

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

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

YEAR ENDED SEPTEMBER 30, 2000

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

GENERAL PURPOSE FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2000

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2000

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2000

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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, 2000, 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 48% and 97%, respectively, of the assets and revenues of the Fiduciary Fund Type - Expendable Trust Fund. 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 Fund, 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 Commonwealth Utilities Corporation, a Component Unit - Proprietary Fund, the Northern Marianas College, a University and College Fund Type - 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 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.

Because of inadequacies in the accounting records, we were unable to determine that fixed assets and fund equity of the General Fixed Assets Account Group were fairly stated as of September 30, 2000.

Because of inadequacies in the accounting records, we were unable to determine that receivables from federal agencies, advances, bank overdraft, other liabilities and accruals, 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, 2000. 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, 2000.

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 propriety of fixed assets and fund equity of the General Fixed Assets Account Group, been determinable; 2) the propriety of receivables from federal agencies, advances, bank overdraft, other liabilities and accruals, 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 and fifth paragraphs above, and the omission of the Commonwealth Utilities Corporation, the Northern Marianas College, the Public School System, and the Commonwealth Government Employees' Credit Union, as 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, 2000, 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 conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund statements, listed in Section III of the foregoing table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the CNMI. These statements are also the responsibility of the management of the CNMI. Such additional information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, except for the effects of the matters described in the fifth paragraph above, and the omissions discussed in the third paragraph above, in our opinion, is fairly stated in all material respects 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 June 5, 2001, on our consideration of the CNMI's (Primary Government only) internal control over financial reporting and on 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

June 5, 2001



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combined Balance Sheet - All Fund Types, Account Groups
and Discretely Presented Component Units
September 30, 2000
(With comparative totals as of September 30, 1999)

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	2000	1999
\$ 9,124,541	\$ -	\$ -	\$ -	\$ 60,651,279	\$ 720,340	\$ 6,473,239	\$ 67,844,858	\$ 84,638,601
-	-	-	-	207,579	-	5,255,469	5,463,048	9,705,551
398,122,214	-	-	-	469,357,363	-	1,863,606	471,220,969	399,025,240
12,466,555	-	-	-	12,466,555	-	44,774,954	57,241,509	57,451,242
-	888,713	-	-	14,734,899	-	824,712	15,559,611	20,029,567
-	-	-	-	5,230,631	-	-	5,230,631	5,378,069
7,393,726	-	-	-	13,496,679	-	-	13,496,679	12,176,996
-	-	-	-	14,417,134	-	-	14,417,134	13,745,590
-	-	-	-	-	-	-	-	6,677,719
979,067	-	-	-	3,971,529	-	2,622,174	6,593,703	6,993,356
1,173,103	-	-	-	1,717,903	-	1,793,788	3,511,691	4,175,405
-	-	-	-	383,574	-	-	383,574	843,811
1,394,783	-	-	-	2,708,814	52,278	16,926,155	19,687,247	2,439,322
-	-	-	-	-	1,069,328	-	1,069,328	11,909,655
21,966,760	24,814,439	-	-	88,245,653	-	-	88,245,653	108,729,067
-	-	-	-	8,670,065	-	-	8,670,065	6,910,325
-	-	-	-	2,978,539	-	-	2,978,539	13,164,711
1,125	-	-	-	1,125	13,904	8,323	23,352	33,029
-	-	-	-	-	-	1,654,981	1,654,981	1,635,709
-	-	-	-	-	-	3,186,061	3,186,061	4,172,854
-	-	-	-	669,921	87,411	7,890,781	8,648,113	6,324,172
-	-	-	-	-	-	22,521,193	22,521,193	24,166,320
-	4,394,316	-	-	4,394,316	-	-	4,394,316	4,132,147
-	-	-	-	-	-	137,335	137,335	166,642
4,374,153	-	10,726,862	-	15,169,100	-	137,081,451	152,250,551	337,015,577
-	-	-	4,378,298	4,378,298	-	543,000	543,000	-
-	-	-	-	-	-	-	4,378,298	3,126,217
-	-	-	40,972,004	40,972,004	-	-	40,972,004	31,972,939
<u>\$ 456,996,027</u>	<u>\$ 30,097,468</u>	<u>\$ 10,726,862</u>	<u>\$ 45,350,302</u>	<u>\$ 764,822,960</u>	<u>\$ 1,943,261</u>	<u>\$ 253,557,222</u>	<u>\$ 1,020,323,443</u>	<u>\$ 1,176,739,833</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,783,299	\$ -	\$ 5,304	\$ 3,788,603	\$ 14,978,653
109,918	282,500	-	-	12,233,982	647,264	1,285,551	14,166,797	24,195,365
-	1,308,858	-	2,219,550	3,528,408	-	-	3,528,408	1,271,126
-	-	-	-	-	-	1,309,236	1,309,236	1,651,512
-	23,223,081	-	-	23,223,081	-	-	23,223,081	32,984,735
-	4,394,316	-	-	4,394,316	-	-	4,394,316	12,707,013
84,332	-	-	8,558,957	20,843,756	342,329	15,392,850	36,578,935	19,289,674
-	-	-	-	16,486,210	-	-	16,486,210	16,042,965
2,658,050	888,713	-	-	113,269,038	-	-	113,269,038	124,561,670
-	-	-	-	-	-	19,267,062	19,267,062	89,259,329
-	-	-	20,641,795	20,641,795	-	-	20,641,795	13,210,204
-	-	-	13,930,000	13,930,000	-	50,845,748	64,775,748	67,128,342
-	-	-	-	-	-	-	-	46,438,253
624,403	-	-	-	2,369,382	-	47,835	2,417,217	5,150,040
<u>3,476,703</u>	<u>30,097,468</u>	<u>-</u>	<u>45,350,302</u>	<u>234,703,267</u>	<u>989,593</u>	<u>88,153,586</u>	<u>323,846,446</u>	<u>468,868,881</u>
-	-	10,726,862	-	10,726,862	-	156,383,454	156,383,454	213,031,376
-	-	-	-	(296,980)	-	9,020,182	8,723,202	(22,926,708)
-	-	-	-	2,816,375	-	-	2,816,375	3,235,005
-	-	-	-	12,911,150	87,411	-	12,998,561	13,914,387
-	-	-	-	4,378,298	-	-	4,378,298	3,126,217
-	-	-	-	52,036,823	782,498	-	52,819,321	35,952,132
-	-	-	-	7,381,612	-	-	7,381,612	7,177,574
-	-	-	-	52,488,045	-	-	52,488,045	51,016,138
453,519,324	-	-	-	453,519,324	-	-	453,519,324	385,376,003
-	-	-	-	11,712,383	-	-	11,712,383	-
-	-	-	-	3,531,795	-	-	3,531,795	3,013,663
-	-	-	-	669,779	-	-	669,779	485,215
-	-	-	-	(81,755,773)	83,759	-	(81,672,014)	(58,866,250)
<u>453,519,324</u>	<u>-</u>	<u>10,726,862</u>	<u>-</u>	<u>530,119,693</u>	<u>953,668</u>	<u>165,403,636</u>	<u>696,476,997</u>	<u>707,870,952</u>
<u>\$ 456,996,027</u>	<u>\$ 30,097,468</u>	<u>\$ 10,726,862</u>	<u>\$ 45,350,302</u>	<u>\$ 764,822,960</u>	<u>\$ 1,943,261</u>	<u>\$ 253,557,222</u>	<u>\$ 1,020,323,443</u>	<u>\$ 1,176,739,833</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, 2000
 (With comparative totals for the year ended September 30, 1999)

	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	2000	1999
Revenues:									
Taxes	\$ 184,995,673	\$ -	\$ -	\$ -	\$ -	\$ 184,995,673	\$ -	\$ 184,995,673	\$ 187,884,906
Federal contributions	-	28,461,326	-	22,076,036	-	50,537,362	-	50,537,362	42,753,605
Charges for sales and services	13,047,229	-	-	-	-	13,047,229	-	13,047,229	12,210,169
Licenses and fees	11,778,286	-	-	-	-	11,778,286	49,580	11,827,866	11,155,198
Premiums	-	-	-	-	7,346,452	7,346,452	-	7,346,452	5,977,030
Division of Public Lands	3,415,983	-	-	-	-	3,415,983	-	3,415,983	6,413,370
Other contributions	-	452,699	-	991,367	-	1,444,066	123,145	1,567,211	2,249,832
Net increase in the fair value of investments	392,196	-	-	-	14,817	407,013	-	407,013	246,636
Other	2,195,403	10,314,305	66,862	-	321,941	12,898,511	243,349	13,141,860	12,643,263
Total revenues	215,824,770	39,228,330	66,862	23,067,403	7,683,210	285,870,575	416,074	286,286,649	281,534,009
Expenditures:									
Offices and departments	123,820,576	24,244,889	-	-	-	148,065,465	-	148,065,465	142,828,157
Capital projects	-	-	-	29,181,771	-	29,181,771	-	29,181,771	25,723,200
Independent programs	14,062,195	-	-	-	-	14,062,195	-	14,062,195	11,991,580
Elected offices	13,145,649	-	-	-	-	13,145,649	-	13,145,649	12,830,860
Legislative branch	7,474,380	-	-	-	-	7,474,380	-	7,474,380	7,101,054
Judicial branch	4,620,600	-	-	-	-	4,620,600	-	4,620,600	4,583,262
Principal repayment	-	433,145	1,755,000	-	-	2,188,145	-	2,188,145	674,499
Interest	-	981,305	604,259	-	-	1,585,564	-	1,585,564	991,431
Boards and commissions	832,836	-	-	-	-	832,836	-	832,836	803,392
Other	-	10,315,072	36,361	-	7,727,661	18,079,094	7,792,824	25,871,918	21,473,747
Total expenditures	163,956,236	35,974,411	2,395,620	29,181,771	7,727,661	239,235,699	7,792,824	247,028,523	229,000,982
Excess (deficiency) of revenues over (under) expenditures	51,868,534	3,253,919	(2,328,758)	(6,114,368)	(44,451)	46,634,876	(7,376,750)	39,258,126	52,533,027
Other financing sources (uses):									
Operating transfers in (note 14)	13,002,700	3,443,823	2,000,000	6,052,239	378,395	24,877,157	5,975,115	30,852,272	32,686,634
Operating transfers out (note 14)	(58,084,318)	(5,845,675)	-	(7,961,516)	-	(71,891,509)	-	(71,891,509)	(79,255,059)
Proceeds from issuance of debt (note 10)	-	-	-	8,175,240	-	8,175,240	-	8,175,240	-
Bond proceeds	-	-	-	-	-	-	-	-	14,980,000
Total other financing sources (uses), net	(45,081,618)	(2,401,852)	2,000,000	6,265,963	378,395	(38,839,112)	5,975,115	(32,863,997)	(31,588,425)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	6,786,916	852,067	(328,758)	151,595	333,944	7,795,764	(1,401,635)	6,394,129	20,944,602
Fund balances (deficit) at beginning 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	(20,084,233)
Fund balances (deficit) at end of year	\$ (33,088,078)	\$ 6,645,837	\$ 1,720,248	\$ 28,262,871	\$ 2,759,952	\$ 6,300,830	\$ 953,668	\$ 7,254,498	\$ 860,369

See accompanying notes to 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, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 177,938,811	\$ 184,995,673	\$ 7,056,862
Charges for sales and services	10,965,000	13,047,229	2,082,229
Licenses and fees	9,180,800	11,778,286	2,597,486
Division of Public Lands	4,163,267	3,415,983	(747,284)
Other	1,700,000	2,587,599	887,599
Total revenues	<u>203,947,878</u>	<u>215,824,770</u>	<u>11,876,892</u>
Expenditures - budgetary basis by function:			
Executive branch	101,623,253	107,674,976	(6,051,723)
First Senatorial District - Rota	12,974,936	13,369,659	(394,723)
Second Senatorial District - Tinian	13,132,487	13,324,914	(192,427)
Independent programs	7,807,633	11,574,591	(3,766,958)
Legislative branch	7,248,445	7,529,746	(281,301)
Judicial branch	4,934,359	4,535,039	399,320
Office of the Mayors	2,841,547	2,887,411	(45,864)
Office of the Public Auditor	2,311,300	1,985,128	326,172
Office of the Washington Representative	1,264,633	1,613,109	(348,476)
Boards and commissions	897,029	868,988	28,041
Total expenditures	<u>155,035,622</u>	<u>165,363,561</u>	<u>(10,327,939)</u>
Excess of revenues over expenditures	<u>48,912,256</u>	<u>50,461,209</u>	<u>1,548,953</u>
Other financing sources (uses):			
Operating transfers in	6,392,300	13,002,700	6,610,400
Operating transfers out	(55,554,752)	(58,067,695)	(2,512,943)
Total other financing sources (uses), net	<u>(49,162,452)</u>	<u>(45,064,995)</u>	<u>4,097,457</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(250,196)	5,396,214	5,646,410
Other changes in unreserved fund balances:			
Decrease in reserve for supplies inventory	-	418,630	418,630
Decrease in reserve for related assets	-	915,826	915,826
Increase in reserve for Division for Public Lands	-	(11,712,383)	(11,712,383)
Increase in reserve for continuing appropriations	366,444	(518,132)	(884,576)
Other	-	4,333,071	4,333,071
Deficit at beginning of year	<u>(68,287,467)</u>	<u>(68,287,467)</u>	<u>-</u>
Deficit at end of year	<u>\$ (68,171,219)</u>	<u>\$ (69,454,241)</u>	<u>\$ (1,283,022)</u>

See accompanying notes to 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, 2000
(With comparative totals for the year ended September 30, 1999)

	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				2000	1999
Operating revenues:								
Net increase in the fair value of investments	\$ -	\$ 1,198,358	\$ 59,134,389	\$ 60,332,747	\$ 416,071	\$ 60,748,818	\$ 50,864,929	
Contributions	-	-	45,017,472	45,017,472	-	45,017,472	39,894,739	
Interest and fees on loans	-	2,031,969	9,103,667	11,135,636	4,554,400	15,690,036	13,066,906	
Port fees	-	-	-	-	10,339,862	10,339,862	8,886,601	
Concession and lease income	-	-	-	-	6,965,683	6,965,683	6,798,312	
Dividend income	-	286,130	1,578,383	1,864,513	-	1,864,513	3,724,076	
Charges for sales and services	784,141	-	-	784,141	-	784,141	720,050	
Utility charges	-	-	-	-	-	-	63,726,468	
Other	-	-	-	-	2,506,335	2,506,335	2,370,237	
Total operating revenues	784,141	3,516,457	114,833,911	119,134,509	24,782,351	143,916,860	190,052,318	
Operating expenses:								
Retirement pension payments	-	-	34,739,713	34,739,713	-	34,739,713	30,730,598	
Bad debts	-	-	9,190,782	9,190,782	1,891,035	11,081,817	22,749,667	
General and administrative	-	-	2,248,215	2,248,215	8,524,245	10,772,460	28,446,043	
Depreciation and amortization	-	7,986	-	7,986	8,494,167	8,502,153	14,311,809	
Refund payments	-	-	3,981,558	3,981,558	-	3,981,558	5,416,554	
Professional fees	-	415,273	-	415,273	1,183,100	1,598,373	1,458,357	
Supplies	896,426	6,508	-	902,934	401,945	1,304,879	1,741,211	
Rent	-	-	-	-	966,536	966,536	811,032	
Repairs and maintenance	-	-	-	-	595,387	595,387	9,667,724	
Insurance	-	-	-	-	545,360	545,360	446,738	
Travel	-	-	-	-	297,169	297,169	202,733	
Utilities	-	-	-	-	294,519	294,519	336,901	
Printing and advertising	-	-	-	-	106,517	106,517	57,579	
Production fuel	-	-	-	-	-	-	17,452,854	
Other production	-	-	-	-	-	-	2,967,842	
Other	-	87,910	-	87,910	2,035,908	2,123,818	1,527,925	
Total operating expenses	896,426	517,677	50,160,268	51,574,371	25,335,888	76,910,259	138,325,567	
Operating income (loss)	(112,285)	2,998,780	64,673,643	67,560,138	(553,537)	67,006,601	51,726,751	
Nonoperating revenues (expenses):								
Interest income	-	-	-	-	2,290,722	2,290,722	2,486,358	
Gain on debt restructure	-	-	-	-	1,018,675	1,018,675	-	
Federal grants	-	-	-	-	138,614	138,614	-	
Foreign exchange gain	-	-	-	-	-	-	97	
Interest expense	-	-	-	-	(3,973,394)	(3,973,394)	(11,284,055)	
Investment expense	-	-	(1,937,718)	(1,937,718)	-	(1,937,718)	(1,618,116)	
Forgiveness of loan (note 4)	-	-	-	-	(974,108)	(974,108)	-	
Contributions to other agencies	-	-	-	-	(65,762)	(65,762)	-	
Amortization of bond issue cost	-	-	-	-	(62,453)	(62,453)	(57,393)	
Other, net	-	-	2,684,510	2,684,510	372,674	3,057,184	6,316,541	
Total nonoperating revenues (expenses), net	-	-	746,792	746,792	(1,255,032)	(508,240)	(4,156,568)	
Income (loss) before other financing sources (uses)	(112,285)	2,998,780	65,420,435	68,306,930	(1,808,569)	66,498,361	47,570,183	
Other financing sources (uses):								
Operating transfers in (note 14)	-	-	2,722,886	2,722,886	-	2,722,886	2,722,885	
Operating transfers out (note 14)	-	(1,322,835)	-	(1,322,835)	(1,716,438)	(3,039,273)	(1,402,110)	
Total other financing sources (uses), net	-	(1,322,835)	2,722,886	1,400,051	(1,716,438)	(316,387)	1,320,775	
Net income (loss)	(112,285)	1,675,945	68,143,321	69,706,981	(3,525,007)	66,181,974	48,890,958	
Add depreciation on fixed assets acquired by capital grants that reduces contributed capital from capital grants								
	-	-	-	-	3,233,540	3,233,540	4,361,415	
Increase (decrease) in retained earnings/fund balances (deficit)	(112,285)	1,675,945	68,143,321	69,706,981	(291,467)	69,415,514	53,252,373	
Retained earnings/fund balances (deficit) at beginning of year (note 15)	(184,695)	58,193,712	385,376,003	443,385,020	9,311,649	452,696,669	367,390,634	
Retained earnings/fund balances (deficit) at end of year	(296,980)	59,869,657	453,519,324	513,092,001	9,020,182	522,112,183	420,643,007	
Contributed capital at beginning of year (note 15)	-	-	-	-	157,867,113	157,867,113	208,987,229	
Additions (note 12)	-	-	-	-	1,749,881	1,749,881	8,405,562	
Reductions (note 12)	-	-	-	-	(3,233,540)	(3,233,540)	(4,361,415)	
Contributed capital at end of year	-	-	-	-	156,383,454	156,383,454	213,031,376	
Fund equity (deficiency) at end of year	\$ (296,980)	\$ 59,869,657	\$ 453,519,324	\$ 513,092,001	\$ 165,403,636	\$ 678,495,637	\$ 633,674,383	

See accompanying notes to 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, 2000
 (With comparative totals for the year ended September 30, 1999)

	Proprietary	Fiduciary	Total	Component	Totals	
	Fund Type	Fund Type	Primary		Reporting Entity	
	Internal	Nonexpendable	Government	Units	(Memorandum Only)	
	Service	Trust	(Memorandum Only)	Proprietary	2000	1999
Cash flows from operating activities:						
Operating income (loss)	\$ (112,285)	\$ 2,998,780	\$ 2,886,495	\$ (553,537)	\$ 2,332,958	\$ 10,812,238
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	-	7,986	7,986	8,494,167	8,502,153	14,311,809
Net increase in the fair value of investments	-	(1,198,358)	(1,198,358)	(416,071)	(1,614,429)	(2,946,843)
Bad debts	-	-	-	1,891,035	1,891,035	3,458,856
(Increase) decrease in assets:						
Utilities receivable	-	-	-	-	-	(6,871,328)
General receivables	-	-	-	(746,702)	(746,702)	(791,279)
Other receivables	-	(3,706)	(3,706)	(889,148)	(892,854)	2,132
Interest and dividends receivable	-	(31,931)	(31,931)	(2,096,210)	(2,128,141)	(1,945,813)
Due from other funds	(700)	-	(700)	-	(700)	(2,230)
Prepaid items	-	-	-	20,673	20,673	77,955
Inventories	129,468	-	129,468	-	129,468	(2,552,837)
Other assets	-	-	-	29,307	29,307	262,092
Increase (decrease) in liabilities:						
Accounts payable	(38,313)	(4,938)	(43,251)	165,202	121,951	2,164,782
Deposits payable	-	-	-	-	-	198,426
Due to other funds	21,830	-	21,830	-	21,830	116,367
Deferred revenue	-	-	-	(13,846)	(13,846)	(20,282)
Other liabilities and accruals	-	-	-	105,678	105,678	93,566
Net cash provided by operating activities	-	1,767,833	1,767,833	5,990,548	7,758,381	16,367,611
Cash flows from noncapital financing activities:						
Net increase (decrease) in bank overdraft	-	-	-	(366,587)	(366,587)	371,891
Cash received from grantor agencies	-	-	-	138,614	138,614	-
Other income (expense), net	-	(59,965)	(59,965)	2,027,563	1,967,598	655,205
Net proceeds from line of credit	-	-	-	3,659	3,659	151,886
Operating transfers out	-	(1,322,835)	(1,322,835)	-	(1,322,835)	(1,402,110)
Net cash provided by (used for) noncapital financing activities	-	(1,382,800)	(1,382,800)	1,803,249	420,449	(223,128)
Cash flows from capital and related financing activities:						
Cash received from grantor agencies	-	-	-	1,851,678	1,851,678	3,776,958
Proceeds from sale of equipment	-	-	-	322,684	322,684	-
Acquisition of capital assets	-	(16,215)	(16,215)	(3,610,548)	(3,626,763)	(28,740,291)
Capital contributions	-	-	-	81,836	81,836	4,398,110
Proceeds from notes payable	-	-	-	3,467,000	3,467,000	13,619,148
Principal paid on notes payable	-	-	-	(1,135,500)	(1,135,500)	(4,049,371)
Principal paid on revenue bonds	-	-	-	(597,594)	(597,594)	(557,339)
Bond issue costs	-	-	-	(81,725)	(81,725)	(217,980)
Decrease in restricted assets	-	-	-	-	-	3,567,991
Capital development grants	-	-	-	(6,157,039)	(6,157,039)	(2,695,005)
Interest paid on borrowings	-	-	-	(4,545,927)	(4,545,927)	(5,366,908)
Net cash used for capital and related financing activities	-	(16,215)	(16,215)	(10,405,135)	(10,421,350)	(16,264,687)
Cash flows from investing activities:						
Net (purchases) disposals of investments	-	(4,314,172)	(4,314,172)	1,595,199	(2,718,973)	12,881,364
Loan originations and principal collections, net	-	(865,969)	(865,969)	(685,272)	(1,551,241)	(11,044,110)
Interest on investments	-	-	-	1,051,904	1,051,904	1,577,786
Net cash provided by (used for) investing activities	-	(5,180,141)	(5,180,141)	1,961,831	(3,218,310)	3,415,040
Net increase (decrease) in cash and cash equivalents	-	(4,811,323)	(4,811,323)	(649,507)	(5,460,830)	3,294,836
Cash and cash equivalents at beginning of year	-	8,454,216	8,454,216	7,122,746	15,576,962	26,772,666
Cash and cash equivalents at end of year	\$ -	\$ 3,642,893	\$ 3,642,893	\$ 6,473,239	\$ 10,116,132	\$ 30,067,502
Noncash investing, capital and related financing activities:						
Capitalization of interest receivable to loan principal:						
Noncash increase in loans receivable	\$ -	\$ -	\$ -	\$ 1,014,163	\$ 1,014,163	\$ -
Noncash decrease in accrued interest receivable	-	-	-	(1,014,163)	(1,014,163)	-
Acquisition of real estate through loan foreclosure:						
Noncash increase in foreclosed real estate	\$ -	\$ -	\$ -	\$ 543,000	\$ 543,000	\$ -
Noncash decrease in loans receivable	-	-	-	(543,000)	(543,000)	-
Write-off of capital development loan (note 4):						
Noncash decrease in loans receivable	\$ -	\$ -	\$ -	\$ (974,108)	\$ (974,108)	\$ -
Forgiveness of loan	-	-	-	974,108	974,108	-
Write-off of property and equipment:						
Noncash decrease in property and equipment	\$ -	\$ -	\$ -	\$ (181,447)	\$ (181,447)	\$ -
Noncash decrease in accumulated depreciation	-	-	-	181,447	181,447	-

See accompanying notes to general purpose financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements

September 30, 2000

(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 accounting principles generally accepted in the United States of America (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, 2000

(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.

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 501247
Saipan, MP 96950-1247

Northern Mariana Islands Government Health
and Life Insurance Trust Fund
P.O. Box 501247
Saipan, MP 96950-1247

Marianas Public Land Trust
P.O. Box 501089
Saipan, MP 96950-1089

Northern Mariana Islands Retirement Fund
P.O. Box 501247
Saipan, MP 96950-1247

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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

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.

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

Marianas Visitors Authority
P.O. Box 500861
Saipan, MP 96950-0861

Commonwealth Ports Authority
P.O. Box 501055
Saipan, MP 96950-1055

Commonwealth Development Authority
P.O. Box 502149
Saipan, MP 96950-2149

3. Omitted Component Units

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 would be reported as a Component Unit - Proprietary Fund.

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 University and College Fund Type - 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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

3. Omitted Component Units, Continued

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.

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), the acquisition or construction of general fixed assets (capital projects funds) and the servicing of general long-term debt (debt service 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 for 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 in a trustee capacity on behalf of outside parties, including other governments, or as an agent 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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements September 30, 2000

(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 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, 2000

(1) Summary of Significant Accounting Policies, Continued

D. Budgets

An annual appropriated budget is adopted by the CNMI Legislature for the General Fund through an Appropriations Act. During the year ended September 30, 2000, the CNMI operated under a continuing resolution based on Public Law No. 11-41, the Appropriations and Budget Authority Act of 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 reappropriated and honored during the subsequent fiscal year.

E. Cash and Cash Equivalents and Time Certificates of Deposit

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 cash held in demand 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 combined balance sheet.

As of September 30, 2000, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit were \$61,528,779 and the corresponding bank balances were \$62,446,111. Of the bank balance amounts, \$59,335,851 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2000, bank deposits in the amount of \$700,000 were FDIC insured. Public Law No. 9-13, the Government Deposit Safety Act of 1994, requires that all deposits of public funds made by the CNMI are to be collateralized by U.S. Government obligations at the rate of 110% of the corresponding bank deposit. Management has determined that the CNMI is substantially in compliance with this requirement with the exception of bank deposits, totaling \$3,979,726, which were uncollateralized as of September 30, 2000.

As of September 30, 2000, the carrying amount of the discretely presented component unit's total cash and cash equivalents and time certificates of deposit were \$23,613,301 and the corresponding bank balances were \$23,894,444. Of the bank balance amounts, \$22,331,130 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2000, bank deposits in the amount of \$708,000 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

F. Investments

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.

G. Receivables

Receivables are stated net of estimated allowances 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.

H. Interfund Receivables/Payables

During the course of its 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 combined 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".

I. 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.

J. Inventories

Inventories are stated at the lower of cost or 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.

K. Prepaid Items

Payments made to vendors or persons for services that will benefit periods beyond September 30, 2000, are recorded as prepaid items.

L. 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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

L. Fixed Assets, Continued

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 over the estimated useful lives of the assets through use of the straight-line method. The estimated useful lives of these assets are as follows:

Office equipment	3 - 10 years
Furniture and fixtures	3 - 10 years
Motor vehicles	3 - 5 years
Machinery and equipment	3 - 10 years
Leasehold improvements	10 years
Surveying equipment	3 - 10 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 of 3 to 30 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, 2000, \$572,533 of eligible interest expense was capitalized.

M. 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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

M. Long-Term Obligations, Continued

Article X, Section 4, of the CNMI Constitution 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, 2000. 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, 2000. This estimation was based on the 1995 CNMI Mid-Decade Census.

N. 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, 2000, is \$8,558,957. 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 estimated amount of unused sick leave as of September 30, 2000, is \$16,223,125.

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.

O. Deferred Revenue

The CNMI reports deferred revenue on its combined balance sheet. Deferred revenues arise when 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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

P. 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 at 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.

Movements in income taxes and wage and salary taxes for the year ended September 30, 2000, is as follows:

Total income tax and wage and salary tax collections	\$ 86,893,861
Transfers to Rebate Trust Fund	<u>(34,673,578)</u>
Income taxes and wage and salary taxes per general purpose financial statements	<u>\$ 52,220,283</u>

Q. 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.

The reserve for related assets as of September 30, 2000, is represented by the following assets:

	<u>Governmental Fund Type General</u>	<u>Component Unit Governmental</u>	<u>Totals</u>
Investments	\$ 2,255,372	\$ -	\$ 2,255,372
Receivables:			
Other agencies	5,175,431	-	5,175,431
General	2,174,878	-	2,174,878
Due from other funds	917,066	-	917,066
Advances	2,388,403	-	2,388,403
Restricted assets:			
Time certificate of deposit	<u>-</u>	<u>87,411</u>	<u>87,411</u>
	<u>\$ 12,911,150</u>	<u>\$ 87,411</u>	<u>\$ 12,998,561</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(1) Summary of Significant Accounting Policies, Continued

R. Reserve for General Fund

Fund balance reserved for the General Fund consists of \$52,488,042 in principal and \$3 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.

S. 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.

T. 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 GAAP. Interfund eliminations have not been made in the aggregation of this data.

U. Estimates

The preparation of general purpose financial statements in conformity with GAAP 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 general purpose financial statements and the reported amounts of revenues, expenditures and 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 CNMI Legislature by April 1 for the fiscal year commencing the following October 1. By July 1, the CNMI 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 CNMI 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, 2000

(2) Budgetary and Legal Compliance, Continued

During the year ended September 30, 2000, the CNMI operated under a continuing resolution based on Public Law No. 11-41, the Appropriations and Budget Authority Act of 1999, due to the lack of approval by the CNMI Legislature of a balanced budget.

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 CNMI Legislature. On June 4, 1999, a joint resolution of the CNMI Legislature authorized the Governor to reprogram appropriations and allocations under Public Law No. 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, 2000, are as follows:

	Categories			Fair Value
	1	2	3	
Cash management fund	\$ -	\$ 15,616,182	\$ -	\$ 15,616,182
Equities	-	2,255,372	-	2,255,372
	\$ -	\$ 17,871,554	\$ -	\$ 17,871,554

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(3) Investments, Continued

B. Debt Service Fund

Investments of the Debt Service Fund as of September 30, 2000, 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>1,720,248</u>	\$ <u>-</u>	\$ <u>1,720,248</u>

C. Expendable Trust Funds

Investments of the Expendable Trust Funds as of September 30, 2000, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Saipan Trust Fund:				
Equities	\$ -	\$ -	\$ 649,782	\$ 649,782
Money market placements	-	-	20,725	20,725
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>670,507</u>	\$ <u>670,507</u>

D. Nonexpendable Trust Fund

Investments of the Nonexpendable Trust Fund as of September 30, 2000, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Equities	\$ -	\$ -	\$ 26,329,900	\$ 26,329,900
Corporate bonds	-	-	18,659,448	18,659,448
U.S. Government securities	-	-	5,983,492	5,983,492
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>50,972,840</u>	\$ <u>50,972,840</u>

E. Pension Trust Fund

Investments of the Pension Trust Fund as of September 30, 2000, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Equity securities	\$ 289,219,635	\$ -	\$ -	\$ 289,219,635
U.S. Government securities	62,288,291	-	-	62,288,291
Corporate debt securities	30,044,257	-	-	30,044,257
Money market placements	16,025,031	-	-	16,025,031
Real property	545,000	-	-	545,000
	\$ <u>398,122,214</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>398,122,214</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(3) Investments, Continued

E. Pension Trust Fund, Continued

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, 2000.

F. Component Units

Investments of the Component Units - Proprietary Funds as of September 30, 2000, are as follows:

	Categories			Fair Value
	1	2	3	
Unrestricted:				
Commonwealth Ports Authority:				
U.S. Government Securities	\$ -	\$ 1,296,275	\$ -	\$ 1,296,275
Cash management fund	-	<u>567,331</u>	-	<u>567,331</u>
	-	<u>1,863,606</u>	-	<u>1,863,606</u>
Restricted:				
Commonwealth Ports Authority (see note 6):				
U.S. Government money market fund	\$ -	\$ 10,059,939	\$ -	\$ 10,059,939
U.S. Government securities	-	<u>4,275,213</u>	-	<u>4,275,213</u>
	-	<u>14,335,152</u>	-	<u>14,335,152</u>
Commonwealth Development Authority (see note 6):				
U.S. Government agency bonds	-	<u>8,186,041</u>	-	<u>8,186,041</u>
	\$ -	<u>\$ 24,384,799</u>	\$ -	<u>\$ 24,384,799</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(4) Receivables

Receivables as of September 30, 2000, 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,466,555	\$ -	\$ -	\$ 118,489,046	\$ 130,955,601
Federal agencies	-	6,735,194	7,110,992	-	-	-	888,713	-	824,712	15,559,611
Other agencies	18,502,132	-	-	-	5,200	-	-	-	-	18,507,332
Notes	-	-	-	-	6,102,953	10,276,361	-	-	-	16,379,314
Taxes	14,417,134	-	-	-	-	-	-	-	-	14,417,134
General	11,270,476	-	-	-	-	979,067	-	-	3,514,517	15,764,060
Interest and dividends	-	-	-	-	544,800	1,173,103	-	-	4,204,771	5,922,674
Leases	3,965,294	-	-	-	-	-	-	-	-	3,965,294
Other	-	-	805,806	903,113	1,217	1,394,783	-	52,278	16,926,155	20,083,352
Gross receivables	48,155,036	6,735,194	7,916,798	903,113	6,654,170	26,289,869	888,713	52,278	143,959,201	241,554,372
Less: allowance for uncollectibles	(25,136,435)	-	-	(396,105)	-	(2,882,635)	-	-	(77,017,418)	(105,432,593)
Net receivables	\$ 23,018,601	\$ 6,735,194	\$ 7,916,798	\$ 507,008	\$ 6,654,170	\$ 23,407,234	\$ 888,713	\$ 52,278	\$ 66,941,783	\$ 136,121,779

Receivables of the Governmental Fund Types, Fiduciary Fund Types and Component Units are primarily due from businesses and individuals residing in the CNMI. The allowance for uncollectibles primarily represents those accounts that are more than 90 days delinquent as of September 30, 2000.

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. As of September 30, 2000, the loan balance was \$4,972,261 (see note 9). The loan is due on July 1, 2015, interest at 8.5%, and is collateralized by the full faith and credit of the CNMI Government per Public Law No. 10-29. In addition, MPLT executed a loan agreement to lend funds to NMHC of \$1,137,000 for the purpose of funding home loans. As of September 30, 2000, the loan balance was \$1,130,692 (see note 9). The loan is due on July 1, 2015, interest at 8.5%, and is collateralized by specifically pledged loans receivable of NMHC (see note 20).

Notes receivable of the Pension Trust Fund are recorded by the Northern Mariana Islands Retirement Fund (NMIRF) under the Member Home Loan Program (MHLP). The MHLP was created through Public Law No. 6-17 and made available to all vested members of NMIRF with at least 36 months of contributing service. Public Law No. 6-17 authorized up to 40% of NMIRF 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. NMIRF lends amounts ranging from \$5,000 to \$150,000 with interest at 8.5% to 9% per annum. As of September 30, 2000, notes receivable under the MHLP was \$8,329,207. In addition, Public Law No. 9-52, the Commonwealth Government Employees' Credit Union Act of 1995, authorized 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, 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, 2000, the note receivable from CGECU was \$1,947,154.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(4) Receivables, Continued

Loan receivable of the Pension Trust Fund is recorded by 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, 2000, NMIRF recognized \$87,129 in additional progress billings. As of September 30, 2000, NMIRF has accrued all progress billings on this project. NMIRF controls the bank account used to deposit revenues that will be used to retire the debt. As of September 30, 2000, the loan receivable was \$12,466,555 (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.	\$ 30,000,000
Note receivable from CUC, due January 12, 2014, interest at 5%, principal and interest are payable in quarterly installments of \$359,514.	16,068,750
Due 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.	10,000,000
Note receivable from CUC, due January 30, 2000, interest at 7%, principal and interest payable in quarterly installments of \$276,471.	5,500,000
Note receivable from the Commonwealth Ports Authority (CPA), due November 16, 2014, interest at 2.5%, principal and interest payable in quarterly installments of \$204,113 (see note 9).	<u>9,762,533</u>
Total loans receivable	71,331,283
Less allowance for loan losses	<u>(61,568,750)</u>
	<u>\$ 9,762,533</u>

On April 6, 2000, CDA and CPA executed an amendment to the loan agreement reducing interest from 5% to 2.5% per annum beginning November 16, 1999 and applied retroactively to November 16, 1996. Excess interest paid by CPA between November 16, 1996 and November 16, 1999 is applied to the principal of the loan amounting to \$974,108, which is reflected as forgiveness of loan in the accompanying general purpose financial statements. The maturity date was extended from June 1, 2012 to November 16, 2014.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(4) Receivables, Continued

Commonwealth Development Authority, Continued

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, 2000, totaling \$34,782,910, 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%, commercial development loans bear interest at 9%, and microloans bear interest at 9% to 12%.

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, 2000, totaling \$12,374,853, 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, 2000, including applicable allowance for loan losses, are as follows:

	<u>DCD</u>	<u>NMHC</u>	<u>Total</u>
Commercial	\$ 25,855,643	\$ 103,785	\$ 25,959,428
Direct family home loans	-	9,692,727	9,692,727
Marine	5,792,391	-	5,792,391
Agriculture	2,830,333	-	2,830,333
HOME Investment Partnerships Act grant	-	908,686	908,686
Housing construction	-	723,487	723,487
Tinian turnkey	-	533,952	533,952
Microloan Program (see note 9)	288,808	-	288,808
Other	<u>15,735</u>	<u>412,216</u>	<u>427,951</u>
	34,782,910	12,374,853	47,157,763
Less allowance for loan losses	<u>(11,716,883)</u>	<u>(428,459)</u>	<u>(12,145,342)</u>
	<u>\$ 23,066,027</u>	<u>\$ 11,946,394</u>	<u>\$ 35,012,421</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, 2000, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Federal Grants	\$ 4,755,606
General	Human Resources Development Trust	329,454
General	Commonwealth Medical Center	279,801
General	NMHC Grants	161,356

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(5) Interfund Receivables and Payables, Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	American Memorial Park	162,325
General	Serv-Mart Revolving	349,484
General	Special Surplus Property	75,803
General	Autonomous Agencies Pass Through	888,713
General	Marianas Public Land Trust	1,174,500
Private Grants	General	818,653
Commonwealth Arts Council	General	68,782
Oil Overcharge	General	128,374
Commonwealth Nonresident Workers' Fee	General	1,172,626
Commonwealth Alien Deportation	General	341,992
Commonwealth Museum	General	145,926
Judicial Building	General	193,928
Local Revenue	General	1,710,758
DOI Capital Projects	General	19,135,897
Commonwealth Development Authority	General	506,000
Infrastructure Tax	General	2,316,950
Public Works Grant	General	454,327
Local Capital Projects	General	1,520,949
Private Capital Grants	General	508,932
Internal Service	General	70,316
Agriculture Revolving	General	76,416
Saipan Trust	General	3,980
CNMI Workers' Compensation Commission	General	101,908
Marianas Garment Manufacturing	General	1,073,995
Probation Services	General	14,255
Miscellaneous Expendable Trust	General	264,398
Tinian Land Condemnation	General	1,308,858
Rebate Trust	General	23,505,581
Pension Trust	General	46,866,728
Judicial Building	Pension Trust	2,658,050
Pension Trust	CNMI Workers' Compensation Commission	123,417
		<u>\$ 113,269,038</u>

The amount recorded as due to other funds of \$113,269,038 does not equal the corresponding due from other funds of \$88,245,653 due to an allowance for uncollectibles of \$25,023,385 recorded by the Pension Trust Fund.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(5) Interfund Receivables and Payables, Continued

Receivables and payables between funds reflected as due to/from primary government in the combined balance sheet at September 30, 2000, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
<u>Component Units</u>		
Marianas Visitors Authority	\$ <u>1,069,328</u>	\$ <u>-</u>

Receivables and payables between funds reflected as due to/from component units in the combined balance sheet at September 30, 2000, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
<u>Primary Government</u>		
<u>General Fund:</u>		
Marianas Visitors Authority	\$ -	\$ 1,069,328
Commonwealth Utilities Corporation	-	12,044,898
Public School System	-	3,004,610
Northern Marianas College	-	367,374
	<u>\$ -</u>	<u>\$ 16,486,210</u>

The amount recorded as due from primary government of the component units of \$1,069,328 does not equal the corresponding due to component units of the primary government of \$16,486,210 due to contributions payable of \$3,371,984 to the Public School System and the Northern Marianas College, and utility charges payable to the Commonwealth Utilities Corporation of \$12,044,898, whose financial statements are not included within the accompanying general purpose financial statements.

(6) Restricted Assets

Restricted assets as of September 30, 2000, are as follows:

	<u>Fiduciary Fund Type</u>		<u>Component Units</u>			<u>Total</u>
	<u>Trust</u>	<u>Agency</u>	<u>Governmental</u>	<u>Proprietary</u>		
	<u>CNMI</u>	<u>Workers' Compensation Commission</u>	<u>Marianas Visitors Authority</u>	<u>Commonwealth Ports Authority</u>	<u>Commonwealth Development Authority</u>	
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 3,186,061	\$ 3,186,061
Time certificates of deposit	669,921	-	87,411	-	7,890,781	8,648,113
Investments (see note 3F)	-	-	-	14,335,152	8,186,041	22,521,193
Other	-	4,394,316	-	-	-	4,394,316
	<u>\$ 669,921</u>	<u>\$ 4,394,316</u>	<u>\$ 87,411</u>	<u>\$ 14,335,152</u>	<u>\$ 19,262,883</u>	<u>\$ 38,749,683</u>

CNMI Workers' Compensation Commission

Restricted assets represent a time certificate of deposit set aside to pay for the difference between the compensation for permanent total disability and permanent partial disability when an employee receives an injury which of itself would cause only partial disability but when combined with a previous disability results in total disability.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(6) Restricted Assets, Continued

Security Deposit Fund

Restricted assets represent deposits 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:

<u>Fund</u>	<u>1998 Senior Series A Airport Revenue Bonds</u>	<u>1998 Senior Series A Seaport Revenue Bonds</u>
Bond Reserve Fund	\$ 1,574,298	\$ 5,709,076
Supplemental Reserve Fund	-	849,416
Construction Fund	2,545,627	-
Reimbursement Fund	2,921,840	4,785
Bond Fund	371,902	16,769
Maintenance and Operation	<u>339,959</u>	<u>1,480</u>
	<u>\$ 7,753,626</u>	<u>\$ 6,581,526</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 (see note 16). Restricted assets of DBD as of September 30, 2000, are comprised of the following:

Cash and cash equivalents	\$ 998,859
Time certificates of deposit	7,890,781
Investments	<u>8,186,041</u>
	<u>\$ 17,075,681</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(6) Restricted Assets, Continued

Commonwealth Development Authority, Continued

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).	\$ 41,362
Savings account which acts as collateral against a bank line of credit (see note 9).	1,182,315
Escrow account maintained as a guarantee for any deficiency in foreclosure proceeds related to U.S. Farmers Home Administration loans (see note 17).	302,250
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development.	178,629
Savings account maintained as a guarantee of housing loans made by a savings and loan in the CNMI (see note 17).	115,579
Marianas Public Land Trust collateral account.	1,280
Other depository accounts reserved for various purposes.	<u>365,787</u>
	<u>\$ 2,187,202</u>

(7) Fixed Assets

Activity in the General Fixed Assets Account Group for the year ended September 30, 2000, was as follows:

	Balance October 1, 1999	Additions	Retirements	Balance September 30, 2000
Office equipment	\$ 5,259,828	\$ 965,151	\$ (1,885,699)	\$ 4,339,280
Motor vehicles	2,688,060	1,042,363	-	3,730,423
Machinery and equipment	1,522,014	136,599	-	1,658,613
Office furniture and fixtures	4,128,778	200,682	(2,765,686)	1,563,774
Leasehold improvements	326,621	8,905	-	335,526
Surveying equipment	32,073	1,442	-	33,515
Other infrastructure	28,559,275	-	(28,559,275)	-
Utility properties	22,465,056	-	(22,465,056)	-
Buildings and improvements	5,224,866	-	(5,224,866)	-
Roads	4,005,439	-	(4,005,439)	-
	74,212,010	2,355,142	(64,906,021)	11,661,131
Less accumulated depreciation	<u>(875,810)</u>	<u>(58,459)</u>	<u>-</u>	<u>(934,269)</u>
	<u>\$ 73,336,200</u>	<u>\$ 2,296,683</u>	<u>\$ (64,906,021)</u>	<u>\$ 10,726,862</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(7) Fixed Assets, Continued

A summary of fixed assets accounted for in the Component Units - Proprietary Funds as of September 30, 2000, is as follows:

	<u>Estimated Useful Lives</u>	<u>Commonwealth Ports Authority</u>	<u>Commonwealth Development Authority</u>	<u>Totals</u>
Harbor facilities	20 years	\$ 61,635,072	\$ -	\$ 61,635,072
Terminal facilities	20 years	56,783,202	-	56,783,202
Runway and improvements	20 years	34,291,372	-	34,291,372
Housing projects	30 years	-	10,829,807	10,829,807
Terminal equipment	2 - 10 years	8,264,299	-	8,264,299
Other improvements	3 - 20 years	6,595,759	893,442	7,489,201
Infrastructure	30 years	-	2,823,491	2,823,491
Fire and rescue	2 - 8 years	1,793,847	-	1,793,847
Office furniture and fixtures	2 - 10 years	716,781	462,628	1,179,409
General transportation	3 - 5 years	764,338	399,598	1,163,936
Other equipment	3 - 20 years	571,461	-	571,461
Ground maintenance and shop equipment	2 - 5 years	<u>468,922</u>	<u>-</u>	<u>468,922</u>
		171,885,053	15,408,966	187,294,019
Less accumulated depreciation and amortization		<u>(56,588,607)</u>	<u>(6,936,662)</u>	<u>(63,525,269)</u>
		115,296,446	8,472,304	123,768,750
Construction work in progress		10,873,457	1,974,815	12,848,272
Land		<u>464,429</u>	<u>-</u>	<u>464,429</u>
		<u>\$ 126,634,332</u>	<u>\$ 10,447,119</u>	<u>\$ 137,081,451</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.

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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(7) Fixed Assets, Continued

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.

NMHC has entered into a construction agreement to have forty-five housing units built in Koblerville, Saipan. The Koblerville Expansion Project will provide forty-five single-family houses for very low, low and moderate-income families at a cost of \$6,310,000. As of September 30, 2000, total progress payments amounted to \$1,974,815.

Expendable Trust Fund fixed assets as of September 30, 2000, are comprised of motor vehicles and office furniture, totaling \$45,304, and are being depreciated over estimated useful lives ranging from 3 to 5 years.

Pension Trust Fund fixed assets as of September 30, 2000, are comprised of: 1) construction work in progress; and 2) office furniture, equipment and leasehold improvements, totaling \$275,513 and \$4,098,640, respectively. Depreciation and amortization are provided over estimated useful lives ranging from 3 to 39 years.

Nonexpendable Trust Fund fixed assets as of September 30, 2000, are comprised of office furniture and fixtures, totaling \$22,781, and are being depreciated over estimated useful lives ranging from 3 to 5 years.

Component Unit - Governmental Fund fixed assets as of September 30, 2000, are comprised of equipment, leasehold improvements, vehicles and office furniture and fixtures, totaling \$431,931, and are being depreciated over estimated useful lives ranging from 2 to 20 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 \$23,223,081 as of September 30, 2000. Cash to fund this liability is to be provided by 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, 2000

(9) Notes Payable

Component Units - Proprietary Funds

Commonwealth Ports Authority

Note payable to the Commonwealth Development Authority (CDA), due November 16, 2014, interest at 2.5%, principal and interest are payable in quarterly installments of \$204,113 (see note 4). \$ 9,762,533

Commonwealth Development Authority

Development Corporation Division:

Note payable to the U.S. Small Business Administration, due October 28, 2009, interest adjusted annually to either 3.75% or 4.75%, based on the current average size of the microloans made by CDA (4.5% at September 30, 2000), principal and interest payable in monthly installments of \$4,037, collateralized by all funds held in CDA's Microloan Revolving Fund and Loan Loss Revenue Fund accounts at a local commercial bank and by all Microloan notes made with the proceeds from this note payable under the Microloan Program (see note 4). 330,000

Northern Marianas Housing Corporation:

Notes payable to the Marianas Public Land Trust (MPLT), due July 1, 2015, interest at 8.5%, payable quarterly, guaranteed by the CNMI pursuant to Public Law No. 10-29 (see notes 4 and 20). 4,972,261

Note payable to MPLT, due July 1, 2015, interest at 8.5%, collateralized by specifically pledged loans receivable (see notes 4 and 20). 1,130,692

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% at September 30, 2000), collateralized by savings account balance (see note 6). 1,080,661

Note to bank, due July 25, 2003, interest at bank's preferred rate (9.5% at September 30, 2000), principal and interest are payable in monthly installments of \$20,885, collateralized by mortgage of Saipan Mihaville projects. 1,990,915

\$ 19,267,062

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(9) Notes Payable, Continued

Component Units - Proprietary Funds, Continued

Future repayment commitments 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>
2001	\$ 1,752,770	\$ 498,807	\$ 2,251,577
2002	698,648	416,869	1,115,517
2003	2,500,705	364,955	2,865,660
2004	661,670	203,228	864,898
2005	679,175	185,722	864,897
Thereafter	<u>12,974,094</u>	<u>5,580,671</u>	<u>18,554,765</u>
	\$ <u>19,267,062</u>	\$ <u>7,250,252</u>	\$ <u>26,517,314</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, 2000, cash balances controlled by NMIRF for the retirement of debt totaled \$2,658,050. 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 \$137,198.

On February 18, 2000, the CNMI authorized the issuance of \$30,000,000 in bond anticipation notes (BANs) to temporarily finance the matching portion of Covenant funds relating to certain capital projects. This note bears interest at the bank's reference rate less a margin of 1% per annum. This note is expected to be repaid from the proceeds of general obligation bonds to be issued pursuant to Public Law No. 11-3 (see note 20). As of September 30, 2000, total amount drawn down amounted to \$8,175,240.

Changes in the General Long-Term Debt Account Group loans payable for the year ended September 30, 2000, are as follows:

	<u>Balance October 1, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2000</u>
NMIRF loan	\$ 12,812,571	\$ 87,129	\$ (433,145)	\$ 12,466,555
BANs	-	8,175,240	-	8,175,240
	\$ <u>12,812,571</u>	\$ <u>8,262,369</u>	\$ <u>(433,145)</u>	\$ <u>20,641,795</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(10) Loans Payable, Continued

General Long-Term Debt Account Group, Continued

Future repayment commitments 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>
2001	\$ 8,911,595	\$ 1,207,112	\$ 10,118,707
2002	793,520	852,856	1,646,376
2003	855,123	791,253	1,646,376
2004	921,509	724,867	1,646,376
2005	993,048	653,328	1,646,376
Thereafter	<u>8,167,000</u>	<u>2,077,374</u>	<u>10,244,374</u>
	<u>\$ 20,641,795</u>	<u>\$ 6,306,790</u>	<u>\$ 26,948,585</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. The bond proceeds were used to finance the local match for grants received from the U.S. federal government financing various capital improvement projects of the Public School System.

Installments are paid to the Bond Trustee annually on 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. The term of the bond issue is for approximately nine years and matures on October 1, 2008.

Future repayment commitments 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>
2001	\$ 1,365,000	\$ 599,982	\$ 1,964,982
2002	1,420,000	547,832	1,967,832
2003	1,470,000	496,522	1,966,522
2004	1,525,000	441,850	1,966,850
2005	1,580,000	374,138	1,954,138
Thereafter	<u>6,570,000</u>	<u>650,095</u>	<u>7,220,095</u>
	<u>\$ 13,930,000</u>	<u>\$ 3,110,419</u>	<u>\$ 17,040,419</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(11) Bonds Payable, Continued

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 of 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 paid to the Bond Trustee annually 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, 2000, consist of the following:

1998 Series A tax-exempt airport revenue bonds	\$ 19,550,000
Deferred costs of debt refunding	<u>(363,132)</u>
	<u>\$ 19,186,868</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 6.85% and 6.6% 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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(11) Bonds Payable, Continued

Component Units - Proprietary Funds, Continued

\$33,775,000 Bond Issue, Continued

Installments are paid to the Bond Trustee annually on March 15 through 2028. Interest is payable semi-annually at 6.85% to March 15, 2000 and at 6.6% subsequent to March 15, 2000 on March 15 and September 15 of each year, commencing on September 15, 1998.

Revenue bonds payable as of September 30, 2000, consist of the following:

1998 Series A tax-exempt seaport revenue bonds	\$ 32,950,000
Deferred costs of debt refunding	<u>(1,291,120)</u>
	<u>\$ 31,658,880</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, 2000, except for the insurance coverage requirement related to the Seaport bond indenture.

Future repayment commitments for Component Units - Proprietary Funds bonds payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 675,000	\$ 3,375,936	\$ 4,050,936
2002	755,000	3,328,580	4,083,580
2003	805,000	3,278,150	4,083,150
2004	860,000	3,224,325	4,084,325
2005	915,000	3,166,940	4,081,940
Thereafter	<u>48,490,000</u>	<u>44,454,500</u>	<u>92,944,500</u>
	<u>\$ 52,500,000</u>	<u>\$ 60,828,431</u>	<u>\$ 113,328,431</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(12) Contributed Capital

Contributed capital for Component Units - Proprietary Funds as of September 30, 2000, is derived from the following sources:

Commonwealth Ports Authority

U.S. Federal Aviation Administration	\$ 51,941,469
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>
	77,178,203
Less accumulated amortization of contributed assets	<u>(29,488,835)</u>
	<u>\$ 47,689,368</u>

Commonwealth Development Authority

Development Banking Division (DBD):

U.S. Department of the Interior:	
Section 702(c) of the Covenant	<u>\$ 75,068,750</u>

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, 2000, 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>
	<u>26,100,426</u>

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.

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Notes to the General Purpose Financial Statements
September 30, 2000

(12) Contributed Capital, Continued

Commonwealth Development Authority, Continued

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

U.S. Department of Housing and Urban Development:

HOME program	1,011,426
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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	73,014
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8,394,940

Less accumulated amortization of contributed assets

(870,030)

7,524,910

\$ 108,694,086

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

	Commonwealth Development Authority					Totals
	Commonwealth Ports Authority		Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	
	Airport	Seaport				
Contributed capital at beginning of year, as restated	\$ 38,486,541	\$ 10,649,931	\$ 75,068,750	\$ 26,100,426	\$ 7,561,465	\$ 157,867,113
Contributed sources:						
U.S. Federal Aviation Administration	1,668,045	-	-	-	-	1,668,045
U.S. Department of Housing and Urban Development	-	-	-	-	81,836	81,836
	1,668,045	-	-	-	81,836	1,749,881
Reductions:						
Depreciation	(2,596,573)	(518,576)	-	-	(118,391)	(3,233,540)
Contributed capital at end of year	\$ 37,558,013	\$ 10,131,355	\$ 75,068,750	\$ 26,100,426	\$ 7,524,910	\$ 156,383,454

(13) 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, 2000, consist of the following:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(13) Reserve for Continuing Appropriations, Continued

	<u>Authorizing Legislation</u>	<u>Outstanding Balance</u>
General Fund:		
Medical Referral Funds	Public Law No. 11-91	\$ 585,845
Salary adjustment	Public Law No. 10-41	520,698
Other programs	Various	<u>580,848</u>
		<u>\$ 1,687,391</u>
Local Capital Projects Fund:		
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>
		<u>\$ 1,844,404</u>

(14) Transfers In/Out

Operating Fund Transfers

Operating transfers in/out for all fund types, for the year ended September 30, 2000, are as follows:

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund		
From General Fund to:		
Public School System	\$ 35,917,548	\$ -
Marianas Visitors Authority	5,975,115	-
Northern Marianas College	6,806,551	-
Northern Mariana Islands Retirement Fund	2,722,886	-
Human Resources Development Trust Fund	1,176,934	-
Debt Service Fund	2,000,000	-
Federal Grants Fund	2,122,389	-
Private Grants Fund	144,500	-
Local Capital Projects Fund	840,000	-
CNMI Workers' Compensation Commission	378,395	-
To General Fund from:		
Commonwealth Nonresident Workers' Fee Fund	-	4,102,303
Marianas Public Land Trust	-	1,174,500
DOI Capital Projects Fund	-	7,700,897
Local Revenue Fund	-	<u>25,000</u>
	<u>\$ 58,084,318</u>	<u>\$ 13,002,700</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(14) 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	\$ 4,102,303	\$ -
Northern Marianas College	1,018,372	-
From Local Revenue Fund to:		
General Fund	25,000	-
Local Capital Projects Fund	700,000	-
From General Fund to:		
Human Resources Development Trust Fund	-	1,176,934
Federal Grants Fund	-	2,122,389
Private Grants Fund	-	144,500
	<u>\$ 5,845,675</u>	<u>\$ 3,443,823</u>
<u>Debt Service Fund</u>		
From General Fund to:		
Debt Service Fund	\$ -	\$ 2,000,000
<u>Capital Project Funds</u>		
From DOI Capital Projects Fund to:		
General Fund	\$ 7,700,897	\$ -
To Local Capital Projects Fund from:		
Infrastructure Tax Fund	260,619	260,619
To American Memorial Park Fund from:		
Marianas Public Land Trust	-	148,335
From Local Revenue Fund to:		
Local Capital Projects Fund	-	700,000
From General Fund to:		
Local Capital Projects Fund	-	840,000
From Commonwealth Development Authority to:		
Local Capital Projects Fund	-	34,269
DOI Capital Projects Fund	-	4,069,016
	<u>\$ 7,961,516</u>	<u>\$ 6,052,239</u>
<u>Expendable Trust Fund</u>		
From General Fund to:		
CNMI Workers' Compensation Commission	\$ -	\$ 378,395
<u>Nonexpendable Trust Fund</u>		
From Marianas Public Land Trust to:		
General Fund	\$ 1,174,500	\$ -
American Memorial Park Fund	148,335	-
	<u>\$ 1,322,835</u>	<u>\$ -</u>
<u>Pension Trust Fund</u>		
From General Fund to:		
Northern Mariana Islands Retirement Fund	\$ -	\$ 2,722,886

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(14) Transfers In/Out, Continued

Operating Fund Transfers, Continued

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<u>Component Units - Governmental Funds</u>		
From General Fund to: Marianas Visitors Authority	\$ <u> -</u>	\$ <u>5,975,115</u>
<u>Component Units - Proprietary Funds</u>		
From Commonwealth Development Authority to: Local Capital Projects Fund	\$ 34,269	\$ -
DOI Capital Projects Fund	<u>1,682,169</u>	<u> -</u>
	\$ <u>1,716,438</u>	\$ <u> -</u>
Reconciliation of operating fund transfers is as follows:		
Operating fund transfers, as reported	\$ 74,930,782	\$ 33,575,158
Operating fund transfers not reported due to component unit financial statements not included within the accompanying general purpose financial statements:		
Public Schools System	-	35,917,548
Northern Marianas College	-	7,824,923
Operating fund transfers reported as a reduction in deferred revenue:		
Commonwealth Development Authority	<u>2,386,847</u>	<u> -</u>
	\$ <u>77,317,629</u>	\$ <u>77,317,629</u>

(15) Restatement of Fund Equity

Component Units - Proprietary Funds

Deficit - October 1, 1999, as previously stated	\$ (22,742,013)
Exclusion of the financial statements of the Commonwealth Utilities Corporation for the year ended September 30, 2000	<u>32,053,662</u>
Retained Earnings - October 1, 1999, as restated	\$ <u>9,311,649</u>
Contributed Capital - October 1, 1999, as previously stated	\$ 213,031,376
Exclusion of the financial statements of the Commonwealth Utilities Corporation for the year ended September 30, 2000	<u>(55,164,263)</u>
Contributed Capital - October 1, 1999, as restated	\$ <u>157,867,113</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(16) Commitments

Marianas Visitors Authority (MVA)

MVA is leasing its office in Saipan under a five year lease, with an option to renew for an additional five years, expiring on May 14, 2002. Office rent expense is currently recognized at \$8,462 per month, including \$762 for utilities.

<u>Year ending</u> <u>September 30,</u>	
2001	\$ 101,544
2002	<u>63,465</u>
	<u>\$ 165,009</u>

Marianas Public Land Trust (MPLT)

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

In accordance with Public Law No. 11-72, the Board of Trustees of MPLT approved a loan of \$2,000,000 to the Commonwealth Development Authority to fund various development and maintenance projects at the American Memorial Park. No loan agreement has been finalized and no funds have been disbursed as of September 30, 2000.

Commonwealth Development Authority (CDA)

CDA funding is comprised of residual balances remaining from the issuance of bonds secured by Covenant funds. Net proceeds from the original bond issue were recorded as deferred revenue, and subsequent earnings on the restricted cash and cash equivalents and investments created with the bond proceeds have been recorded as operating revenues (see note 6). During the year ended September 30, 2000, CDA's total grant disbursements to subrecipients for the capital improvement projects exceeded the deferred revenue balance outstanding at the beginning of the year, and, as a result, deferred revenue was reduced to zero. Such grant disbursements in excess of the outstanding deferred revenue amounted to \$1,716,438 for the year ended September 30, 2000 and are reported as an operating transfer out in the accompanying general purpose financial statements. At September 30, 2000, both the CNMI Office of the Governor and the CNMI Public School System have projects in progress for which they were due reimbursement from CDA. CDA's Development Banking Division's balances of cash and cash equivalents and investments have been restricted, partially for such reimbursement, at September 30, 2000 (see note 6).

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, 2000, CDA has loaned \$61,568,750 to CUC.

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 \$33,848 as of September 30, 2000.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(16) Commitments, Continued

Commonwealth Development Authority (CDA), Continued

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, 2000, \$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, 2000, CDA has committed funds of \$6,930,000, \$9,000,000, \$3,000,000 and \$5,474,548, of which \$3,454,232, \$6,419,079, \$1,318,873 and \$1,513,808, respectively, have been disbursed.

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, 2000, amounted to \$4,947,991. Minimum future lease income is as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Minimum Lease</u> <u>Income Due</u>
2001	\$ 1,456,698
2002	1,188,413
2003	1,126,979
2004	1,093,567
2005	1,007,560
Thereafter	<u>14,423,768</u>
	<u>\$ 20,296,985</u>

(17) 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.

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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements September 30, 2000

(17) Contingencies, Continued

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 \$2,219,550, which has been recorded in the General Long-Term Debt Account Group in the accompanying general purpose financial statements.

During the year ended September 30, 2000, a lawsuit was filed against the Commonwealth Ports Authority by a former employee alleging misconduct by an immediate superior during working hours. The former employee is seeking an undisclosed amount of damages. The eventual outcome of this matter cannot be reasonably predicted by management and, accordingly, no provision for any liability or potential loss that may result from settlement of this claim has been recorded in the accompanying general purpose financial statements.

Questioned Costs Under Federally Funded Programs

The CNMI participates in a number of federally assisted grant 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, 2000. 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.

Insurance Coverage

The CNMI does not maintain insurance coverage for a significant amount of fixed assets. In the event of a catastrophe, 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.

The Commonwealth Ports Authority's (CPA) seaport harbor facilities were underinsured by approximately \$10,840,230. In the event of a loss, CPA may be self-insured to a material extent.

Loan Authorizations

On October 4, 1996, the CNMI Legislature passed Public Law No. 10-29, the MPLT/NMHC Home Financing Act of 1996, authorizing the Marianas Public Land Trust (MPLT) to loan up to \$10,000,000 to the Northern Marianas Housing Corporation (NMHC). On January 23, 1999, MPLT executed a loan agreement to lend funds to NMHC of up to \$5,000,000 for the purpose of funding home loans. As of September 30, 2000, the loan balance was \$4,972,261. The loan is due on July 1, 2015, interest at 8.5 %, and is collateralized by the full faith and credit of the CNMI Government.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements September 30, 2000

(17) Contingencies, Continued

Loan Guarantees

Commonwealth Development Authority (CDA):

In connection with the Koblerville Expansion Project, the Commonwealth Utilities Corporation (CUC) will reimburse NMHC the sum of \$1,220,000 towards the cost for the project. Payment shall be made in monthly installments of \$12,940 including interest at 5% per annum over a term of ten years beginning March 1999 and ending March 2009. In lieu of making the monthly installment payments, CUC may offset such payments in whole or in part with the monthly utility payments NMHC owes CUC for its activities, on a dollar for dollar basis. As of September 30, 2000, no amounts have been reimbursed by CUC, and no receivable has been recorded as CUC is disputing the agreement.

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, 2000, is \$19,159,623. Unutilized line of credit facilities guaranteed by CDA amount to \$65,324 as of September 30, 2000.

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.

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, 2000, NMHC was contingently liable for \$2,496,064 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, 2000 was \$115,579 (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, 2000, NMHC has guaranteed outstanding loans of approximately \$12,300,000, and the balance in the escrow account is \$302,250 (see note 6). NMHC is required to maintain a minimum balance of \$100,000.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(17) Contingencies, Continued

Going Concern

CPA has incurred a net loss of \$2,833,142 during the year ended September 30, 2000. Management's plans to increase revenues and/or decrease costs are as follows:

- a) Implement cost cutting measures - The Board of Directors approved and initiated the implementation of certain austerity measures in an attempt to reduce operating costs.
- b) Explore non-aviation revenue generating options.

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

Other

As of September 30, 2000, the CNMI has invested in stock, totaling \$755,372, of the Pacific Islands Development Bank (PIDB). The CNMI has an additional commitment of \$244,628 outstanding to achieve a total investment of \$1,000,000. As of September 30, 2000, the CNMI does not have a formal written document mandating the investment of \$1,000,000 in PIDB.

Members of the Northern Mariana Islands Retirement Fund (NMIRF), who were employed by the government of the Trust Territory of the Pacific Islands (TTPI), are entitled to purchase credit for services rendered to the TTPI. Initially, the individuals were required to pay both the employers' and the employees' shares. Public Law No. 9-25 granted these individuals relief from paying in the employers' share and required that any employer contributions already paid in be refunded and reported to the CNMI Legislature. NMIRF has refunded \$780,733 in such contributions and considers this amount to be a receivable from the CNMI Government. The CNMI has not appropriated funds for this purpose and, accordingly, a liability has not been recorded within the accompanying general purpose financial statements.

Effective June 21, 1997, Public Law No. 10-19 transferred administration of the government health and life insurance programs from the CNMI's Department of Finance to NMIRF. 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 NMIRF, the CNMI retains responsibility for all liabilities of the government health and life insurance programs. As of September 30, 2000, unprocessed claims submitted by health care providers amounted to \$14,000,000. Management of the CNMI has not received any notification from NMIRF concerning these unprocessed claims. Accordingly, the ultimate disposition of these unprocessed claims cannot presently be determined. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying general purpose financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements September 30, 2000

(17) Contingencies, Continued

Other, Continued

Commonwealth Ports Authority (CPA):

During the year ended September 30, 2000, CPA assessed penalties, totaling \$645,000, against a contractor for the substantial delay of a project located in Rota. The contractor agreed to offset the outstanding retention balance due them of \$236,217 and perform additional work, totaling \$170,000, against the amount claimed by CPA. The contractor, however, is disputing the remaining balance of \$238,783. Loss of revenues incurred by CPA as a result of the delay on this project amounted to \$213,696 and, accordingly, penalties amounting to \$213,696 have been recorded as other income.

Commonwealth Development Authority (CDA):

During January 1998 to August 1999, CDA renovated its leased building and attached parking lot at a cost of \$461,095, which is included in property and equipment in the accompanying general purpose financial statements. The CNMI's Office of the Public Auditor (OPA) conducted an audit of the contracts and purchases associated with the renovation and issued an audit report dated July 10, 2000. OPA recommended that CDA take steps to obtain reimbursement from the lessor of the amount of accrued interest on public funds advanced for parking lot improvements. CDA is in disagreement with the finding from OPA. As the outcome is uncertain, no adjustments have been made to the accompanying general purpose financial statements.

NMHC is deficient in required restricted assets of its MPLT collateral account at September 30, 2000 (see note 6). Required restricted assets were \$100,400 at September 30, 2000.

(18) Risk Management

The CNMI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. With the exception of the Northern Mariana Islands Retirement Fund (NMIRF), it is the policy of the primary government not to purchase commercial insurance for the risks of loss 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.

NMIRF is exposed to various risks of loss in the normal course of business. NMIRF has elected to purchase commercial insurance from independent third parties for the risks of loss to which they are exposed with the exception of workers' compensation claims. NMIRF believes it is more economical to manage risks relating to workers' compensation internally. For risks of loss covered by commercial insurance, settled claims have not exceeded this commercial coverage in any of the past three years. For workers' compensation claims, no material losses have resulted from the NMIRF's risk management activities.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements September 30, 2000

(18) Risk Management, Continued

Component Units are exposed to the same risks of loss as the CNMI. These component units have elected to purchase commercial insurance from independent third parties for the risks of loss to which they are exposed. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(19) 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. Public Law No. 6-17, the Northern Mariana Islands Retirement Fund Act of 1988, is the authority under which benefit provisions are established. 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 501247, Saipan, MP, 96950-1247.

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 NMIRF. The CNMI's total personnel expense for governmental fund types, inclusive of pension cost, for fiscal year 2000 was \$123,123,360, which was covered in total by 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.

(20) Subsequent Events

On October 19, 2000, the CNMI Legislature passed Public Law No. 12-27, the Refinance Act for the MPLT/NMHC Loan Arrangement, which approved an additional loan to the Northern Marianas Housing Corporation (NMHC) from the Marianas Public Land Trust (MPLT) in the amount of \$3,800,000, to be added to outstanding loans previously approved by Public Law No. 10-29, which will then total \$10,000,000 (see notes 4 and 9). The loan is for a period of fifteen years, interest at 8.5 %, with principal and interest to be paid through legislative appropriation of operating transfers to the general fund of the CNMI government from investment income of MPLT commencing October 19, 2010.

On December 5, 2000, the CNMI Legislature passed Public Law No. 12-33, the Board of Public Lands Act of 2000, to establish the Division of Public Lands (DPL) as an independent agency within the CNMI's Executive Branch. Accordingly, fund balance within the General Fund has been reserved for in the amount of \$11,712,383 as of September 30, 2000, which constitutes total unobligated funds to be transferred to DPL in fiscal year 2001.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2000

(20) Subsequent Events, Continued

Commonwealth Ports Authority (CPA)

On December 7, 2000, the Board of Directors approved a reduction of the departure facility service charge from \$8 to \$6.35 per passenger, effective January 1, 2001. The Board approved annual increases over the next three years at which time the rate is expected to be \$8 per passenger.

Commonwealth Development Authority (CDA)

On March 10, 1998, the CNMI Legislature passed Public Law No. 11-3 authorizing CDA to issue general obligation bonds in order to finance the matching portion of Covenant funds relating to certain capital projects. On November 15, 2000, CDA issued general obligation bonds, totaling \$60,000,000, on behalf of the CNMI Government (see note 10).

On January 17, 2001, NMHC executed a loan agreement with a bank for a line of credit of up to \$3,500,000 to finance the Saipan Koblerville Expansion Project (the Project). The loan is collateralized by a mortgage of the Project and is guaranteed by CDA. Interest is based on a rate of 0.25% below the bank's base lending rate and is payable in monthly installments, with all principal and accrued interest due in full on July 31, 2001 or sixty days after completion of the Project, whichever is earlier.

(21) Individual Deficit Fund Balances or Deficit Retained Earnings

Specific individual funds that had individual deficit fund balances or retained earnings as of September 30, 2000, are as follows:

General Fund	\$ <u>33,088,078</u>
Special Revenue Funds:	
Human Resources Development Trust Fund	\$ <u>377,794</u>
Capital Projects Funds:	
American Memorial Park Fund	\$ <u>65,627</u>
Internal Service Funds:	
Serv-Mart Revolving Fund	\$ <u>293,036</u>
Special Surplus Property Fund	\$ <u>75,803</u>
Component Units - Proprietary Funds:	
Commonwealth Development Authority - Development Banking Division	\$ <u>53,284,030</u>

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

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, 2000
 (With comparative totals for the year ended September 30, 1999)

	Governmental Fund Types				Fiduciary	Total	Component	Totals	
	General	Special Revenue	Debt Service	Capital Projects	Fund Type	Government	Units	Reporting Entity	
					Expendable Trust	(Memorandum Only)	Govern- mental	(Memorandum Only)	2000
Salaries and wages	\$ 110,662,041	\$ 12,018,872	\$ -	\$ 442,447	\$ 460,961	\$ 123,584,321	\$ 1,982,426	\$ 125,566,747	\$ 117,757,785
Professional services	10,125,784	6,648,962	-	374,005	4,416	17,153,167	-	17,153,167	18,479,726
Construction in progress	-	-	-	15,357,325	-	15,357,325	-	15,357,325	6,535,300
Capital outlay:									
Road improvements	9,248	-	-	5,769,561	-	5,778,809	-	5,778,809	5,171,204
Office equipment	985,153	844,270	-	99,528	19,995	1,948,946	-	1,948,946	3,624,732
Furniture and fixtures	167,540	186,206	-	907,677	-	1,261,423	29,970	1,291,393	594,328
Machinery and equipment	310,720	182,740	-	99,088	-	592,548	139,579	732,127	415,367
Vehicles	301,644	424,739	-	-	-	726,383	-	726,383	1,100,865
Building improvements	85,816	-	-	113,505	-	199,321	-	199,321	1,252,098
Other	139,209	1,048,315	-	2,487,282	-	3,674,806	3,000	3,677,806	11,342,384
Utilities	9,964,845	-	-	-	-	9,964,845	-	9,964,845	10,608,994
Supplies	6,045,589	968,172	-	50,095	26,389	7,090,245	-	7,090,245	7,886,396
Medical claims	-	-	-	-	6,963,607	6,963,607	-	6,963,607	5,574,296
Food items	631,666	4,979,913	-	-	152	5,611,731	-	5,611,731	4,856,177
Rentals	4,627,100	530,008	-	41,100	30,344	5,228,552	270,429	5,498,981	6,173,066
Travel	3,969,379	1,267,795	-	11,891	11,867	5,260,932	111,725	5,372,657	5,097,494
Advertising	84,417	127,993	-	3,474	726	216,610	4,470,309	4,686,919	3,815,666
Scholarships/grants	2,997,343	1,216,612	-	-	-	4,213,955	-	4,213,955	4,226,197
Repairs and maintenance	1,890,772	711,382	-	96,590	4,593	2,703,337	-	2,703,337	2,100,487
Communications	1,895,261	322,307	-	890	11,825	2,230,283	-	2,230,283	1,624,543
Principal repayment	-	433,145	1,755,000	-	-	2,188,145	-	2,188,145	674,499
Interest	-	981,305	604,259	-	-	1,585,564	-	1,585,564	991,431
Indirect costs	-	1,419,060	-	-	-	1,419,060	-	1,419,060	767,063
Fuel and lubrication	909,121	100,596	-	-	513	1,010,230	-	1,010,230	873,248
Official representation	970,183	-	-	-	-	970,183	-	970,183	946,229
Printing	543,856	107,610	-	-	14,344	667,810	86,407	754,217	771,242
Miscellaneous services	419,316	160,736	-	-	-	580,052	-	580,052	604,352
Bad debts	296,738	-	-	-	-	296,738	-	296,738	878,096
Books and library materials	126,196	117,886	-	-	6,930	251,012	-	251,012	194,024
Freight	191,137	52,306	-	-	2,873	246,316	-	246,316	189,172
Dues and subscriptions	183,687	53,370	-	-	757	237,814	-	237,814	183,540
Insurance	206,948	-	-	-	-	206,948	-	206,948	214,629
Claims and judgments	142,584	-	-	-	-	142,584	-	142,584	200,563
Licenses and fees	24,465	-	-	-	-	24,465	-	24,465	20,471
Other	5,046,478	1,070,111	36,361	3,327,313	167,369	9,647,632	698,979	10,346,611	3,255,318
	<u>\$ 163,956,236</u>	<u>\$ 35,974,411</u>	<u>\$ 2,395,620</u>	<u>\$ 29,181,771</u>	<u>\$ 7,727,661</u>	<u>\$ 239,235,699</u>	<u>\$ 7,792,824</u>	<u>\$ 247,028,523</u>	<u>\$ 229,000,982</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
GENERAL FUND

September 30, 2000

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, 2000
(With comparative totals for the year ended September 30, 1999)

	<u>2000</u>	<u>1999</u>
Revenues:		
Taxes:		
Business gross revenue	\$ 57,179,756	\$ 54,157,302
Income	52,220,283	60,036,206
Garment certification	38,644,187	39,311,347
Excise	21,391,449	19,882,966
Hotel room occupancy	6,116,079	5,957,365
Fuel	4,181,912	4,182,643
Bar and liquor	3,216,898	2,885,713
Penalties and interest	1,599,506	1,058,463
Other	445,603	412,901
	<u>184,995,673</u>	<u>187,884,906</u>
Charges for sales and services:		
Hospital	6,089,942	8,363,680
Reimbursements	2,254,450	1,587,588
Other	4,702,837	2,258,901
	<u>13,047,229</u>	<u>12,210,169</u>
Licenses and fees:		
Amusement machines	6,509,709	5,719,435
Entry, alien labor, and transfer fees	2,745,281	2,731,335
Vehicle registration	861,765	888,272
Business licenses	756,115	645,470
Vehicle operator license	242,740	218,028
Corporation	233,006	238,407
Other	429,670	688,898
	<u>11,778,286</u>	<u>11,129,845</u>
Division of Public Lands:		
Land leases	2,795,099	4,853,857
Interest	599,646	433,576
Fees	21,238	1,125,937
	<u>3,415,983</u>	<u>6,413,370</u>
Other:		
Interest	1,388,979	824,776
Net increase in the fair value of investments	392,196	215,804
Other	806,424	2,456,233
	<u>2,587,599</u>	<u>3,496,813</u>
Total revenues	<u>215,824,770</u>	<u>221,135,103</u>
Expenditures by function:		
Department of Public Health	41,605,569	39,636,818
Department of Public Safety	19,559,019	17,808,291
Department of Finance	12,655,991	11,236,730
Office of the Governor	11,845,444	14,030,985
Department of Public Works	9,008,125	8,861,221
Department of Labor and Immigration	6,963,710	6,408,023
Department of Lands and Natural Resources	6,921,550	7,401,949
Department of Community and Cultural Affairs	3,834,819	3,771,253
Office of the Attorney General	2,627,141	2,606,418
Department of Commerce	2,087,750	2,319,263
Department of Personnel	2,078,179	2,007,126
Division of Public Lands	2,070,401	3,090,796
Office of the Public Defender	577,777	543,291
Total offices and departments	<u>121,835,475</u>	<u>119,722,164</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, 2000
(With comparative totals for the year ended September 30, 1999)

	2000	1999
Elected offices:		
Tinian mayor/municipal council	4,824,460	4,998,983
Rota mayor/municipal council	3,907,113	3,460,419
Saipan mayor/municipal council	2,311,179	2,373,290
Washington representative	1,551,410	1,456,933
Northern Islands mayor	551,487	541,235
Total elected offices	<u>13,145,649</u>	<u>12,830,860</u>
Legislative branch:		
House of Representatives	3,412,941	3,454,437
Legislative Bureau	2,121,993	1,880,543
Senate	1,939,446	1,766,074
Total legislative branch	<u>7,474,380</u>	<u>7,101,054</u>
Independent programs:		
Government utilities	9,946,542	10,608,944
Public Library	266,612	253,697
Micronesian Legal Services Corporation	171,452	171,452
Chamorro/Carolinian language	156,111	172,866
Karidat	128,589	128,589
Judgments and settlements	120,184	126,563
Other	3,272,705	529,269
Total independent programs	<u>14,062,195</u>	<u>11,991,380</u>
Boards and commissions:		
Board of Election	345,545	285,831
Civil Service Commission	337,949	377,007
Board of Professional Licensing	149,342	140,554
Total boards and commissions	<u>832,836</u>	<u>803,392</u>
Judicial branch:		
Superior Court	2,841,253	2,849,564
Supreme Court	1,532,688	1,371,303
Law Revision Commission	244,968	303,522
Family Court	1,691	58,873
Total judicial branch	<u>4,620,600</u>	<u>4,583,262</u>
Office of the Public Auditor	<u>1,985,101</u>	<u>2,061,452</u>
Other	<u>-</u>	<u>2,811,762</u>
Total expenditures	<u>163,956,236</u>	<u>161,905,326</u>
Excess of revenues over expenditures	<u>51,868,534</u>	<u>59,229,777</u>
Other financing sources (uses):		
Operating transfers in	13,002,700	4,879,163
Operating transfers out	(58,084,318)	(74,441,583)
Bond proceeds	-	14,980,000
Total other financing sources (uses), net	<u>(45,081,618)</u>	<u>(54,582,420)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	6,786,916	4,647,357
Deficit at beginning of year	<u>(39,874,994)</u>	<u>(44,522,351)</u>
Deficit at end of year	<u>\$ (33,088,078)</u>	<u>\$ (39,874,994)</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, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 177,938,811	\$ 184,995,673	\$ 7,056,862
Charges for sales and services	10,965,000	13,047,229	2,082,229
Licenses and fees	9,180,800	11,778,286	2,597,486
Division of Public Lands	4,163,267	3,415,983	(747,284)
Other	1,700,000	2,587,599	887,599
Total revenues	203,947,878	215,824,770	11,876,892
Expenditures - budgetary basis by function:			
Executive branch:			
Department of Public Health	33,561,229	39,580,185	(6,018,956)
Department of Public Safety	11,625,563	15,893,937	(4,268,374)
Office of the Governor	15,813,794	14,145,679	1,668,115
Department of Finance	10,608,370	11,285,056	(676,686)
Department of Public Works	7,250,558	7,290,689	(40,131)
Department of Labor and Immigration	5,840,028	5,827,867	12,161
Department of Lands and Natural Resources	4,101,518	3,796,249	305,269
Department of Community and Cultural Affairs	2,985,254	2,970,340	14,914
Office of the Attorney General	3,062,361	2,663,860	398,501
Division of Public Lands	4,121,540	2,070,401	2,051,139
Department of Commerce	2,024,300	1,558,392	465,908
Office of the Public Defender	628,738	592,321	36,417
	101,623,253	107,674,976	(6,051,723)
First Senatorial District - Rota:			
Mayor	2,712,403	2,759,700	(47,297)
Public Health	2,380,032	2,447,348	(67,316)
Public Safety	1,761,560	1,803,610	(42,050)
Lands and Natural Resources	1,666,165	1,704,405	(38,240)
Public Works	993,095	999,530	(6,435)
Finance	889,324	951,384	(62,060)
Municipal Council	804,347	844,051	(39,704)
Labor and Immigration	674,144	721,490	(47,346)
Community and Cultural Affairs	555,077	575,996	(20,919)
Commerce	308,614	326,144	(17,530)
Personnel Office	230,175	236,001	(5,826)
	12,974,936	13,369,659	(394,723)
Second Senatorial District - Tinian:			
Mayor	4,024,000	4,055,648	(31,648)
Public Health	2,196,479	2,181,164	15,315
Public Safety	1,697,671	1,710,283	(12,612)
Lands and Natural Resources	1,326,867	1,387,925	(61,058)
Municipal Council	853,138	856,517	(3,379)
Labor and Immigration	744,035	755,510	(11,475)
Finance	642,699	751,022	(108,323)
Public Works	750,471	712,417	38,054
Personnel Office	333,768	345,869	(12,101)
Community and Cultural Affairs	287,950	288,372	(422)
Commerce	275,409	280,187	(4,778)
	13,132,487	13,324,914	(192,427)
Office of the Mayors:			
Saipan	2,092,025	2,118,682	(26,657)
Northern Islands	533,217	549,044	(15,827)
Saipan Municipal Council	216,305	219,685	(3,380)
	2,841,547	2,887,411	(45,864)
Office of the Washington Representative	1,264,633	1,613,109	(348,476)
Legislative branch:			
House of Representatives	3,612,037	3,527,953	84,084
Legislative Bureau	1,626,347	2,025,412	(399,065)
Senate	2,010,061	1,976,381	33,680
	7,248,445	7,529,746	(281,301)

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, 2000**

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - budgetary basis by function, continued:			
Independent programs:			
Government utilities	6,000,833	9,946,542	(3,945,709)
Public Library	330,107	306,897	23,210
Micronesian Legal Services Corporation	171,452	171,452	-
Chamorro/Carolinian language	161,158	155,633	5,525
Karidat	128,589	128,589	-
Judgments and settlements	30,893	45,184	(14,291)
Other	984,601	820,294	164,307
	<u>7,807,633</u>	<u>11,574,591</u>	<u>(3,766,958)</u>
Boards and commissions:			
Board of Election	369,408	374,115	(4,707)
Civil Service Commission	378,433	342,245	36,188
Board of Professional Licensing	149,188	152,628	(3,440)
	<u>897,029</u>	<u>868,988</u>	<u>28,041</u>
Judicial branch:			
Superior Court	3,068,864	2,845,599	223,265
Supreme Court	1,543,594	1,442,914	100,680
Law Revision Commission	321,901	244,835	77,066
Family Court	-	1,691	(1,691)
	<u>4,934,359</u>	<u>4,535,039</u>	<u>399,320</u>
Office of the Public Auditor	<u>2,311,300</u>	<u>1,985,128</u>	<u>326,172</u>
Total expenditures	<u>155,035,622</u>	<u>165,363,561</u>	<u>(10,327,939)</u>
Excess of revenues over expenditures	<u>48,912,256</u>	<u>50,461,209</u>	<u>1,548,953</u>
Other financing sources (uses):			
Operating transfers in:			
DOI Capital Projects Fund	-	7,700,897	7,700,897
Commonwealth Nonresident Workers Fund	5,700,000	4,102,303	(1,597,697)
Marianas Public Land Trust	692,300	1,174,500	482,200
Local Revenue Fund	-	25,000	25,000
	<u>6,392,300</u>	<u>13,002,700</u>	<u>6,610,400</u>
Operating transfers out:			
Public School System	35,917,539	35,900,925	16,614
Northern Marianas College	6,815,918	6,806,551	9,367
Marianas Visitors Authority	5,975,115	5,975,115	-
Northern Mariana Islands Retirement Fund	2,722,885	2,722,885	-
Federal Grants Fund	402,679	2,266,889	(1,864,210)
Debt Service Fund	2,000,000	2,000,000	-
Human Resources Development Trust Fund	1,176,934	1,176,934	-
Local Capital Projects Fund	-	840,000	(840,000)
Workers' Compensation Commission	378,396	378,396	-
Commonwealth Alien Deportation Fund	165,286	-	165,286
	<u>55,554,752</u>	<u>58,067,695</u>	<u>(2,512,943)</u>
Total other financing sources (uses), net	<u>(49,162,452)</u>	<u>(45,064,995)</u>	<u>4,097,457</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(250,196)</u>	<u>5,396,214</u>	<u>5,646,410</u>
Other changes in unreserved fund balances:			
Decrease in reserve for supplies inventory	-	418,630	418,630
Decrease in reserve for related assets	-	915,826	915,826
Increase in reserve for Division for Public Lands	-	(11,712,383)	(11,712,383)
Increase in reserve for continuing appropriations	366,444	(518,132)	(884,576)
Other	-	4,333,071	4,333,071
Deficit at beginning of year	<u>(68,287,467)</u>	<u>(68,287,467)</u>	<u>-</u>
Deficit at end of year	<u>\$ (68,171,219)</u>	<u>\$ (69,454,241)</u>	<u>\$ (1,283,022)</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
SPECIAL REVENUE FUNDS

September 30, 2000

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 2000. 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, 2000

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, 2000, the project was completed. Revenues generated by the court will be used to finance the debt service on the loan with 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, 2000
(With comparative totals as of September 30, 1999)**

	Federal Grants	Private Grants	Commonwealth Arts Council	Human Resources Development Trust	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Commonwealth Museum	Judicial Building	Local Revenue	Totals	
											2000	1999
Assets												
Receivables, net:												
Federal agencies	\$ 6,735,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,735,194	\$ 7,416,571
Due from other funds	-	818,653	68,782	-	128,374	1,172,626	341,992	145,926	2,851,978	1,710,758	7,239,089	6,574,909
	<u>\$ 6,735,194</u>	<u>\$ 818,653</u>	<u>\$ 68,782</u>	<u>\$ -</u>	<u>\$ 128,374</u>	<u>\$ 1,172,626</u>	<u>\$ 341,992</u>	<u>\$ 145,926</u>	<u>\$ 2,851,978</u>	<u>\$ 1,710,758</u>	<u>\$ 13,974,283</u>	<u>\$ 13,991,480</u>
Liabilities and Fund Balances (Deficit)												
Liabilities:												
Accounts payable	\$ 618,582	\$ 20,643	\$ -	\$ 10,718	\$ -	\$ -	\$ 17,075	\$ 9,776	\$ -	\$ 47,474	\$ 724,268	\$ 1,976,748
Other liabilities and accruals	611,006	-	-	37,622	-	36,774	4,203	17,060	-	-	706,665	476,532
Due to other funds	4,755,606	-	-	329,454	-	-	-	-	-	-	5,085,060	4,947,241
Deferred revenue	-	684,079	-	-	128,374	-	-	-	-	-	812,453	797,169
Total liabilities	<u>5,985,194</u>	<u>704,722</u>	<u>-</u>	<u>377,794</u>	<u>128,374</u>	<u>36,774</u>	<u>21,278</u>	<u>26,836</u>	<u>-</u>	<u>47,474</u>	<u>7,328,446</u>	<u>8,197,710</u>
Fund balances (deficit):												
Reserved for:												
Encumbrances	5,233,823	42,117	14,003	126,110	-	92,544	114,323	40,413	1,190	135,538	5,800,061	3,491,139
Debt service	-	-	-	-	-	-	-	-	2,658,050	-	2,658,050	1,077,211
Unreserved:												
Undesignated	(4,483,823)	71,814	54,779	(503,904)	-	1,043,308	206,391	78,677	192,738	1,527,746	(1,812,274)	1,225,420
Total fund balances (deficit)	<u>750,000</u>	<u>113,931</u>	<u>68,782</u>	<u>(377,794)</u>	<u>-</u>	<u>1,135,852</u>	<u>320,714</u>	<u>119,090</u>	<u>2,851,978</u>	<u>1,663,284</u>	<u>6,645,837</u>	<u>5,793,770</u>
	<u>\$ 6,735,194</u>	<u>\$ 818,653</u>	<u>\$ 68,782</u>	<u>\$ -</u>	<u>\$ 128,374</u>	<u>\$ 1,172,626</u>	<u>\$ 341,992</u>	<u>\$ 145,926</u>	<u>\$ 2,851,978</u>	<u>\$ 1,710,758</u>	<u>\$ 13,974,283</u>	<u>\$ 13,991,480</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, 2000
(With comparative totals for the year ended September 30, 1999)**

	Federal Grants	Private Grants	Commonwealth Arts Council	Human Resources Development Trust	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Commonwealth Museum	Judicial Building	Local Revenue	Totals		
											2000	1999	
Revenues:													
Federal contributions	\$ 28,337,208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,248	\$ 5,870	\$ -	\$ -	\$ -	\$ 28,461,326	\$ 20,894,947
Other contributions	312,515	89,413	50,771	-	-	-	-	-	-	-	-	452,699	373,709
Interest	-	-	-	-	-	-	-	-	-	-	-	-	4,155
Other	209,091	-	-	-	-	5,734,129	810,837	38,692	1,426,356	2,095,200	-	10,314,305	8,904,711
Total revenues	28,858,814	89,413	50,771	-	-	5,734,129	929,085	44,562	1,426,356	2,095,200	-	39,228,330	30,177,522
Expenditures by function:													
Department of Community and Cultural Affairs	8,181,793	16,096	-	-	-	92,894	-	-	-	-	-	8,292,783	7,311,922
Department of Health and Environmental Services	6,212,241	3,513	-	-	-	-	-	-	-	-	-	6,215,754	4,123,980
Office of the Governor	2,681,435	-	-	-	-	-	-	-	-	-	-	2,681,435	3,672,450
Department of Commerce	2,463,695	-	-	-	-	-	-	-	-	-	-	2,463,695	76,935
Department of Land and Natural Resources	1,835,938	23,074	-	-	-	-	-	-	-	-	-	1,859,012	1,678,925
Department of Labor and Immigration	540,077	-	-	-	-	408,696	581,126	-	-	-	-	1,529,899	3,122,658
Department of Public Safety	1,157,257	45,654	-	-	-	-	-	-	-	-	-	1,202,911	857,631
Human Resources Development Trust	-	-	-	970,013	-	-	-	-	-	-	-	970,013	891,693
Commonwealth Arts Council	-	-	30,109	-	-	-	-	-	-	-	-	30,109	38,533
Other	7,906,767	1,076	-	-	-	11,339	-	554,151	1,503,222	752,845	-	10,729,400	6,279,970
Total expenditures	30,981,203	89,413	30,109	970,013	-	512,329	581,126	554,151	1,503,222	752,845	-	35,974,411	28,254,737
Excess (deficiency) of revenues over (under) expenditures	(2,122,389)	-	20,662	(970,013)	-	5,221,800	347,959	(509,589)	(76,866)	1,342,355	-	3,253,919	1,922,785
Other financing sources (uses):													
Operating transfers in	2,122,389	144,500	-	1,176,934	-	-	-	-	-	-	-	3,443,823	4,308,557
Operating transfers out	-	-	-	-	-	(5,120,675)	-	-	-	(725,000)	-	(3,845,675)	(4,813,476)
Total other financing sources (uses), net	2,122,389	144,500	-	1,176,934	-	(5,120,675)	-	-	-	(725,000)	-	(2,401,852)	(504,919)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	144,500	20,662	206,921	-	101,125	347,959	(509,589)	(76,866)	617,355	-	852,067	1,417,866
Fund balances (deficit) at beginning of year	750,000	(30,569)	48,120	(584,715)	-	1,034,727	(27,245)	628,679	2,928,844	1,045,929	-	5,793,770	4,375,904
Final balances (deficit) at end of year	\$ 750,000	\$ 113,931	\$ 68,782	\$ (377,794)	\$ -	\$ 1,135,852	\$ 320,714	\$ 119,090	\$ 2,851,978	\$ 1,663,284	\$ -	\$ 6,645,837	\$ 5,793,770

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, 2000
(With comparative totals for the year ended September 30, 1999)**

	Federal Grants	Private Grants	Commonwealth Arts Council	Human Resources Development Trst	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Commonwealth Museum	Judicial Building	Local Revenue	Totals	
											2000	1999
Revenues:												
Federal contributions	\$ 28,337,208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,248	\$ 5,870	\$ -	\$ -	\$ 28,461,326	\$ 20,894,947
Other contributions	312,315	89,413	50,771	-	-	-	-	-	-	-	452,699	373,309
Interest	-	-	-	-	-	-	-	-	-	-	-	4,155
Other	209,091	-	-	-	-	5,734,129	810,837	38,692	1,426,356	2,095,200	10,314,305	8,904,711
Total revenues	28,858,814	89,413	50,771	-	-	5,734,129	920,085	44,562	1,426,356	2,095,200	39,228,330	30,177,522
Expenditures by account:												
Salaries and wages	10,086,758	-	2,540	882,567	-	494,882	251,699	280,646	-	19,780	12,018,872	9,255,700
Professional services	6,431,146	1,376	10,655	14,130	-	-	8,131	165,654	-	17,870	6,648,962	4,456,093
Food items	4,953,097	3,879	3,310	-	-	-	-	19,627	-	-	4,979,913	4,390,432
Capital outlay:												
Office equipment	814,066	16,201	-	3,169	-	-	-	1,083	-	9,751	844,370	1,556,288
Vehicles	365,739	-	-	-	-	-	-	-	-	59,000	424,739	432,973
Furniture and fixtures	182,074	-	-	550	-	-	-	1,930	-	1,652	186,206	243,718
Machinery and equipment	174,663	-	-	-	-	-	-	1,800	-	6,277	182,740	111,221
Other	747,973	17,920	-	-	-	-	-	2,422	-	280,000	1,048,315	375,374
Indirect costs	1,419,060	-	-	-	-	-	-	-	-	-	1,419,060	767,063
Travel	1,047,154	6,171	675	3,638	-	-	198,105	7,952	-	4,100	1,267,795	1,233,086
Scholarships/grants	1,216,612	-	-	-	-	-	-	-	981,305	-	1,216,612	633,443
Interest	-	-	-	-	-	-	-	-	-	-	981,305	991,431
Supplies	915,301	15,061	1,754	7,112	-	-	17,478	9,810	-	1,656	968,172	732,271
Repairs and maintenance	559,641	4,250	260	8,874	-	-	3,450	-	-	134,907	711,382	576,898
Rentals	405,009	2,472	9,912	2,283	-	-	36,716	41,632	-	31,984	530,008	462,196
Principal repayment	-	-	-	-	-	-	-	-	433,145	-	433,145	674,499
Communications	289,700	788	-	24,246	-	-	52	7,521	-	-	322,507	169,346
Miscellaneous services	143,518	-	-	-	-	-	17,218	-	-	-	160,736	159,461
Advertising	111,305	1,283	-	15,305	-	-	-	100	-	-	127,993	48,845
Books and library materials	106,804	1,082	-	-	-	-	-	-	-	10,000	117,886	95,778
Printing	94,976	3,810	991	388	-	-	-	-	-	2,445	107,610	106,678
Fuel and lubrication	63,642	-	-	3,110	-	-	3,844	-	-	30,000	100,596	40,479
Dues and subscriptions	52,473	-	-	897	-	-	-	-	-	-	53,370	42,280
Freight	38,487	9,570	12	914	-	-	-	3,335	-	-	52,306	35,049
Other	762,005	550	12	2,830	-	17,447	24,806	30,266	88,772	143,423	1,070,111	684,135
Total expenditures	30,981,203	89,413	30,109	970,013	-	512,329	581,126	554,151	1,503,222	752,845	35,974,411	28,254,737
Excess (deficiency) of revenues over (under) expenditures	(2,122,389)	-	20,662	(970,013)	-	5,221,800	347,959	(509,589)	(76,866)	1,342,355	3,253,919	1,922,785
Other financing sources (uses):												
Operating transfers in	2,122,389	144,500	-	1,176,934	-	-	-	-	-	-	3,443,823	4,308,557
Operating transfers out	-	-	-	-	-	(5,120,675)	-	-	-	(725,000)	(5,845,675)	(4,813,476)
Total other financing sources (uses), net	2,122,389	144,500	-	1,176,934	-	(5,120,675)	-	-	-	(725,000)	(2,401,852)	(504,919)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	144,500	20,662	206,921	-	101,125	347,959	(509,589)	(76,866)	617,355	852,067	1,417,866
Fund balances (deficit) at beginning of year	750,000	(30,569)	48,120	(584,715)	-	1,034,727	(27,245)	628,679	2,928,844	1,045,929	5,793,770	4,375,904
Fund balances (deficit) at end of year	\$ 750,000	\$ 113,931	\$ 68,782	\$ (377,794)	\$ -	\$ 1,135,852	\$ 320,714	\$ 119,090	\$ 2,851,978	\$ 1,663,284	\$ 6,645,837	\$ 5,793,770

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
CAPITAL PROJECTS FUNDS

September 30, 2000

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 (DOI) 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, 2000
(With comparative totals as of September 30, 1999)

	DOI	Commonwealth	Commonwealth	Infrastructure	Public	NMHC	American	Local	Private	Totals	
	Capital Projects	Development Authority	Medical Center	Tax	Works Grants	Grants	Memorial Park	Capital Projects	Capital Grants	2000	1999
Assets											
Receivables, net:											
Federal agencies	\$ 6,218,294	\$ -	\$ 279,801	\$ -	\$ 451,541	\$ 161,356	\$ -	\$ -	\$ -	\$ 7,110,992	\$ 9,826,394
Other	-	-	-	-	-	-	105,542	-	700,264	805,806	701,372
Due from other funds	19,135,897	506,000	-	2,316,950	454,327	-	-	1,520,949	508,932	24,443,055	22,093,285
	<u>\$ 25,354,191</u>	<u>\$ 506,000</u>	<u>\$ 279,801</u>	<u>\$ 2,316,950</u>	<u>\$ 905,868</u>	<u>\$ 161,356</u>	<u>\$ 105,542</u>	<u>\$ 1,520,949</u>	<u>\$ 1,209,196</u>	<u>\$ 32,359,853</u>	<u>\$ 32,621,051</u>
Liabilities and Fund Balances (Deficit)											
Liabilities:											
Accounts payable	\$ 1,867,610	\$ 70,408	\$ -	\$ -	\$ 905,868	\$ -	\$ 8,844	\$ 165,691	\$ 35,718	\$ 3,054,139	\$ 3,396,721
Other liabilities and accruals	3,769	-	-	-	-	-	-	-	-	3,769	3,346
Due to other funds	-	-	279,801	-	-	161,356	162,325	-	-	603,482	671,914
Deferred revenue	-	435,592	-	-	-	-	-	-	-	435,592	437,794
Total liabilities	<u>1,871,379</u>	<u>506,000</u>	<u>279,801</u>	<u>-</u>	<u>905,868</u>	<u>161,356</u>	<u>171,169</u>	<u>165,691</u>	<u>35,718</u>	<u>4,096,982</u>	<u>4,509,775</u>
Fund balances (deficit):											
Reserved for:											
Continuing appropriation	-	-	-	-	-	-	-	1,844,404	-	1,844,404	1,844,404
Encumbrances	31,164,471	1,088,430	-	1,901	4,360,069	32,794	151,437	1,629,962	552,942	38,982,006	20,092,387
Unreserved	(7,681,659)	(1,088,430)	-	2,315,049	(4,360,069)	(32,794)	(217,064)	(2,119,108)	620,536	(12,563,539)	6,174,485
Total fund balances (deficit)	<u>23,482,812</u>	<u>-</u>	<u>-</u>	<u>2,316,950</u>	<u>-</u>	<u>-</u>	<u>(65,627)</u>	<u>1,355,258</u>	<u>1,173,478</u>	<u>28,262,871</u>	<u>28,111,276</u>
	<u>\$ 25,354,191</u>	<u>\$ 506,000</u>	<u>\$ 279,801</u>	<u>\$ 2,316,950</u>	<u>\$ 905,868</u>	<u>\$ 161,356</u>	<u>\$ 105,542</u>	<u>\$ 1,520,949</u>	<u>\$ 1,209,196</u>	<u>\$ 32,359,853</u>	<u>\$ 32,621,051</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, 2000
(With comparative totals for the year ended September 30, 1999)**

	DOJ Capital Projects	Commonwealth Development Authority	Commonwealth Medical Center	Infrastructure Tax	Public Works Grants	NMHC Grants	American Memorial Park	Local Capital Projects	Private Capital Grants	Totals	
										2000	1999
Revenues:											
Federal contributions	\$ 13,824,900	\$ 561,409	\$ -	\$ -	\$ 7,465,263	\$ 224,464	\$ -	\$ -	\$ -	\$ 22,076,036	\$ 21,858,658
Other contributions	634,789	-	-	102,096	-	-	-	251,157	3,325	991,367	1,819,020
Total revenues	14,459,689	561,409	-	102,096	7,465,263	224,464	-	251,157	3,325	23,067,403	23,677,678
Expenditures by function:											
Kagman Elem. & Sec. School	2,819,747	-	-	-	-	-	-	-	-	2,819,747	1,938,916
Chalan Pale Arnold Phase 5	1,416,122	-	-	-	1,242,515	-	-	-	-	2,658,637	3,718,909
Marpi Solid Waste Landfill	1,974,879	-	-	-	-	-	-	-	-	1,974,879	694,179
Culvert Replace	-	-	-	-	1,755,924	-	-	-	-	1,755,924	451,399
New Prison and Corrections	1,606,321	-	-	-	-	-	-	-	-	1,606,321	908,247
Existing Prison Facilities	1,227,084	-	-	-	-	-	-	-	-	1,227,084	168,323
Suicide Cliff Rd Tinian	-	-	-	-	1,199,242	-	-	-	-	1,199,242	662,645
MHS Gym/Classroom	959,796	-	-	-	-	-	-	-	-	959,796	89,165
A&E/Const. Songsong & Sinapalo	-	-	-	-	-	-	-	-	-	-	-
Road Paving	957,168	-	-	-	-	-	-	-	-	957,168	-
Sinapalo to SongSong Waterline	916,334	-	-	-	-	-	-	-	-	916,334	533,625
Rota Health Center	851,465	-	-	-	-	-	-	-	-	851,465	729,153
Traffic Signal Inst.	-	-	-	-	721,661	-	-	-	-	721,661	-
Rota High School JROTC	683,648	-	-	-	-	-	-	-	-	683,648	174,500
Chalan Msgr. P - III	-	-	-	-	608,208	-	-	-	-	608,208	-
A/E Design San Jose Water	514,961	-	-	-	-	-	-	-	-	514,961	387,397
Electric Power Trans. Sub.	425,294	-	-	-	-	-	-	-	-	425,294	539,740
Road Improvement Songsong/ Sinapalo	384,898	-	-	-	-	-	-	-	-	384,898	-
Anti-Skid Overlay	-	-	-	-	353,000	-	-	-	-	353,000	-
Vill. Electrical Upgrade	238,572	-	-	-	-	-	-	-	-	238,572	570,755
Integrate Computer Tax System	229,361	-	-	-	-	-	-	-	-	229,361	806,792
NMHC Projects	-	-	-	-	-	224,464	-	-	-	224,464	1,531,197
PSS 60 Classrooms Project	208,068	-	-	-	-	-	-	-	-	208,068	2,073,321
Chalan Msgr. Guerrero Drainage	132,028	-	-	-	72,601	-	-	-	-	204,629	180,077
A&E Chalan Pale Arnold - Ph. 6	-	-	-	-	200,000	-	-	-	-	200,000	-
Des. & Const. Beach Rd. Sewer	183,602	-	-	-	-	-	-	-	-	183,602	166,668
Road Resurface - Carolina Heights	149,021	-	-	-	-	-	-	-	-	149,021	-
Isley San Vicente Waterline	130,809	-	-	-	-	-	-	-	-	130,809	389,624
Songsong Village Waterline	113,617	-	-	-	-	-	-	-	-	113,617	46,933
Sinapalo to Chugai Waterline	106,011	-	-	-	-	-	-	-	-	106,011	523,315
American Memorial Park	-	-	-	-	-	-	99,475	-	-	99,475	154,066
Immigration and Labor Project	99,308	-	-	-	-	-	-	-	-	99,308	277,218
Tinian High School	97,698	-	-	-	-	-	-	-	-	97,698	-
Road Improvement Puerto Rico	93,227	-	-	-	-	-	-	-	-	93,227	247,655
Toch, Transfer/High Plan	-	-	-	-	82,040	-	-	-	-	82,040	143,117
Adm Hearing Office Project	77,796	-	-	-	-	-	-	-	-	77,796	7,551
1.5 Megawatt Diesel Generator	71,850	-	-	-	-	-	-	-	-	71,850	167,650
Kagman III Waterline	65,109	-	-	-	-	-	-	-	-	65,109	280,794
Highway Master Plan	-	-	-	-	12,686	-	-	-	-	12,686	-
Man'anko Center	2,875	-	-	-	-	-	-	-	-	2,875	121,609
Carolina Heights Waterline	1,088	-	-	-	-	-	-	-	-	1,088	-
Tatschog Songsong Water	(5,847)	-	-	-	-	-	-	-	-	(5,847)	370,407
Songsong Village Road Paving	-	-	-	-	-	-	-	-	-	-	1,306,144
Saipan Multipurpose Recreational Facility	-	-	-	-	-	-	-	-	-	-	539,351
Sinapalo Subdivision Road Project	-	-	-	-	-	-	-	-	-	-	496,191
TIQ Courthouse	-	-	-	-	-	-	-	-	-	-	495,000
San Roque/Tanapag Waterline	-	-	-	-	-	-	-	-	-	-	276,051
Solid Waste Management	-	-	-	-	-	-	-	-	-	-	228,258
Pathway Light	-	-	-	-	-	-	-	-	-	-	225,032
Road Paving and Drainage	-	-	-	-	-	-	-	-	-	-	142,579
Tinian Rd. Resurfacing	-	-	-	-	-	-	-	-	-	-	135,937
As Mamis Rd. Paving Drain	-	-	-	-	-	-	-	-	-	-	120,124
Obyan Well & Waterline	-	-	-	-	-	-	-	-	-	-	104,988
A/E Design Oleai Waterline	-	-	-	-	-	-	-	-	-	-	103,987
Upgrade Feeder 4 - Elec. Power	-	-	-	-	-	-	-	-	-	-	94,444
Traffic Light Inst.	-	-	-	-	-	-	-	-	-	-	72,179
Afetna Road	-	-	-	-	-	-	-	-	-	-	26,743
Cross Island Road	-	-	-	-	-	-	-	-	-	-	13,600
Design Traffic Lights	-	-	-	-	-	-	-	-	-	-	5,000
Oleai Elementary School Sewer Line	-	-	-	-	-	-	-	-	-	-	1,549
Other Projects	2,626,266	561,409	-	7,476	1,217,386	-	-	1,428,356	37,152	5,878,045	2,281,096
Total expenditures	19,358,176	561,409	-	7,476	7,465,263	224,464	99,475	1,428,356	37,152	29,181,771	25,723,200
Excess (deficiency) of revenues over (under) expenditures	(4,898,487)	-	-	94,620	-	-	(99,475)	(1,177,199)	(33,827)	(6,114,368)	(2,045,522)
Other financing sources (uses):											
Operating transfers in	4,069,016	-	-	-	-	-	148,335	1,834,888	-	6,052,239	-
Operating transfers out	(7,700,897)	-	-	(260,619)	-	-	-	-	-	(7,961,516)	-
Proceeds from issuance of debt	8,175,240	-	-	-	-	-	-	-	-	8,175,240	15,119,835
Total other financing sources (uses), net	4,543,359	-	-	(260,619)	-	-	148,335	1,834,888	-	6,265,963	15,119,835
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(355,128)	-	-	(165,999)	-	-	48,860	657,689	(33,827)	151,595	13,074,313
Fund balances (deficit) at beginning of year	23,837,940	-	-	2,482,949	-	-	(114,487)	697,569	1,207,305	28,111,276	15,036,963
Fund balances (deficit) at end of year	\$ 23,482,812	\$ -	\$ -	\$ 2,316,950	\$ -	\$ -	\$ (65,627)	\$ 1,355,258	\$ 1,173,478	\$ 28,262,871	\$ 28,111,276

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, 2000
(With comparative totals for the year ended September 30, 1999)**

	DOI Capital Projects	Commonwealth Development Authority	Commonwealth Medical Center	Infrastructure Tax	Public Works Grants	NMHC Grants	American Memorial Park	Local Capital Projects	Private Capital Grants	Totals	
										2000	1999
Revenues:											
Federal contributions	\$ 13,824,900	\$ 561,409	\$ -	\$ -	\$ 7,465,263	\$ 224,464	\$ -	\$ -	\$ -	\$ 22,076,036	\$ 21,858,658
Other contributions	634,789	-	-	102,096	-	-	-	251,157	3,325	991,367	1,819,020
Total revenues	14,459,689	561,409	-	102,096	7,465,263	224,464	-	251,157	3,325	23,067,403	23,677,678
Expenditures by account:											
Construction in progress	15,208,125	-	-	-	145,000	-	-	-	4,200	15,357,325	6,535,300
Capital outlay:											
Road improvements	-	-	-	-	5,769,561	-	-	-	-	5,769,561	5,171,204
Building improvements	-	-	-	-	-	113,505	-	-	-	113,505	1,085,341
Office equipment	87,878	-	-	7,476	-	4,174	-	-	-	99,528	4,335
Furnitures and fixtures	-	-	-	-	907,677	-	-	-	-	907,677	196,378
Machinery and equipment	-	-	-	-	-	-	-	99,088	-	99,088	598
Other	1,512,227	561,409	-	-	225,001	14,628	-	174,017	-	2,487,282	10,771,716
Salaries and wages	320,056	-	-	-	122,391	-	-	-	-	442,447	119,210
Professional services	223,956	-	-	-	118,668	-	-	-	31,381	374,005	1,246,396
Repairs and maintenance	-	-	-	-	-	1,999	94,379	-	-	212	96,590
Supplies	-	-	-	-	46,069	3,141	-	-	-	885	50,095
Rentals	41,100	-	-	-	-	-	-	-	-	41,100	-
Travel	-	-	-	-	11,891	-	-	-	-	11,891	241
Advertising	-	-	-	-	3,000	-	-	-	-	474	3,474
Communications	-	-	-	-	-	890	-	-	-	890	1,492
Other	1,964,834	-	-	-	116,005	86,127	5,096	1,155,251	-	3,327,313	561,214
Total expenditures	19,358,176	561,409	-	7,476	7,465,263	224,464	99,475	1,428,356	37,152	29,181,771	25,723,200
Excess (deficiency) of revenues over (under) expenditures	(4,898,487)	-	-	94,620	-	-	(99,475)	(1,177,199)	(33,827)	(6,114,368)	(2,045,522)
Other financing sources (uses):											
Operating transfers in	4,069,016	-	-	-	-	-	148,335	1,834,888	-	6,052,239	-
Operating transfers out	(7,700,897)	-	-	(260,619)	-	-	-	-	-	(7,961,516)	-
Proceeds from issuance of debt	8,175,240	-	-	-	-	-	-	-	-	8,175,240	15,119,835
Total other financing sources (uses), net	4,543,359	-	-	(260,619)	-	-	148,335	1,834,888	-	6,265,963	15,119,835
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(355,128)	-	-	(165,999)	-	-	48,860	657,689	(33,827)	151,595	13,074,313
Fund balances (deficit) at beginning of year	23,837,940	-	-	2,482,949	-	-	(114,487)	697,569	1,207,305	28,111,276	15,036,963
Fund balances (deficit) at end of year	\$ 23,482,812	\$ -	\$ -	\$ 2,316,950	\$ -	\$ -	\$ (65,627)	\$ 1,355,258	\$ 1,173,478	\$ 28,262,871	\$ 28,111,276

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
INTERNAL SERVICE FUNDS

September 30, 2000

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, 2000
(With comparative totals as of September 30, 1999)

	Internal Service	Serv-Mart Revolving	Special Surplus Property	Totals	
				2000	1999
<u>Assets</u>					
Due from other funds	\$ 70,316	\$ -	\$ -	\$ 70,316	\$ 69,616
Inventories	<u>1,543</u>	<u>160,338</u>	<u>-</u>	<u>161,881</u>	<u>291,349</u>
	<u>\$ 71,859</u>	<u>\$ 160,338</u>	<u>\$ -</u>	<u>\$ 232,197</u>	<u>\$ 360,965</u>
 <u>Liabilities and Fund Equity (Deficiency)</u>					
Accounts payable	\$ -	\$ 103,890	\$ -	\$ 103,890	\$ 142,203
Due to other funds	<u>-</u>	<u>349,484</u>	<u>75,803</u>	<u>425,287</u>	<u>403,457</u>
Total liabilities	<u>-</u>	<u>453,374</u>	<u>75,803</u>	<u>529,177</u>	<u>545,660</u>
Fund equity (deficiency):					
Retained earnings (deficit):					
Unreserved	<u>71,859</u>	<u>(293,036)</u>	<u>(75,803)</u>	<u>(296,980)</u>	<u>(184,695)</u>
Total fund equity (deficiency)	<u>71,859</u>	<u>(293,036)</u>	<u>(75,803)</u>	<u>(296,980)</u>	<u>(184,695)</u>
	<u>\$ 71,859</u>	<u>\$ 160,338</u>	<u>\$ -</u>	<u>\$ 232,197</u>	<u>\$ 360,965</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
INTERNAL SERVICE FUNDS

Combining Statement of Revenues, Expenses
and Changes in Retained Earnings (Deficit)
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Internal Service	Serv-Mart Revolving	Special Surplus Property	Totals	
				2000	1999
Operating revenues:					
Charges for sales and services	\$ 700	\$ 783,441	\$ -	\$ 784,141	\$ 720,050
Total operating revenues	<u>700</u>	<u>783,441</u>	<u>-</u>	<u>784,141</u>	<u>720,050</u>
Operating expenses:					
Supplies	-	877,056	19,370	896,426	639,547
Other	-	-	-	-	6,508
Total operating expenses	<u>-</u>	<u>877,056</u>	<u>19,370</u>	<u>896,426</u>	<u>646,055</u>
Operating income (loss)	700	(93,615)	(19,370)	(112,285)	73,995
Retained earnings (deficit) at beginning of year	<u>71,159</u>	<u>(199,421)</u>	<u>(56,433)</u>	<u>(184,695)</u>	<u>(258,690)</u>
Retained earnings (deficit) at end of year	<u>\$ 71,859</u>	<u>\$ (293,036)</u>	<u>\$ (75,803)</u>	<u>\$ (296,980)</u>	<u>\$ (184,695)</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
INTERNAL SERVICE FUNDS

Combining Statement of Cash Flows
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)

	Internal Service	Serv-Mart Revolving	Special Surplus Property	Totals	
				2000	1999
Cash flows from operating activities:					
Operating income (loss)	\$ 700	\$ (93,615)	\$ (19,370)	\$ (112,285)	\$ 73,995
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
(Increase) decrease in assets:					
Due from other funds	(700)	-	-	(700)	(2,230)
Inventories	-	129,468	-	129,468	36,492
Increase (decrease) in liabilities:					
Accounts payable	-	(38,313)	-	(38,313)	(224,624)
Due to other funds	-	2,460	19,370	21,830	116,367
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, 2000

Expendable trust funds are used to account for assets held by the government 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 (NMIRF) 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 NMIRF administers the fund.

Marianas Garment Manufacturing Fund

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

Probation Services Fund

This fund accounts for probation service fees received under 6 CMC § 4113(g). The fund shall be continually appropriated to the Superior Court for the sole purpose of paying for the training and salaries of probation officers and client services and programs. The fund is non-lapsing and is intended to supplement Superior Court probation division appropriations.

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, 2000
(With comparative totals as of September 30, 1999)**

	Agriculture Revolving	Saipan Trust	CNMI Workers' Compensation Commission	NMI Government Health and Life Insurance Trust	Marianas Garment Manufacturing	Probation Services	Miscellaneous	Totals	
								2000	1999
Assets									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 374,217	\$ -	\$ -	\$ -	\$ 374,217	\$ 419,629
Time certificates of deposit	-	-	-	207,579	-	-	-	207,579	513,696
Investments	-	670,507	-	-	-	-	-	670,507	647,727
Receivables, net:									
Other	-	-	6,306	500,702	-	-	-	507,008	422,389
Due from other funds	76,416	3,980	101,908	-	1,073,995	14,255	264,398	1,534,952	1,940,517
Restricted assets:									
Time certificates of deposit	-	-	669,921	-	-	-	-	669,921	-
Fixed assets (net of accumulated depreciation)	-	-	19,716	25,588	-	-	-	45,304	33,551
	<u>\$ 76,416</u>	<u>\$ 674,487</u>	<u>\$ 797,851</u>	<u>\$ 1,108,086</u>	<u>\$ 1,073,995</u>	<u>\$ 14,255</u>	<u>\$ 264,398</u>	<u>\$ 4,009,488</u>	<u>\$ 3,977,509</u>
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	\$ -	\$ 7,744	\$ 4,655	\$ 553,565	\$ -	\$ -	\$ 5,634	\$ 571,598	\$ 363,529
Other liabilities and accruals	-	-	-	554,521	-	-	-	554,521	980,111
Due to other funds	-	-	123,417	-	-	-	-	123,417	207,861
Total liabilities	<u>-</u>	<u>7,744</u>	<u>128,072</u>	<u>1,108,086</u>	<u>-</u>	<u>-</u>	<u>5,634</u>	<u>1,249,536</u>	<u>1,551,501</u>
Fund balances:									
Reserved for:									
Encumbrances	935	-	-	-	-	-	14,957	15,892	2,587
Unreserved:									
Designated	-	-	669,779	-	-	-	-	669,779	485,215
Undesignated	75,481	666,743	-	-	1,073,995	14,255	243,807	2,074,281	1,938,206
Total fund balances	<u>76,416</u>	<u>666,743</u>	<u>669,779</u>	<u>-</u>	<u>1,073,995</u>	<u>14,255</u>	<u>258,764</u>	<u>2,759,952</u>	<u>2,426,008</u>
	<u>\$ 76,416</u>	<u>\$ 674,487</u>	<u>\$ 797,851</u>	<u>\$ 1,108,086</u>	<u>\$ 1,073,995</u>	<u>\$ 14,255</u>	<u>\$ 264,398</u>	<u>\$ 4,009,488</u>	<u>\$ 3,977,509</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, 2000
(With comparative totals for the year ended September 30, 1999)**

	Agriculture Revolving	Saipan Trust	CNMI Workers' Compensation Commission	NMI Government Health and Life Insurance Trust	Marianas Garment Manufacturing	Probation Services	Miscellaneous	Totals	
								2000	1999
Revenues:									
Premiums	\$ -	\$ -	\$ 60,704	\$ 7,285,748	\$ -	\$ -	\$ -	\$ 7,346,452	\$ 5,977,030
Interest	-	11,585	-	22,396	59,654	-	2,720	96,355	72,713
Net increase in the fair value of investments	-	14,817	-	-	-	-	-	14,817	30,832
Other	309	-	77,038	5,314	-	14,255	128,670	225,586	176,118
Total revenues	309	26,402	137,742	7,313,458	59,654	14,255	131,390	7,683,210	6,256,693
Expenditures:									
Medical claims	-	-	-	6,963,607	-	-	-	6,963,607	5,574,296
General-administrative	-	4,024	331,573	349,851	-	-	78,606	764,054	757,562
Total expenditures	-	4,024	331,573	7,313,458	-	-	78,606	7,727,661	6,331,858
Excess (deficiency) of revenues over (under) expenditures	309	22,378	(193,831)	-	59,654	14,255	52,784	(44,451)	(75,165)
Other financing sources:									
Operating transfers in	-	-	378,395	-	-	-	-	378,395	378,395
Total other financing sources	-	-	378,395	-	-	-	-	378,395	378,395
Excess of revenues and other financing sources over expenditures	309	22,378	184,564	-	59,654	14,255	52,784	333,944	303,230
Fund balances at beginning of year	76,107	644,365	485,215	-	1,014,341	-	205,980	2,426,008	2,122,778
Fund balances at end of year	\$ 76,416	\$ 666,743	\$ 669,779	\$ -	\$ 1,073,995	\$ 14,255	\$ 258,764	\$ 2,759,952	\$ 2,426,008

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
NONEXPENDABLE TRUST FUND

September 30, 2000

Nonexpendable trust funds are used to account for assets held by the government 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, 2000

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 (NMIRF)

NMIRF was established as a public corporation on January 18, 1980, under 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 NMIRF 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. NMIRF 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, 2000

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, 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 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, 2000
(With comparative totals as of September 30, 1999)

	Tinian	Autonomous	Security	Rebate	Totals	
	Land	Agencies			Deposit	Trust
	Condemnation	Pass Through				
Assets						
Receivables:						
Federal agencies	\$ -	\$ 888,713	\$ -	\$ -	\$ 888,713	\$ 888,802
Due from other funds	1,308,858	-	-	23,505,581	24,814,439	34,255,861
Restricted assets:						
Other	-	-	4,394,316	-	4,394,316	4,132,147
	<u>\$ 1,308,858</u>	<u>\$ 888,713</u>	<u>\$ 4,394,316</u>	<u>\$ 23,505,581</u>	<u>\$ 30,097,468</u>	<u>\$ 39,276,810</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 282,500	\$ 282,500	\$ -
Claims payable	1,308,858	-	-	-	1,308,858	1,271,126
Tax rebates payable	-	-	-	23,223,081	23,223,081	32,984,735
Deposits payable	-	-	4,394,316	-	4,394,316	4,132,147
Due to other funds	-	888,713	-	-	888,713	888,802
	<u>\$ 1,308,858</u>	<u>\$ 888,713</u>	<u>\$ 4,394,316</u>	<u>\$ 23,505,581</u>	<u>\$ 30,097,468</u>	<u>\$ 39,276,810</u>

See Accompanying Independent Auditors' Report.

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

September 30, 2000

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 claims payable as of September 30, 2000.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
GENERAL FIXED ASSETS ACCOUNT GROUP

September 30, 2000

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, 2000

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, 2000

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 accounting principles generally accepted in the United States of America 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:

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

September 30, 2000

Commonwealth Development Authority, Continued

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);
- To aid in the financing of capital improvement projects and other projects undertaken 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; and
- 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;
- To serve as the economic development loan fund agency for qualified private sector enterprises; and
- To serve as an intermediary lender for the Microloan Program, administered by the U.S. Small Business Administration (SBA), the objective of which is to assist small business concerns in those areas suffering from a lack of credit due to economic downturns. Under the program, SBA makes loans to CDA, who uses the loan funds to make short-term microloans in amounts up to \$25,000 to start-up newly established and growing small business concerns.

Northern Marianas Housing Corporation:

- To administer direct loans to qualified individuals for housing construction;
- To participate as guarantor or trustee in housing loan programs;
- To develop and construct rental housing;

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

September 30, 2000

Commonwealth Development Authority, Continued

Northern Marianas Housing Corporation, Continued:

- . To construct and/or administer various other Federal and local residential and housing projects; and
- . To 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**

**Combining Balance Sheet
September 30, 2000
(With comparative totals as of September 30, 1999)**

	Commonwealth Ports Authority		Commonwealth Development Authority			Totals	
	Airport Division	Seaport Division	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	2000	1999
Assets							
Cash and cash equivalents	\$ 3,830,255	\$ 1,014,707	\$ -	\$ 1,628,277	\$ -	\$ 6,473,239	\$ 21,613,286
Time certificates of deposit	-	-	-	5,255,469	-	5,255,469	6,324,584
Investments	1,202,086	661,520	-	-	-	1,863,606	1,411,790
Receivables, net:							
Federal agencies	790,004	-	-	-	34,708	824,712	1,897,800
General	1,321,283	1,152,152	-	-	148,739	2,622,174	2,253,247
Utilities	-	-	-	-	-	-	6,677,719
Loans	-	-	9,762,533	23,066,027	11,946,394	44,774,954	44,638,671
Interest	-	-	347,714	1,187,388	258,686	1,793,788	2,135,182
Other	2,790,481	8,020	4,363,223	9,764,431	-	16,926,155	1,200,379
Due from primary government	-	-	-	-	-	-	9,938,715
Due from other funds	-	-	-	-	-	-	14,057,657
Inventories	-	-	-	-	-	-	9,387,283
Prepaid items	-	-	-	8,323	-	8,323	28,996
Deferred bond issue costs	696,303	958,678	-	-	-	1,654,981	1,635,709
Restricted assets:							
Cash and cash equivalents	-	-	998,859	-	2,187,202	3,186,061	4,172,854
Time certificates of deposit	-	-	7,890,781	-	-	7,890,781	6,236,761
Investments	7,753,626	6,581,526	8,186,041	-	-	22,521,193	24,166,320
Fixed assets (net of accumulated depreciation)	70,630,192	56,004,140	-	514,526	9,932,593	137,081,451	259,078,564
Foreclosed real estate	-	-	-	543,000	-	543,000	-
Other assets	-	-	-	55,090	82,245	137,335	166,642
	<u>\$ 89,014,230</u>	<u>\$ 66,380,743</u>	<u>\$ 31,549,151</u>	<u>\$ 42,022,531</u>	<u>\$ 24,590,567</u>	<u>\$ 253,557,222</u>	<u>\$ 417,022,159</u>
Liabilities and Fund Equity							
Liabilities:							
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ 5,304	\$ 5,304	\$ 371,891
Accounts payable	625,119	67,367	-	449,025	144,040	1,285,551	10,664,849
Contracts payable	1,284,035	25,201	-	-	-	1,309,236	1,651,512
Other liabilities and accruals	1,017,173	248,023	9,764,431	-	4,363,223	15,392,850	2,790,568
Deposits payable	-	-	-	-	-	-	7,120,347
Due to other funds	-	-	-	-	-	-	14,057,657
Deferred revenue	47,835	-	-	-	-	47,835	2,537,415
Notes payable	-	9,762,533	-	330,000	9,174,529	19,267,062	89,259,329
Loan payable	-	-	-	-	-	-	397,633
Bonds payable	19,186,868	31,658,880	-	-	-	50,845,748	51,443,342
Interest payable	-	-	-	-	-	-	46,438,253
Total liabilities	<u>22,161,030</u>	<u>41,762,004</u>	<u>9,764,431</u>	<u>779,025</u>	<u>13,687,096</u>	<u>88,153,586</u>	<u>226,732,796</u>
Fund equity:							
Contributed capital	37,558,013	10,131,355	75,068,750	26,100,426	7,524,910	156,383,454	213,031,376
Retained earnings (deficit)	29,295,187	14,487,384	(53,284,030)	15,143,080	3,378,561	9,020,182	(22,742,013)
Total fund equity	<u>66,853,200</u>	<u>24,618,739</u>	<u>21,784,720</u>	<u>41,243,506</u>	<u>10,903,471</u>	<u>165,403,636</u>	<u>190,289,363</u>
	<u>\$ 89,014,230</u>	<u>\$ 66,380,743</u>	<u>\$ 31,549,151</u>	<u>\$ 42,022,531</u>	<u>\$ 24,590,567</u>	<u>\$ 253,557,222</u>	<u>\$ 417,022,159</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, 2000
(With comparative totals for the year ended September 30, 1999)**

	Commonwealth Ports Authority		Commonwealth Development Authority			Totals	
	Airport Division	Seaport Division	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	2000	1999
Operating revenues:							
Utility charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,726,468
Port fees	5,908,210	4,431,652	-	-	-	10,339,862	8,886,601
Concession and lease income	4,273,709	674,282	-	-	2,017,692	6,965,683	6,798,312
Interest and fees on loans	-	-	339,038	3,082,622	1,132,740	4,554,400	4,238,253
Net increase in the fair value of investments	-	-	416,071	-	-	416,071	452,446
Other	1,062,708	164,682	-	41,824	1,237,121	2,506,335	2,370,237
Total operating revenues	11,244,627	5,270,616	755,109	3,124,446	4,387,553	24,782,351	86,472,317
Operating expenses:							
General and administrative	6,382,282	672,858	-	733,876	735,229	8,524,245	26,656,855
Depreciation and amortization	5,405,415	2,369,036	-	122,137	597,579	8,494,167	14,302,977
Bad debts	28,812	392,738	-	1,469,485	-	1,891,035	3,458,856
Professional fees	313,801	184,381	-	147,397	537,521	1,183,100	1,081,035
Rent	-	-	-	140,063	826,473	966,536	811,032
Repairs and maintenance	217,282	116,941	-	-	261,164	595,387	9,667,724
Insurance	545,360	-	-	-	-	545,360	446,738
Supplies	385,666	16,279	-	-	-	401,945	1,096,253
Travel	181,877	50,321	-	40,969	24,002	297,169	202,733
Utilities	256,744	37,775	-	-	-	294,519	336,901
Printing and advertising	88,438	18,079	-	-	-	106,517	57,579
Production fuel	-	-	-	-	-	-	17,452,854
Other production	-	-	-	-	-	-	2,967,842
Other	529,048	246,279	321,989	204	938,388	2,035,908	1,455,140
Total operating expenses	14,334,725	4,104,687	321,989	2,654,131	3,920,356	25,335,888	79,994,519
Operating income (loss)	(3,090,098)	1,165,929	433,120	470,315	467,197	(553,537)	6,477,798
Nonoperating revenues (expenses):							
Interest income	618,326	433,578	803,164	359,491	76,163	2,290,722	2,486,358
Forgiveness of loan	-	-	(974,108)	-	-	(974,108)	-
Gain on debt restructure	-	1,018,675	-	-	-	1,018,675	-
Federal grants	56,080	82,534	-	-	-	138,614	-
Foreign exchange gain	-	-	-	-	-	-	97
Amortization of bond issue cost	(26,276)	(36,177)	-	-	-	(62,453)	(57,393)
Interest expense	(753,516)	(2,674,871)	-	(3,859)	(541,148)	(3,973,394)	(11,284,055)
Contributions to other agencies	-	-	-	-	(65,762)	(65,762)	-
Other, net	372,674	-	-	-	-	372,674	(744,842)
Total nonoperating revenues (expenses), net	267,288	(1,176,261)	(170,944)	355,632	(530,747)	(1,255,032)	(9,599,835)
Income (loss) before other financing uses	(2,822,810)	(10,332)	262,176	825,947	(63,550)	(1,808,569)	(3,122,037)
Other financing uses:							
Operating transfers out	-	-	(1,716,438)	-	-	(1,716,438)	-
Net income (loss)	(2,822,810)	(10,332)	(1,454,262)	825,947	(63,550)	(3,525,007)	(3,122,037)
Add depreciation on fixed assets acquired by capital grants that reduces contributed capital from capital grants	2,596,573	518,576	-	-	118,391	3,233,540	4,361,415
Increase (decrease) in retained earnings (deficit)	(226,237)	508,244	(1,454,262)	825,947	54,841	(291,467)	1,239,378
Retained earnings (deficit) at beginning of year	29,521,424	13,979,140	(51,829,768)	14,317,133	3,323,720	9,311,649	(23,981,391)
Retained earnings (deficit) at end of year	29,295,187	14,487,384	(53,284,030)	15,143,080	3,378,561	9,020,182	(22,742,013)
Contributed capital at beginning of year	38,486,541	10,649,931	75,068,750	26,100,426	7,561,465	157,867,113	208,987,229
Additions	1,668,045	-	-	-	81,836	1,749,881	8,405,562
Reductions	(2,596,573)	(518,576)	-	-	(118,391)	(3,233,540)	(4,361,415)
Contributed capital at end of year	37,558,013	10,131,355	75,068,750	26,100,426	7,524,910	156,383,454	213,031,376
Total fund equity at end of year	\$ 66,853,200	\$ 24,618,739	\$ 21,784,720	\$ 41,243,506	\$ 10,903,471	\$ 165,403,636	\$ 190,289,363

See Accompanying Independent Auditors' Report.

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

**Combining Statement of Cash Flows
Year Ended September 30, 2000
(With comparative totals for the year ended September 30, 1999)**

	Commonwealth Ports Authority		Commonwealth Development Authority			Totals	
	Airport Division	Seaport Division	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	2000	1999
Cash flows from operating activities:							
Operating income (loss)	\$ (3,090,098)	\$ 1,165,929	\$ 433,120	\$ 470,315	\$ 467,197	\$ (553,537)	\$ 6,477,978
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and amortization	5,405,415	2,369,036	-	122,137	597,579	8,494,167	14,302,977
Net increase in the fair value of investments	-	-	(416,071)	-	-	(416,071)	(452,446)
Bad debts	28,812	392,738	-	1,469,485	-	1,891,035	3,458,856
(Increase) decrease in assets:							
Utilities receivable	-	-	-	-	-	-	(6,871,328)
General receivables	(22,313)	(899,233)	-	-	174,844	(746,702)	(791,279)
Other receivables	(889,148)	-	-	-	-	(889,148)	-
Interest and dividends receivable	-	-	(205,816)	(1,794,370)	(96,024)	(2,096,210)	(1,870,979)
Prepaid items	-	-	-	19,873	800	20,673	77,955
Inventories	-	-	-	-	-	-	(2,589,329)
Other assets	-	-	-	40,632	(11,325)	29,307	264,092
Increase (decrease) in liabilities:							
Accounts payable	137,146	28,056	-	-	-	165,202	2,374,132
Deferred revenue	(102,462)	-	-	203,247	(114,631)	(13,846)	(20,282)
Deposits payable	-	-	-	-	-	-	198,426
Other liabilities and accruals	44,194	61,484	-	-	-	105,678	93,566
Net cash provided by (used for) operating activities	1,511,546	3,118,010	(188,767)	531,319	1,018,440	5,990,548	14,650,159
Cash flows from noncapital financing activities:							
Net increase (decrease) in bank overdraft	-	-	-	-	(366,587)	(366,587)	371,891
Cash received from grantor agencies	56,080	82,534	-	-	-	138,614	-
Other income (expense), net	372,674	-	1,219,235	359,491	76,163	2,027,563	773,095
Net proceeds from line of credit	-	-	-	-	3,659	3,659	151,886
Net cash provided by (used for) noncapital financing activities	428,754	82,534	1,219,235	359,491	(286,765)	1,803,249	1,296,872
Cash flows from capital and related financing activities:							
Cash received from grantor agencies	1,851,678	-	-	-	-	1,851,678	3,776,958
Proceeds from sale of equipment	-	-	-	-	322,684	322,684	-
Acquisition of capital assets	(3,407,528)	(203,020)	-	-	-	(3,610,548)	(28,737,261)
Net interdivisional transactions	-	-	468,975	(305,365)	(163,610)	-	-
Capital contributions	-	-	-	-	81,836	81,836	4,398,110
Proceeds from notes payable	-	-	-	330,000	3,137,000	3,467,000	13,619,148
Principal paid on notes payable	-	(586,463)	-	-	(549,037)	(1,135,500)	(4,049,371)
Principal paid on revenue bonds	(198,716)	(398,378)	-	-	-	(597,594)	(557,339)
Bond issue costs	(25,500)	(56,225)	-	-	-	(81,725)	(217,980)
Decrease in restricted assets	-	-	-	-	-	-	3,567,991
Capital development grants	-	-	(4,103,556)	(12,906)	(2,040,577)	(6,157,039)	(2,695,005)
Interest paid on borrowings	(1,291,284)	(2,709,636)	-	(3,859)	(541,148)	(4,545,927)	(5,366,908)
Net cash provided by (used for) capital and related financing activities	(3,071,350)	(3,954,222)	(3,634,581)	7,870	247,148	(10,405,135)	(16,261,657)
Cash flows from investing activities:							
Net (purchases) disposals of investments	1,506,443	(2,239,045)	1,973,083	1,069,115	(714,397)	1,595,199	13,492,570
Loan originations and principal collections, net	-	-	631,030	(1,051,876)	(264,426)	(685,272)	(7,107,125)
Interest on investments	618,326	433,578	-	-	-	1,051,904	1,577,786
Net cash provided by (used for) investing activities	2,124,769	(1,805,467)	2,604,113	17,239	(978,823)	1,961,831	7,963,231
Net increase (decrease) in cash and cash equivalents	993,719	(2,559,145)	-	915,919	-	(649,507)	7,648,605
Cash and cash equivalents at beginning of year	2,836,536	3,573,852	-	712,358	-	7,122,746	13,964,681
Cash and cash equivalents at end of year	\$ 3,830,255	\$ 1,014,707	\$ -	\$ 1,628,277	\$ -	\$ 6,473,239	\$ 21,613,286
Noncash investing, capital and related financing activities:							
Capitalization of interest receivable to loan principal:							
Noncash increase in loans receivable	\$ -	\$ -	\$ -	\$ 1,014,163	\$ -	\$ 1,014,163	\$ -
Noncash decrease in accrued interest receivable	-	-	-	(1,014,163)	-	(1,014,163)	-
Acquisition of real estate through loan foreclosure:							
Noncash increase in foreclosed real estate	\$ -	\$ -	\$ -	\$ 543,000	\$ -	\$ 543,000	\$ -
Noncash decrease in loans receivable	-	-	-	(543,000)	-	(543,000)	-
Write-off of capital development loan:							
Noncash decrease in loans receivable	\$ -	\$ -	\$ (974,108)	\$ -	\$ -	\$ (974,108)	\$ -
Forgiveness of loan	-	-	974,108	-	-	974,108	-
Write-off of property and equipment:							
Noncash decrease in property and equipment	\$ -	\$ -	\$ -	\$ -	\$ (181,447)	\$ (181,447)	\$ -
Noncash decrease in accumulated depreciation	-	-	-	-	181,447	181,447	-

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