,378,525	10,111,954	-	-	-	24,166,320	31,221,374
Fixed assets (net of accumulated depreciation)	74,152,566	58,147,905	-	623,757	8,878,041	117,276,295	259,078,564	247,971,991
Other assets	-	-	-	95,722	70,920	-	166,642	428,734
	<u>\$ 90,618,595</u>	<u>\$ 68,294,758</u>	<u>\$ 35,085,166</u>	<u>\$ 40,663,337</u>	<u>\$ 22,625,487</u>	<u>\$ 159,734,816</u>	<u>\$ 417,022,159</u>	<u>\$ 399,780,977</u>
<b>Liabilities and Fund Equity</b>								
Liabilities:								
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ 371,891	\$ -	\$ 371,891	\$ -
Accounts payable	487,973	39,311	-	245,778	258,671	9,633,116	10,664,849	8,491,645
Contracts payable	1,613,797	37,715	-	-	-	-	1,651,512	3,533,298
Other liabilities and accruals	972,979	91,474	-	-	-	1,726,115	2,790,568	2,887,364
Deposits payable	-	-	-	-	-	7,120,347	7,120,347	6,953,685
Due to other funds	-	71,758	9,459,066	-	4,526,833	-	14,057,657	13,753,337
Deferred revenue	150,297	-	2,387,118	-	-	-	2,537,415	5,252,702
Notes payable	-	11,367,671	-	-	6,582,907	71,308,751	89,259,329	79,505,320
Loan payable	-	-	-	-	-	397,633	397,633	430,076
Bonds payable	19,385,584	32,057,758	-	-	-	-	51,443,342	52,000,681
Interest payable	-	-	-	-	-	46,438,253	46,438,253	39,779,544
Total liabilities	<u>22,610,630</u>	<u>43,665,687</u>	<u>11,846,184</u>	<u>245,778</u>	<u>11,740,302</u>	<u>136,624,215</u>	<u>226,732,796</u>	<u>212,587,652</u>
Fund equity:								
Contributed capital	38,486,541	10,649,931	75,068,750	26,100,426	7,561,465	55,164,263	213,031,376	208,987,229
Retained earnings (deficit)	29,521,424	13,979,140	(51,829,768)	14,317,133	3,323,720	(32,053,662)	(22,742,013)	(21,793,904)
Total fund equity	<u>68,007,965</u>	<u>24,629,071</u>	<u>23,238,982</u>	<u>40,417,559</u>	<u>10,885,185</u>	<u>23,110,601</u>	<u>190,289,363</u>	<u>187,193,325</u>
	<u>\$ 90,618,595</u>	<u>\$ 68,294,758</u>	<u>\$ 35,085,166</u>	<u>\$ 40,663,337</u>	<u>\$ 22,625,487</u>	<u>\$ 159,734,816</u>	<u>\$ 417,022,159</u>	<u>\$ 399,780,977</u>

See Accompanying Independent Auditors' Report.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
COMPONENT UNITS - PROPRIETARY FUNDS**

**Combined Statement of Revenues, Expenses  
and Changes in Fund Equity  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)**

	Commonwealth Ports Authority		Commonwealth Development Authority				Totals	
	Airport Division	Seaport Division	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Commonwealth Utilities Corporation	1999	1998
<b>Operating revenues:</b>								
Utility charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,726,468	\$ 63,726,468	\$ 62,149,208
Port fees	5,346,459	3,540,142	-	-	-	-	8,886,601	9,256,075
Concession and lease income	4,118,268	622,027	-	-	2,058,017	-	6,798,312	6,926,350
Interest and fees on loans	-	-	652,472	2,835,639	750,142	-	4,238,253	4,430,682
Net increase in the fair value of investments	-	-	452,446	-	-	-	452,446	208,326
Other	690,448	211,472	-	-	408,430	1,059,887	2,370,237	2,136,133
<b>Total operating revenues</b>	<b>10,155,175</b>	<b>4,373,641</b>	<b>1,104,918</b>	<b>2,835,639</b>	<b>3,216,589</b>	<b>64,786,355</b>	<b>86,472,317</b>	<b>85,106,774</b>
<b>Operating expenses:</b>								
General and administrative	6,828,172	699,630	-	816,044	755,909	17,557,100	26,656,855	27,465,055
Production fuel	-	-	-	-	-	17,452,854	17,452,854	19,714,437
Depreciation and amortization	5,297,529	1,734,557	-	80,917	443,035	6,746,939	14,302,977	14,404,826
Repairs and maintenance	103,121	47,968	-	-	271,606	9,245,029	9,667,724	6,820,851
Bad debts	80,248	294,768	-	2,584,734	178,044	321,062	3,458,856	1,579,919
Other production	-	-	-	-	-	2,967,842	2,967,842	2,535,395
Supplies	322,191	11,033	-	-	-	763,029	1,096,253	1,219,416
Professional fees	297,907	75,997	-	130,314	576,817	-	1,081,035	578,561
Rent	-	-	-	141,297	669,735	-	811,032	710,815
Insurance	446,738	-	-	-	-	-	446,738	602,965
Utilities	285,371	51,530	-	-	-	-	336,901	418,629
Travel	112,989	17,271	-	24,675	47,798	-	202,733	382,249
Printing and advertising	39,265	18,314	-	-	-	-	57,579	78,213
Other	416,147	128,995	286,113	36,986	450,761	136,138	1,455,140	1,556,143
<b>Total operating expenses</b>	<b>14,229,678</b>	<b>3,080,063</b>	<b>286,113</b>	<b>3,814,967</b>	<b>3,393,705</b>	<b>55,189,993</b>	<b>79,994,519</b>	<b>78,067,474</b>
<b>Operating income (loss)</b>	<b>(4,074,503)</b>	<b>1,293,578</b>	<b>818,805</b>	<b>(979,328)</b>	<b>(177,116)</b>	<b>9,596,362</b>	<b>6,477,798</b>	<b>7,039,300</b>
<b>Nonoperating revenues (expenses):</b>								
Interest income	573,648	371,056	377,775	396,887	133,910	633,082	2,486,358	3,070,561
Foreign exchange gain	-	-	-	-	-	97	97	157,754
Other contributions	-	-	-	-	-	-	-	1,000,000
Recovery of doubtful accounts	-	-	-	-	-	-	-	64,383
Damages to contractor	-	-	-	-	-	-	-	(220,500)
Amortization of bond issue cost	(24,459)	(32,934)	-	-	-	-	(57,393)	(49,975)
Interest expense	(854,111)	(2,219,113)	-	-	(410,602)	(7,800,229)	(11,284,055)	(9,012,659)
Other, net	(132,947)	-	-	-	-	(611,895)	(744,842)	1,007,948
<b>Total nonoperating revenues (expenses), net</b>	<b>(437,869)</b>	<b>(1,880,991)</b>	<b>377,775</b>	<b>396,887</b>	<b>(276,692)</b>	<b>(7,778,945)</b>	<b>(9,599,835)</b>	<b>(3,982,488)</b>
<b>Net income (loss)</b>	<b>(4,512,372)</b>	<b>(587,413)</b>	<b>1,196,580</b>	<b>(582,441)</b>	<b>(453,808)</b>	<b>1,817,417</b>	<b>(3,122,037)</b>	<b>3,056,812</b>
<b>Add depreciation on fixed assets acquired by grants and contributions externally restricted for capital acquisition and construction that reduces contributed capital</b>	<b>2,414,379</b>	<b>523,801</b>	<b>-</b>	<b>-</b>	<b>129,154</b>	<b>1,294,081</b>	<b>4,361,415</b>	<b>4,989,797</b>
<b>Increase (decrease) in retained earnings (deficit)</b>	<b>(2,097,993)</b>	<b>(63,612)</b>	<b>1,196,580</b>	<b>(582,441)</b>	<b>(324,654)</b>	<b>3,111,498</b>	<b>1,239,378</b>	<b>8,046,609</b>
<b>Retained earnings (deficit) at beginning of year</b>	<b>31,619,417</b>	<b>14,042,752</b>	<b>(53,026,348)</b>	<b>14,899,574</b>	<b>3,648,374</b>	<b>(35,165,160)</b>	<b>(23,981,391)</b>	<b>(29,840,513)</b>
<b>Retained earnings (deficit) at end of year</b>	<b>29,521,424</b>	<b>13,979,140</b>	<b>(51,829,768)</b>	<b>14,317,133</b>	<b>3,323,720</b>	<b>(32,053,662)</b>	<b>(22,742,013)</b>	<b>(21,793,904)</b>
<b>Contributed capital at beginning of year</b>	<b>36,893,468</b>	<b>11,173,732</b>	<b>75,068,750</b>	<b>26,100,426</b>	<b>7,597,860</b>	<b>52,152,993</b>	<b>208,987,229</b>	<b>201,938,566</b>
<b>Additions</b>	<b>4,007,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,759</b>	<b>4,305,351</b>	<b>8,405,562</b>	<b>12,038,460</b>
<b>Reductions</b>	<b>(2,414,379)</b>	<b>(523,801)</b>	<b>-</b>	<b>-</b>	<b>(129,154)</b>	<b>(1,294,081)</b>	<b>(4,361,415)</b>	<b>(4,989,797)</b>
<b>Contributed capital at end of year</b>	<b>38,486,541</b>	<b>10,649,931</b>	<b>75,068,750</b>	<b>26,100,426</b>	<b>7,561,465</b>	<b>55,164,263</b>	<b>213,031,376</b>	<b>208,987,229</b>
<b>Total fund equity at end of year</b>	<b>\$ 68,007,965</b>	<b>\$ 24,629,071</b>	<b>\$ 23,238,982</b>	<b>\$ 40,417,559</b>	<b>\$ 10,885,185</b>	<b>\$ 23,110,601</b>	<b>\$ 190,289,363</b>	<b>\$ 187,193,325</b>

See Accompanying Independent Auditors' Report.



**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
COMPONENT UNITS - PROPRIETARY FUNDS**

**Combining Statement of Cash Flows  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)**

	Commonwealth Ports Authority		Commonwealth Development Authority			Commonwealth Utilities Corporation	Totals	
	Airport Division	Seaport Division	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation		1999	1998
Cash flows from operating activities:								
Operating income (loss)	\$ (4,074,503)	\$ 1,293,578	\$ 818,805	\$ (979,328)	\$ (177,116)	\$ 9,596,362	\$ 6,477,798	\$ 7,039,300
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation and amortization	5,297,529	1,734,557	-	80,917	443,035	6,746,939	14,302,977	14,404,826
Net increase in the fair value of investments	-	-	(452,446)	-	-	-	(452,446)	(208,326)
Bad debts	80,248	294,768	-	2,584,734	178,044	321,062	3,458,856	1,579,919
(Increase) decrease in assets:								
Utilities receivable	-	-	-	-	-	(6,871,328)	(6,871,328)	(3,173,714)
General receivables	(307,134)	(690,790)	-	-	(166,305)	372,950	(791,279)	1,008,966
Interest and dividends receivable	-	-	42,477	(1,830,622)	(82,834)	-	(1,870,979)	35,120
Prepaid items	500	-	-	4,744	72,711	-	77,955	(49,811)
Inventories	-	-	-	-	-	(2,589,329)	(2,589,329)	94,823
Other assets	-	-	81,693	251,319	(70,920)	-	262,092	(296,064)
Increase (decrease) in liabilities:								
Accounts payable	49,259	6,978	(1,663)	203,724	(243,913)	2,359,747	2,374,132	(2,111,213)
Deferred revenue	(20,282)	-	-	-	-	-	(20,282)	13,476
Security deposits	-	-	-	-	-	198,426	198,426	576,951
Other liabilities and accruals	(96,154)	2,280	-	-	-	187,440	93,566	(49,676)
Net cash provided by (used for) operating activities	<u>929,463</u>	<u>2,641,371</u>	<u>488,866</u>	<u>315,488</u>	<u>(47,298)</u>	<u>10,322,269</u>	<u>14,650,159</u>	<u>18,864,577</u>
Cash flows from noncapital financing activities:								
Increase in bank overdraft	-	-	-	-	371,891	-	371,891	-
Other income (expense), net	-	-	-	-	-	(2,530)	(2,530)	1,776,234
Net proceeds of line of credit	-	-	-	-	151,886	-	151,886	269,125
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>523,777</u>	<u>(2,530)</u>	<u>521,247</u>	<u>2,045,359</u>
Cash flows from capital and related financing activities:								
Receipts from grantor agencies	3,776,958	-	-	-	-	-	3,776,958	973,952
Grant disbursements to subrecipients	-	-	(2,695,005)	-	-	-	(2,695,005)	(2,227,026)
Acquisition of fixed assets	(6,595,921)	(4,067,995)	-	(626,415)	(56,346)	(17,390,584)	(28,737,261)	(25,663,343)
Net interdivisional transactions	-	-	734,355	(577,174)	(157,181)	-	-	-
Contributed capital	-	-	-	-	92,759	4,305,351	4,398,110	12,038,460
Net disbursements of loans	-	-	-	(1,779,703)	(5,810,676)	-	(7,590,379)	(2,879,166)
Receipts from notes payable	-	-	-	-	3,660,148	9,959,000	13,619,148	5,000,000
Recovery on doubtful accounts	-	-	-	-	-	-	-	64,383
Principal paid on notes payable	-	(802,945)	-	-	-	(3,246,426)	(4,049,371)	(8,942,560)
Principal paid on revenue bonds	(182,204)	(375,135)	-	-	-	-	(557,339)	(31,884,999)
Receipts from bond issue, net	-	-	-	-	-	-	-	50,796,506
Additional bond issue costs	(111,923)	(106,057)	-	-	-	-	(217,980)	-
Payments received from capital development loans	-	-	802,945	-	-	-	802,945	801,089
Net disbursements for capital grants	-	-	-	-	-	(319,691)	(319,691)	(1,210,260)
(Increase) decrease in restricted assets	-	-	-	-	-	3,567,991	3,567,991	(3,567,991)
Contributions to other agencies	-	-	-	-	-	-	-	(203,541)
Interest paid on borrowings	(1,343,961)	(2,470,825)	-	-	(410,602)	(1,141,520)	(5,366,908)	(5,788,363)
Net cash used for capital and related financing activities	<u>(4,457,051)</u>	<u>(7,822,957)</u>	<u>(1,157,705)</u>	<u>(2,983,292)</u>	<u>(2,681,898)</u>	<u>(4,265,879)</u>	<u>(23,368,782)</u>	<u>(13,192,859)</u>
Cash flows from investing activities:								
Proceeds from sale and maturities of investment securities	-	-	-	-	1,614,872	-	1,614,872	10,351,273
Net investment disposals (acquisitions)	3,722,804	5,406,268	291,064	2,457,562	-	-	11,877,698	(22,305,456)
Interest on investments	573,648	371,056	-	-	-	633,082	1,577,786	3,070,561
Other income (expense), net	(132,947)	-	377,775	396,887	133,910	-	775,625	-
Net cash provided by (used for) investing activities	<u>4,163,505</u>	<u>5,777,324</u>	<u>668,839</u>	<u>2,854,449</u>	<u>1,748,782</u>	<u>633,082</u>	<u>15,845,981</u>	<u>(8,883,622)</u>
Net increase (decrease) in cash and cash equivalents	635,917	595,738	-	186,645	(456,637)	6,686,942	7,648,605	(1,166,545)
Cash and cash equivalents at beginning of year	2,200,619	2,978,114	-	525,713	456,637	7,803,598	13,964,681	15,131,226
Cash and cash equivalents at end of year	<u>\$ 2,836,536</u>	<u>\$ 3,573,852</u>	<u>\$ -</u>	<u>\$ 712,358</u>	<u>\$ -</u>	<u>\$ 14,490,540</u>	<u>\$ 21,613,286</u>	<u>\$ 13,964,681</u>

See Accompanying Independent Auditors' Report.