

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

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

YEAR ENDED SEPTEMBER 30, 2001

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

GENERAL PURPOSE FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2001

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2001

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2001

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INDEPENDENT AUDITORS' REPORT

Honorable Juan N. Babauta
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, 2001, and for the year then ended. These general purpose financial statements are the responsibility of CNMI's management. 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 are shown as the Component Units - Governmental Fund, the financial statements of the Northern Mariana Islands Retirement Fund, which are shown as the Fiduciary Fund Type - Pension Trust Fund, or the financial statements of the CNMI Workers' Compensation Commission or the Northern Mariana Islands Government Health and Life Insurance Trust Fund, which represent 21% and 64%, 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 entities not audited by us included for the Component Units - Governmental Fund, the Fiduciary Fund Type - Pension Trust Fund, and the Fiduciary Fund Type - Expendable Trust Fund referred to above, 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.

In connection with our audit of the general purpose financial statements for the year ended September 30, 2001, we were unable to obtain a response from the CNMI's Office of the Attorney General to certain audit inquiries concerning litigation, claims, and assessments that might affect such general purpose financial statements. Accordingly, we are unable to determine the impact of this matter on the accompanying general purpose financial statements.

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, 2001.

Because of inadequacies in the accounting records, we were unable to determine that receivables from federal agencies, receivables from other agencies, advances, other liabilities and accruals, and reserve for continuing appropriations were fairly stated for all Governmental Fund Types; that receivables from federal agencies were fairly stated for the Fiduciary Fund Type - Agency Fund; and that other receivables and accounts payable were fairly stated for the Northern Mariana Islands Government Health and Life Insurance Trust Fund, a Fiduciary Fund Type - Expendable Trust Fund, as of September 30, 2001. 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, 2001.

As discussed in note 1 to the general purpose financial statements, the CNMI has not recognized certain tax revenues as nonexchange transactions. In our opinion, recognition of nonexchange transactions is required by accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of the 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) a response been received from the CNMI's Office of the Attorney General concerning litigation, claims, and assessments; 2) the propriety of fixed assets and fund equity of the General Fixed Assets Account Group, been determinable; 3) the propriety of receivables from federal agencies, receivables from other agencies, advances, other liabilities and accruals, and reserve for continuing appropriations and their effect on the determination of revenues and expenditures for all Governmental Fund Types; receivables from federal agencies for the Fiduciary Fund Type - Agency Fund; and other receivables and accounts payable of the Northern Mariana Islands Government Health and Life Insurance Trust Fund, been determinable, as discussed in the fourth, fifth and sixth paragraphs above, 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, and the lack of recognizing certain nonexchange transactions, as discussed in the seventh 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 and the General Long-Term Debt Account Group upon which we are unable to express an opinion because of the matters set forth in the fourth and fifth paragraphs above, present fairly, in all material respects, the financial position of the CNMI as of September 30, 2001, 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.

As discussed in note 1 to the general purpose financial statements, the CNMI changed its method of accounting for contributions in aid to conform with the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

As discussed in note 22 to the general purpose financial statements, a financial institution in which the CNMI and certain component units maintain deposits went into receivership.

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 sixth 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 August 13, 2002, on our consideration of the CNMI's (Primary Government only) internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche

August 13, 2002
(except for note 22, as to which the date is December 18, 2002)



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combined Balance Sheet - All Fund Types, Account Groups
and Discretely Presented Component Units
September 30, 2001
(With comparative totals as of September 30, 2000)

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	2001	2000
\$ 8,581,303	\$ -	\$ -	\$ -	\$ 64,295,957	\$ 1,237,024	\$ 4,973,605	\$ 70,506,586	\$ 67,844,858
313,401,540	-	-	-	5,093,551	-	6,917,774	12,011,325	5,463,048
12,010,872	-	-	-	412,053,031	-	4,773,348	416,826,379	471,220,969
-	888,713	-	-	12,010,872	-	45,934,807	57,945,679	57,241,509
-	-	-	-	17,955,327	-	1,234,760	19,190,087	15,559,611
7,174,602	-	-	-	5,303,328	-	-	5,303,328	5,230,631
1,458,528	-	-	-	16,291,213	-	-	16,291,213	13,496,679
1,155,702	-	-	-	11,992,025	-	-	11,992,025	14,417,134
209,942	-	-	-	4,205,587	-	2,724,018	6,929,605	6,593,703
-	-	-	-	1,636,907	-	1,444,538	3,081,445	3,511,691
-	-	-	-	1,529,533	-	-	1,529,533	383,574
-	-	-	-	5,861,160	31,147	16,862,637	22,754,944	19,687,247
-	-	-	-	-	742,272	-	742,272	1,069,328
-	-	-	-	1,303,300	-	-	1,303,300	-
30,467,140	27,557,077	-	-	85,990,382	-	-	85,990,382	88,245,653
-	-	-	-	9,984,660	-	-	9,984,660	8,670,065
2,434	-	-	-	2,161,826	-	-	2,161,826	2,978,539
-	-	-	-	4,024	128,145	108,763	240,932	23,352
-	-	-	-	-	-	1,625,388	1,625,388	1,654,981
-	-	-	-	-	87,411	7,188,577	7,275,988	3,186,061
-	-	-	-	-	-	5,097,829	5,097,829	8,648,113
-	-	-	-	-	-	16,152,412	16,152,412	22,521,193
-	5,079,094	-	-	5,079,094	-	-	5,079,094	4,394,316
-	-	-	-	207,229	-	141,329	348,558	137,335
4,320,016	-	14,700,874	-	19,073,141	-	142,262,845	161,335,986	152,250,551
-	-	-	-	-	-	543,000	543,000	543,000
-	-	-	4,463,210	4,463,210	-	-	4,463,210	4,378,298
-	-	-	90,656,181	90,656,181	-	-	90,656,181	40,972,004
<u>\$ 378,782,079</u>	<u>\$ 33,524,884</u>	<u>\$ 14,700,874</u>	<u>\$ 95,119,391</u>	<u>\$ 777,151,538</u>	<u>\$ 2,225,999</u>	<u>\$ 257,985,830</u>	<u>\$ 1,037,363,367</u>	<u>\$ 1,020,323,443</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,917,875	\$ -	\$ -	\$ 4,917,875	\$ 3,788,603
36,582	-	-	-	12,831,376	918,086	1,267,161	15,016,623	14,166,797
-	1,346,951	-	2,219,550	3,566,501	-	-	3,566,501	3,528,408
-	-	-	-	-	-	1,661,972	1,661,972	1,309,236
-	26,210,126	-	-	26,210,126	-	-	26,210,126	23,223,081
-	5,079,094	-	-	5,079,144	-	-	5,079,144	4,394,316
-	-	-	-	3,111,896	-	-	3,111,896	-
118,943	-	-	8,323,969	21,545,452	287,560	15,582,010	37,415,022	36,578,935
-	-	-	-	13,205,888	-	-	13,205,888	16,486,210
2,601,189	888,713	-	-	117,065,543	-	-	117,065,543	113,269,038
-	-	-	-	-	-	23,410,914	23,410,914	19,267,062
-	-	-	12,010,872	12,010,872	-	-	12,010,872	20,641,795
-	-	-	72,565,000	72,565,000	-	50,212,904	122,777,904	64,775,748
936,307	-	-	-	5,060,079	-	47,443	5,107,522	2,417,217
<u>3,693,021</u>	<u>33,524,884</u>	<u>-</u>	<u>95,119,391</u>	<u>297,169,752</u>	<u>1,205,646</u>	<u>92,182,404</u>	<u>390,557,802</u>	<u>323,846,446</u>
-	-	14,700,874	-	14,700,874	-	-	14,700,874	10,726,862
-	-	-	-	(410,383)	-	165,803,426	165,393,043	165,106,656
-	-	-	-	2,005,767	-	-	2,005,767	2,816,375
-	-	-	-	16,510,509	87,411	-	16,597,920	12,998,561
-	-	-	-	4,463,210	-	-	4,463,210	4,378,298
-	-	-	-	64,133,468	657,742	-	64,791,210	52,819,321
-	-	-	-	7,137,974	-	-	7,137,974	7,381,612
-	-	-	-	50,490,259	-	-	50,490,259	52,488,045
375,089,058	-	-	-	375,089,058	-	-	375,089,058	453,519,324
-	-	-	-	-	-	-	-	11,712,383
-	-	-	-	3,013,416	-	-	3,013,416	3,531,795
-	-	-	-	820,995	-	-	820,995	669,779
-	-	-	-	(57,973,361)	275,200	-	(57,698,161)	(81,672,014)
<u>375,089,058</u>	<u>-</u>	<u>14,700,874</u>	<u>-</u>	<u>479,981,786</u>	<u>1,020,353</u>	<u>165,803,426</u>	<u>646,805,565</u>	<u>696,476,997</u>
<u>\$ 378,782,079</u>	<u>\$ 33,524,884</u>	<u>\$ 14,700,874</u>	<u>\$ 95,119,391</u>	<u>\$ 777,151,538</u>	<u>\$ 2,225,999</u>	<u>\$ 257,985,830</u>	<u>\$ 1,037,363,367</u>	<u>\$ 1,020,323,443</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, 2001
 (With comparative totals for the year ended September 30, 2000)

	Governmental Fund Types				Fiduciary Fund Type Expendable Trust	Total Primary Government (Memorandum Only)	Component Units Govern- mental	Totals Reporting Entity (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects				2001	2000
Revenues:									
Taxes	\$ 178,526,535	\$ -	\$ -	\$ -	\$ -	\$ 178,526,535	\$ -	\$ 178,526,535	\$ 184,995,673
Federal contributions	-	26,512,254	-	22,835,880	-	49,348,134	-	49,348,134	50,537,362
Charges for sales and services	19,044,749	-	-	-	-	19,044,749	208,059	19,252,808	13,047,229
Licenses and fees	13,087,947	-	-	-	-	13,087,947	-	13,087,947	11,827,866
Premiums	-	-	-	-	8,572,278	8,572,278	-	8,572,278	7,346,452
Interest and dividends	891,402	-	42,916	2,416,108	652,435	4,002,861	-	4,002,861	-
Land leases	-	-	-	-	3,218,443	3,218,443	-	3,218,443	-
Net increase (decrease) in the fair value of investments	845,130	-	-	228,358	(104,837)	968,651	-	968,651	407,013
Other contributions	-	319,075	-	306,055	-	625,130	73,920	699,050	1,567,211
Division of Public Lands	-	-	-	-	-	-	-	-	3,415,983
Other	1,228,789	10,772,587	-	-	1,747,088	13,748,464	42,431	13,790,895	13,141,860
Total revenues	213,624,552	37,603,916	42,916	25,786,401	14,085,407	291,143,192	324,410	291,467,602	286,286,649
Expenditures:									
Offices and departments	135,194,982	24,985,670	-	-	-	160,180,652	-	160,180,652	148,065,465
Capital projects	-	-	-	27,731,248	-	27,731,248	-	27,731,248	29,181,771
Elected offices	12,890,599	-	-	-	-	12,890,599	-	12,890,599	13,145,649
Government utilities	11,336,454	-	-	-	-	11,336,454	-	11,336,454	9,946,542
Principal repayment (notes 11 and 12)	-	455,683	1,365,000	8,175,240	-	9,995,923	-	9,995,923	2,188,145
Medical claims	-	-	-	-	8,156,713	8,156,713	-	8,156,713	6,963,607
Legislative branch	7,798,417	-	-	-	-	7,798,417	-	7,798,417	7,474,380
Judicial branch	4,783,059	-	-	-	-	4,783,059	-	4,783,059	4,620,600
Interest	-	963,257	599,983	2,150,571	-	3,713,811	-	3,713,811	1,585,564
Bond issuance costs (note 12)	-	-	-	3,210,104	-	3,210,104	-	3,210,104	-
Independent programs	2,850,061	-	-	-	-	2,850,061	-	2,850,061	4,115,653
Boards and commissions	903,458	-	-	-	-	903,458	-	903,458	832,836
Other	1,181,788	7,151,381	18,984	4,431,492	5,025,273	17,808,918	6,542,283	24,351,201	18,908,311
Total expenditures	176,938,818	33,555,991	1,983,967	45,698,655	13,181,986	271,359,417	6,542,283	277,901,700	247,028,523
Excess (deficiency) of revenues over (under) expenditures	36,685,734	4,047,925	(1,941,051)	(19,912,254)	903,421	19,783,775	(6,217,873)	13,565,902	39,258,126
Other financing sources (uses):									
Operating transfers in (note 14)	6,012,830	3,389,260	2,000,000	6,514,547	378,396	18,295,033	6,284,558	24,579,591	30,852,272
Operating transfers out (note 14)	(60,342,749)	(7,287,430)	-	(3,775,455)	-	(71,405,634)	-	(71,405,634)	(71,891,509)
Proceeds from issuance of debt (note 12)	-	-	-	60,000,000	-	60,000,000	-	60,000,000	8,175,240
Total other financing sources (uses), net	(54,329,919)	(3,898,170)	2,000,000	62,739,092	378,396	6,889,399	6,284,558	13,173,957	(32,863,997)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(17,644,185)	149,755	58,949	42,826,838	1,281,817	26,673,174	66,685	26,739,859	6,394,129
Fund balances (deficit) at beginning 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
Residual equity transfers in (out) (note 14)	(11,712,383)	-	-	-	11,712,383	-	-	-	-
Fund balances (deficit) at end of year	\$ (62,444,646)	\$ 6,795,592	\$ 1,779,197	\$ 71,089,709	\$ 15,754,152	\$ 32,974,004	\$ 1,020,353	\$ 33,994,357	\$ 7,254,498

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, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 186,694,086	\$ 178,526,535	\$ (8,167,551)
Charges for sales and services	12,047,051	19,044,749	6,997,698
Licenses and fees	10,956,170	13,087,947	2,131,777
Other	4,448,116	2,965,321	(1,482,795)
Total revenues	<u>214,145,423</u>	<u>213,624,552</u>	<u>(520,871)</u>
Expenditures - budgetary basis by function:			
Executive branch	102,324,775	113,875,324	(11,550,549)
Second Senatorial District - Tinian	13,062,163	13,381,710	(319,547)
First Senatorial District - Rota	13,037,127	13,295,612	(258,485)
Government utilities	6,000,833	11,336,454	(5,335,621)
Legislative branch	7,861,864	7,822,577	39,287
Judicial branch	4,907,948	4,810,391	97,557
Independent programs	2,280,628	3,990,610	(1,709,982)
Office of the Mayors	3,109,712	3,086,724	22,988
Office of the Public Auditor	2,311,300	2,181,811	129,489
Office of the Washington Representative	1,264,633	1,407,013	(142,380)
Boards and commissions	867,886	872,078	(4,192)
Total expenditures	<u>157,028,869</u>	<u>176,060,304</u>	<u>(19,031,435)</u>
Excess of revenues over expenditures	<u>57,116,554</u>	<u>37,564,248</u>	<u>(19,552,306)</u>
Other financing sources (uses):			
Operating transfers in (note 14)	5,858,938	6,012,830	153,892
Operating transfers out (note 14)	(58,927,895)	(60,342,749)	(1,414,854)
Total other financing sources (uses), net	<u>(53,068,957)</u>	<u>(54,329,919)</u>	<u>(1,260,962)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,047,597	(16,765,671)	(20,813,268)
Other changes in unreserved deficit:			
Decrease in reserve for supplies inventory	-	810,608	810,608
Increase in reserve for related assets	-	(3,057,673)	(3,057,673)
Decrease in reserve for Division of Public Lands	-	11,712,383	11,712,383
Decrease in reserve for continuing appropriations	-	518,379	518,379
Deficit at beginning of year	(69,454,241)	(69,454,241)	-
Residual equity transfers out (note 14)	-	(11,712,383)	(11,712,383)
Deficit at end of year	<u>\$ (65,406,644)</u>	<u>\$ (87,948,598)</u>	<u>\$ (22,541,954)</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, 2001
(With comparative totals for the year ended September 30, 2000)

	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				2001	2000
Operating revenues:								
Contributions	\$ -	\$ -	\$ 49,675,591	\$ 49,675,591	\$ -	\$ 49,675,591	\$ 45,017,472	
Interest and fees	-	2,441,875	8,500,573	10,942,448	4,803,960	15,746,408	15,690,036	
Port fees	-	-	-	-	10,304,249	10,304,249	10,339,862	
Concession and lease income	-	-	-	-	7,058,035	7,058,035	6,965,683	
Dividend income	-	307,057	1,795,009	2,102,066	-	2,102,066	1,864,513	
Charges for sales and services	670,232	-	-	670,232	-	670,232	784,141	
Net increase (decrease) in the fair value of investments	-	(3,064,228)	(90,781,293)	(93,845,521)	355,102	(93,490,419)	60,748,818	
Other	-	-	-	-	2,952,622	2,952,622	2,506,335	
Total operating revenues	670,232	(315,296)	(30,810,120)	(30,455,184)	25,473,968	(4,981,216)	143,916,860	
Operating expenses:								
Provision for uncollectible unfunded pension liability (note 17)	-	-	355,877,800	355,877,800	-	355,877,800	-	
Retirement pension payments	-	-	36,510,606	36,510,606	-	36,510,606	34,739,713	
General and administrative	-	-	1,757,662	1,757,662	9,272,636	11,030,298	10,772,460	
Bad debts	-	-	6,963,244	6,963,244	3,378,371	10,341,615	11,081,817	
Depreciation and amortization	-	7,091	-	7,091	8,266,210	8,273,301	8,502,153	
Refund payments	-	-	3,203,283	3,203,283	-	3,203,283	3,981,558	
Professional fees	-	394,517	-	394,517	976,443	1,370,960	1,598,373	
Supplies	783,635	12,823	-	796,458	432,170	1,228,628	1,304,879	
Rent	-	14,259	-	14,259	1,168,299	1,182,558	966,536	
Insurance	-	-	-	-	774,087	774,087	545,360	
Repairs and maintenance	-	-	-	-	755,991	755,991	595,387	
Travel	-	-	-	-	553,398	553,398	297,169	
Utilities	-	-	-	-	311,267	311,267	294,519	
Printing and advertising	-	-	-	-	116,636	116,636	106,517	
Other	-	98,817	-	98,817	2,542,036	2,640,853	2,123,818	
Total operating expenses	783,635	527,507	404,312,595	405,623,737	28,547,544	434,171,281	76,910,259	
Operating income (loss)	(113,403)	(842,803)	(435,122,715)	(436,078,921)	(3,073,576)	(439,152,497)	67,006,601	
Nonoperating revenues (expenses):								
Capital contributions	-	-	-	-	5,853,591	5,853,591	1,749,881	
Interest income	-	-	-	-	1,865,659	1,865,659	2,290,722	
Forgiveness of loan	-	-	-	-	-	-	(974,108)	
Gain on debt restructure	-	-	-	-	-	-	1,018,675	
Federal grants	-	-	-	-	-	-	138,614	
Amortization of bond issue cost	-	-	-	-	(57,393)	(57,393)	(62,453)	
Contributions to other agencies	-	-	-	-	(71,383)	(71,383)	(65,762)	
Investment expense	-	-	(2,069,480)	(2,069,480)	-	(2,069,480)	(1,937,718)	
Interest expense	-	-	-	-	(4,240,345)	(4,240,345)	(3,973,394)	
Other, net	-	-	161,244	161,244	(591,389)	(430,145)	3,057,184	
Total nonoperating revenues (expenses), net	-	-	(1,908,236)	(1,908,236)	2,758,740	850,504	1,241,641	
Income (loss) before other financing sources (uses)	(113,403)	(842,803)	(437,030,951)	(437,987,157)	(314,836)	(438,301,993)	68,248,242	
Other financing sources (uses):								
Operating transfers in (note 14)	-	-	2,722,885	2,722,885	5,977,070	8,699,955	2,722,886	
Operating transfers out (note 14)	-	(1,398,621)	-	(1,398,621)	(5,262,444)	(6,661,065)	(3,039,273)	
Total other financing sources (uses), net	-	(1,398,621)	2,722,885	1,324,264	714,626	2,038,890	(316,387)	
Net income (loss)	(113,403)	(2,241,424)	(434,308,066)	(436,662,893)	399,790	(436,263,103)	67,931,855	
Retained earnings/fund balances (deficit) at beginning of year (note 15)	(296,980)	59,869,657	453,519,324	513,092,001	165,403,636	678,495,637	610,563,782	
Prior period adjustment (note 17)	-	-	355,877,800	355,877,800	-	355,877,800	-	
Retained earnings/fund balances (deficit) at end of year	\$ (410,383)	\$ 57,628,233	\$375,089,058	\$432,306,908	\$165,803,426	\$ 598,110,334	\$ 678,495,637	

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, 2001
 (With comparative totals for the year ended September 30, 2000)

	Proprietary Fund Type		Total Primary Government	Component	Totals Reporting Entity	
	Internal	Nonexpendable Trust	(Memorandum Only)	Units	(Memorandum Only)	
	Service			Proprietary	2001	2000
Cash flows from operating activities:						
Operating income (loss)	\$ (113,403)	\$ (842,803)	\$ (956,206)	\$ (3,073,576)	\$ (4,029,782)	\$ 2,332,958
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	-	7,091	7,091	8,266,210	8,273,301	8,502,153
Net (increase) decrease in the fair value of investments	-	3,064,228	3,064,228	(355,102)	2,709,126	(1,614,429)
Bad debts	-	-	-	3,378,371	3,378,371	1,891,035
(Increase) decrease in assets:						
General receivables	-	-	-	(436,241)	(436,241)	(746,702)
Other receivables	-	(174,287)	(174,287)	(536,066)	(710,353)	(892,854)
Interest and dividends receivable	-	(356,316)	(356,316)	(1,848,206)	(2,204,522)	(2,128,141)
Due from other funds	(2,000)	-	(2,000)	-	(2,000)	(700)
Prepaid items	-	-	-	(100,440)	(100,440)	20,673
Inventories	6,105	-	6,105	-	6,105	129,468
Other assets	-	-	-	(3,994)	(3,994)	29,307
Increase (decrease) in liabilities:						
Accounts payable	(7,141)	30,813	23,672	606,638	630,310	121,951
Due to other funds	116,439	-	116,439	-	116,439	21,830
Deferred revenue	-	-	-	(392)	(392)	(13,846)
Other liabilities and accruals	-	-	-	154,559	154,559	105,678
Net cash provided by operating activities	-	1,728,726	1,728,726	6,051,761	7,780,487	7,758,381
Cash flows from noncapital financing activities:						
Net decrease in bank overdraft	-	-	-	(3,304)	(5,304)	(366,587)
Cash received from grantor agencies	-	-	-	-	-	138,614
Other income (expense), net	-	-	-	(591,389)	(591,389)	1,967,598
Net proceeds from line of credit	-	-	-	-	-	3,659
Operating transfers out (note 14)	-	(1,398,621)	(1,398,621)	-	(1,398,621)	(1,322,835)
Net cash provided by (used for) noncapital financing activities	-	(1,398,621)	(1,398,621)	(596,693)	(1,995,314)	420,449
Cash flows from capital and related financing activities:						
Cash received from grantor agencies	-	-	-	3,497,070	3,497,070	1,851,678
Proceeds from sale of equipment	-	-	-	1,632,000	1,632,000	322,684
Acquisition of capital assets	-	(6,052)	(6,052)	(14,657,076)	(14,663,128)	(3,626,763)
Capital contributions	-	-	-	8,333,591	8,333,591	81,836
Proceeds from notes payable	-	-	-	4,569,297	4,569,297	3,467,000
Principal paid on notes payable	-	-	-	(425,445)	(425,445)	(1,135,500)
Principal paid on revenue bonds	-	-	-	(632,844)	(632,844)	(597,594)
Bond issue costs	-	-	-	(28,000)	(28,000)	(81,725)
Capital development grants	-	-	-	(5,333,827)	(5,333,827)	(6,157,039)
Interest paid on borrowings	-	-	-	(4,754,893)	(4,754,893)	(4,545,927)
Net cash used for capital and related financing activities	-	(6,052)	(6,052)	(7,800,127)	(7,806,179)	(10,421,350)
Cash flows from investing activities:						
Net (purchases) disposals of investments	-	3,553,061	3,553,061	587,170	4,140,231	(2,718,973)
Loan originations and principal collections, net	-	(2,627,287)	(2,627,287)	(1,962,506)	(4,589,793)	(1,551,241)
Interest on investments	-	-	-	2,220,761	2,220,761	1,051,904
Net cash provided by (used for) investing activities	-	925,774	925,774	845,425	1,771,199	(3,218,310)
Net increase (decrease) in cash and cash equivalents	-	1,249,827	1,249,827	(1,499,634)	(249,807)	(5,460,830)
Cash and cash equivalents at beginning of year	-	3,642,893	3,642,893	6,473,239	10,116,132	15,576,962
Cash and cash equivalents at end of year	\$ -	\$ 4,892,720	\$ 4,892,720	\$ 4,973,605	\$ 9,866,325	\$ 10,116,132
Noncash investing, capital and related financing activities:						
Capitalization of interest receivable to loan principal:						
Noncash increase in loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,014,163
Noncash decrease in accrued interest receivable	\$ -	\$ -	\$ -	\$ -	\$ -	(1,014,163)
Acquisition of real estate through loan foreclosure:						
Noncash increase in foreclosed real estate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 543,000
Noncash decrease in loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	(543,000)
Write-off of capital development loan:						
Noncash decrease in loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (974,108)
Forgiveness of loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 974,108
Write-off of property and equipment:						
Noncash decrease in property and equipment	\$ -	\$ -	\$ -	\$ (20,305)	\$ (20,305)	\$ (181,447)
Noncash decrease in accumulated depreciation	\$ -	\$ -	\$ -	\$ 20,305	\$ 20,305	\$ 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, 2001

(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:

Office of Public Lands (OPL) is responsible for the management, use and disposition of public lands in the Northern Marianas through lease and permit arrangements per CNMI Public Law No. 12-33. OPL is governed by a five member Board of Directors appointed by the Governor of the CNMI. OPL is reported as a Fiduciary Fund Type - Expendable Trust Fund.

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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

1. Blended Component Units, Continued

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.

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.

Office of Public Lands
P.O. Box 500380
Saipan, MP 96950-0380

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

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units

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

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

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

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

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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

3. Omitted Component Units, Continued

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.

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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

B. Measurement Focus and Basis of Accounting, Continued

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.

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. 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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

C. Basis of Presentation, Continued

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.

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.

D. Budgetary Information

Accounting principles used in developing data on a budgetary basis differ from those used in preparing general purpose financial statements in conformity with GAAP. Amounts included on the Statement of Revenues, Expenditures and Changes in Deficit - Budget and Actual - General Fund (which are presented on a non-GAAP budgetary basis) are reconciled to unreserved deficit of the Combined Balance Sheet within the other changes in unreserved deficit section of that statement.

An annual appropriated budget is adopted by the CNMI Legislature for the General Fund through an Appropriations Act. During the year ended September 30, 2001, 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, 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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

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, 2001, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit were \$69,389,508 and the corresponding bank balances were \$71,895,483. Of the bank balance amounts, \$47,852,993 are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2001, bank deposits in the amount of \$1,585,450 were FDIC insured. Public Law No. 12-61, the Government Deposit Safety Act of 1994, as amended, requires that all deposits of public funds made by the CNMI are to be collateralized by U.S. Government obligations at the rate of 100% of the corresponding bank deposit. Compliance with Public Law No. 12-61 as of September 30, 2001, is presently not determinable.

As of September 30, 2001, the carrying amount of the discretely presented component unit's total cash and cash equivalents and time certificates of deposit were \$25,502,220 and the corresponding bank balances were \$25,737,335. Of the bank balance amounts, \$22,451,803 are maintained in financial institutions subject to FDIC insurance. As of September 30, 2001, bank deposits in the amount of \$703,000 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.

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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

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 inclusion 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, totaling \$2,005,767, 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, 2001, 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.

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:

Motor vehicles	3 - 5 years
Office equipment	3 - 10 years
Office furniture and fixtures	3 - 10 years
Machinery and equipment	3 - 10 years
Leasehold improvements	10 years
Surveying equipment	3 - 10 years

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

L. Fixed Assets, Continued

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, 2001, \$514,548 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 proceeds are reported as other financing sources. 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.

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, 2001. However, the CNMI has estimated the aggregate assessed valuation of real property to be \$1,596,236,822 as of September 30, 2001. 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, 2001, is \$8,323,969. No expenditure is reported for these amounts.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

N. Compensated Absences, Continued

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, 2001, is \$16,236,282.

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.

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, 2001, are as follows:

Total income tax and wage and salary tax collections	\$ 82,137,127
Transfers to Rebate Trust Fund	<u>(27,745,356)</u>
Income taxes and wage and salary taxes per general purpose financial statements	\$ <u>54,391,771</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

Q. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use or not expected to be realized in cash during the ensuing year. Designated fund balances represent tentative plans for future use of financial resources. 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, 2001, is represented by the following assets:

	<u>Governmental Fund Type General</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Component Unit Governmental</u>	<u>Total</u>
Investments	\$ 2,405,771	\$ -	\$ -	\$ 2,405,771
Receivables:				
Other agencies	5,125,431	-	-	5,125,431
General	2,196,367	-	-	2,196,367
Other	-	541,686	-	541,686
Due from component units	1,303,300	-	-	1,303,300
Due from other funds	3,138,057	-	-	3,138,057
Advances	1,799,897	-	-	1,799,897
Restricted assets:				
Time certificate of deposit	-	-	87,411	87,411
	<u>\$ 15,968,823</u>	<u>\$ 541,686</u>	<u>\$ 87,411</u>	<u>\$ 16,597,920</u>

R. Reserve for General Fund

Fund balance reserved for the General Fund consists of \$50,490,253 in principal and \$6 in income of the Marianas Public Land Trust (MPLT), a Fiduciary Fund Type - Nonexpendable Trust Fund. Only 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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

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.

V. New Accounting Standard

Beginning in fiscal year 2001, the CNMI implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The provisions of this standard required the CNMI's governmental funds to recognize certain tax revenues in the period when the underlying exchange transaction has occurred and the resources are available. The CNMI was unable to determine the amount of certain tax revenues required to be recognized resulting in a departure from accounting principles generally accepted in the United States of America. The standard required the CNMI's component units, however, to recognize grants and contributions as non-operating revenue on the Statement of Revenue, Expenses and Changes in Fund Equity (see note 15). In prior periods, grants and contributions had been recorded as a direct increase to contributions in aid in the equity section of the balance sheet.

(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.

During the year ended September 30, 2001, 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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(2) Budgetary and Legal Compliance, Continued

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 \$219,000,000. Expenditures may not legally exceed budgeted appropriations at the program area level. Certain activity levels within the General Fund have over expended their budgeted appropriations; however, the effect of such over expenditures, if any, is presently not determinable.

For the year ended September 30, 2001, expenditures of the General Fund exceeded budget at the program area level (i.e., the legal level of budgetary control) as follows:

<u>Program Area</u>	<u>Excess</u>
Executive branch:	
Department of Public Health	\$ 5,881,810
Department of Public Safety	\$ 5,010,686
Department of Finance	\$ 1,180,433
Department of Lands and Natural Resources	\$ 198,934
Department of Community and Cultural Affairs	\$ 25,844
Office of the Public Defender	\$ 10,053
First Senatorial District - Rota:	
Public Health	\$ 57,021
Public Safety	\$ 285,108
Municipal Council	\$ 381
Labor and Immigration	\$ 21,206
Commerce	\$ 8,510
Second Senatorial District - Tinian:	
Public Health	\$ 60,795
Lands and Natural Resources	\$ 23,299
Finance	\$ 199,575
Labor and Immigration	\$ 56,685
Commerce	\$ 1,187
Office of the Mayors:	
Northern Islands	\$ 6,453
Office of the Washington Representative	\$ 142,380
Legislative branch:	
Legislative Bureau	\$ 252,706

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(2) Budgetary and Legal Compliance, Continued

<u>Program Area</u>	<u>Excess</u>
Independent programs:	
Government utilities	\$ 5,335,621
Cops Universal Hiring Program	\$ 3,000
Judgments and Settlements	\$ 29,388
Other	\$ 1,720,972
Boards and commissions:	
Board of Elections	\$ 4,895
Board of Professional Licensing	\$ 9,015
Judicial branch:	
Supreme Court	\$ 51,185
Operating transfers out:	
Northern Marianas College	\$ 9,201
Medical Assistance Program	\$ 1,759,605
Precinct III Youth Center	\$ 250,000
Kagman Community Center	\$ 100,000

(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, 2001, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash management fund	\$ -	\$ 11,585,298	\$ -	\$ 11,585,298
Equities	-	<u>2,405,771</u>	-	<u>2,405,771</u>
	\$ -	<u>\$ 13,991,069</u>	\$ -	<u>\$ 13,991,069</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(3) Investments, Continued

B. Debt Service Fund

Investments of the Debt Service Fund as of September 30, 2001, 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>1,779,197</u>	\$ <u>-</u>	\$ <u>1,779,197</u>

C. Capital Projects Funds

Investments of the Capital Projects Funds as of September 30, 2001, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
DOI Capital Projects Fund: Corporate bonds	\$ <u>-</u>	\$ <u>37,703,516</u>	\$ <u>-</u>	\$ <u>37,703,516</u>

D. Expendable Trust Funds

Investments of the Expendable Trust Funds as of September 30, 2001, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Saipan Trust Fund:				
Equities	\$ -	\$ -	\$ 472,391	\$ 472,391
Money market placements	<u>-</u>	<u>-</u>	<u>97,593</u>	<u>97,593</u>
			<u>569,984</u>	<u>569,984</u>
CNMI Workers Compensation Commission:				
U.S. Government securities	537,679	-	-	537,679
Money market placements	<u>44,889</u>	<u>-</u>	<u>-</u>	<u>44,889</u>
	<u>582,568</u>	<u>-</u>	<u>-</u>	<u>582,568</u>
	\$ <u>582,568</u>	\$ <u>-</u>	\$ <u>569,984</u>	\$ <u>1,152,552</u>

E. Nonexpendable Trust Fund

Investments of the Nonexpendable Trust Fund as of September 30, 2001, are as follows:

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Marianas Public Land Trust:				
Corporate bonds	\$ -	\$ -	\$ 19,163,302	\$ 19,163,302
Equities	-	-	18,463,873	18,463,873
U.S. Government securities	<u>-</u>	<u>-</u>	<u>6,397,982</u>	<u>6,397,982</u>
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>44,025,157</u>	\$ <u>44,025,157</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(3) Investments, Continued

F. Pension Trust Fund

Investments of the Pension Trust Fund as of September 30, 2001, are as follows:

	Categories			Fair Value
	1	2	3	
Northern Mariana Islands Retirement Fund:				
Equity securities	\$ 205,971,612	\$ -	\$ -	\$ 205,971,612
U.S. Government securities	44,827,583	-	-	44,877,583
Money market placements	35,092,217	-	-	35,092,217
Corporate debt securities	26,965,128	-	-	26,965,128
Real property	545,000	-	-	545,000
	<u>\$ 313,401,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,401,540</u>

Investments of the Pension Trust Fund are held by a bank-administered trust company. Investments that represent 5% or more of the Fund's assets at September 30, 2001 are equity securities of \$176,734,379, money market placements of \$35,092,217, United States government securities of \$44,827,583, corporate debt investments of \$26,965,128, an investment in the BEA International Equity Fund of \$16,469,779, and an investment in the Sabres Partners, L.P. of \$12,767,454.

G. Component Units

Investments of the Component Units - Proprietary Funds as of September 30, 2001, are as follows:

	Categories			Fair Value
	1	2	3	
Unrestricted:				
Commonwealth Ports Authority:				
U.S. Government money market	\$ -	\$ 2,902,959	\$ -	\$ 2,902,959
Cash management fund	-	1,366,091	-	1,366,091
U.S. Government securities	-	504,298	-	504,298
	<u>\$ -</u>	<u>\$ 4,773,348</u>	<u>\$ -</u>	<u>\$ 4,773,348</u>
Restricted (see note 6):				
Commonwealth Ports Authority:				
U.S. Government money market fund	\$ -	\$ 6,371,812	\$ -	\$ 6,371,812
U.S. Government securities	-	4,256,861	-	4,256,861
	<u>-</u>	<u>10,628,673</u>	<u>-</u>	<u>10,628,673</u>
Commonwealth Development Authority:				
U.S. Government agency bonds	-	5,523,739	-	5,523,739
	<u>\$ -</u>	<u>\$ 16,152,412</u>	<u>\$ -</u>	<u>\$ 16,152,412</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(4) Receivables

Receivables as of September 30, 2001, 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,010,872	\$ -	\$ -	\$ 120,451,552	\$ 132,462,424
Federal agencies	-	4,542,447	12,524,167	-	-	-	888,713	-	1,234,760	19,190,087
Other agencies	78,860,258	-	-	-	177,897	-	-	-	-	79,038,155
Notes	-	-	-	-	9,116,611	10,068,704	-	-	-	19,185,315
Taxes	11,992,025	-	-	-	-	-	-	-	-	11,992,025
General	2,747,059	-	-	-	-	1,458,528	-	-	3,789,969	7,995,556
Interest and dividends	-	-	-	-	481,205	1,155,702	-	-	5,927,678	7,564,585
Leases	-	-	-	13,969,363	-	-	-	-	-	13,969,363
Other	-	-	699,215	4,686,602	265,401	209,942	-	31,147	16,862,637	22,754,944
Gross receivables	93,599,342	4,542,447	13,223,382	18,655,965	10,041,114	24,903,748	888,713	31,147	148,266,596	314,152,454
Less: allowance for uncollectibles	(73,734,827)	-	-	(12,439,830)	-	(2,894,102)	-	-	(80,065,836)	(169,134,595)
Net receivables	\$ 19,864,515	\$ 4,542,447	\$ 13,223,382	\$ 6,216,135	\$ 10,041,114	\$ 22,009,646	\$ 888,713	\$ 31,147	\$ 68,200,760	\$ 145,017,859

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, 2001.

Notes receivable of the Nonexpendable Trust Fund are recorded by the Marianas Public Land Trust (MPLT). MPLT executed loan agreements to lend funds to the Northern Marianas Housing Corporation (NMHC) for the purpose of funding home loans. As of September 30, 2001, the loan balance was \$9,116,611 (see note 10). The loan is due on March 1, 2016 and bears interest at 8.5%. Public Law No. 12-27 approved the repayment of this loan through legislative appropriation of operating transfers to the general fund of the CNMI Government from investment income of MPLT. The appropriation of the operating transfers reduces the CNMI Government's receivable from MPLT but recognizes a receivable from NMHC deferred for ten years.

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, 2001, notes receivable under the MHLP were \$8,153,505. 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. The loan is collateralized by real property and is secured by the full faith and credit of the CNMI Government. As of September 30, 2001, the note receivable from CGECU was \$1,915,199.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(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, with an annual interest rate of 7.5%, for the construction of a Judicial Complex on Saipan. The loan is to be repaid from revenues collected by the CNMI courts. NMIRF controls the bank account used to deposit revenues that will be used to retire the debt. As of September 30, 2001, the loan receivable was \$12,010,872 (see note 11).

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

Commonwealth Development Authority

Development Banking Division:

Note receivable from the Commonwealth Utilities Corporation (CUC), due February 17, 2013, interest at 7%, principal and interest are payable in quarterly installments of \$658,469 (see note 22).	\$ 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 (see note 22).	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 (see note 22).	10,000,000
Note receivable from CUC, due January 30, 2000, interest at 7%, principal and interest payable in quarterly installments of \$276,471 (see note 22).	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 10).	<u>9,359,156</u>
Total loans receivable	70,927,906
Less allowance for loan losses	<u>(61,568,750)</u>
	<u>\$ 9,359,156</u>

Development Corporation Division (DCD):

DCD was established to serve as the economic development loan fund agency for qualified private sector enterprises pursuant to Public Law No. 4-49. Loans receivable as of September 30, 2001, totaling \$35,629,804, 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%.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(4) Receivables, Continued

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, 2001, totaling \$13,893,842, 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, 2001, including applicable allowances for loan losses, are as follows:

	<u>DCD</u>	<u>NMHC</u>	<u>Total</u>
Commercial	\$ 26,425,493	\$ 2,424,267	\$ 28,849,760
Direct family home loans	-	8,911,042	8,911,042
Marine	5,740,352	-	5,740,352
Agriculture	2,835,710	-	2,835,710
HOME Investment Partnerships Act grant	-	953,218	953,218
Housing construction	-	681,027	681,027
Microloan Program (see note 10)	616,126	-	616,126
Tinian turnkey	-	527,374	527,374
Other	<u>12,123</u>	<u>396,914</u>	<u>409,037</u>
	35,629,804	13,893,842	49,523,646
Less allowance for loan losses	<u>(12,519,536)</u>	<u>(428,459)</u>	<u>(12,947,995)</u>
	<u>\$ 23,110,268</u>	<u>\$ 13,465,383</u>	<u>\$ 36,575,651</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, 2001, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Federal Grants	\$ 2,521,955
General	Human Resources Development Trust	244,198
General	Commonwealth Museum	9,119
General	Commonwealth Medical Center	279,801
General	Public Works Grants	239,417
General	NMHC Grants	155,694
General	Serv-Mart Revolving	465,923
General	Special Surplus Property	75,803
General	Marianas Public Land Trust	1,174,500
General	Autonomous Agencies Pass Through	888,713
Private Grants	General	628,205
Commonwealth Arts Council	General	32,840
Oil Overcharge	General	128,374
Commonwealth Nonresident Workers' Fee	General	1,160,860
Commonwealth Alien Deportation	General	507,606
Judicial Building	General	239,220
Local Revenue	General	1,742,125

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(5) Interfund Receivables and Payables, Continued

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
DOI Capital Projects	General	8,454,687
Commonwealth Development Authority	General	525,487
Infrastructure Tax	General	2,377,232
American Memorial Park	General	50,968
Local Capital Projects	General	1,552,505
Private Capital Grants	General	434,692
Internal Service	General	72,316
Agriculture Revolving	General	76,416
Saipan Trust	General	3,980
CNMI Workers' Compensation Commission	General	183,517
Marianas Garment Manufacturing	General	342,895
Probation Services	General	30,922
Miscellaneous Expendable Trust	General	258,902
Tinian Land Condemnation	General	1,346,951
Rebate Trust	General	26,210,126
Tobacco Settlement Trust	General	506,104
Pension Trust	General	61,468,081
Judicial Building	Pension Trust	2,601,189
Pension Trust	CNMI Workers' Compensation Commission	74,220
		<u>\$ 117,065,543</u>

Reconciliation of interfund receivables and payables is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Due to/due from other funds, as reported	\$ 85,990,382	\$ 117,065,543
Allowance for uncollectible accounts recorded by the Pension Trust Fund	<u>31,075,161</u>	<u>-</u>
	<u>\$ 117,065,543</u>	<u>\$ 117,065,543</u>

Receivables and payables between funds reflected as due to/from primary government in the combined balance sheet at September 30, 2001, are summarized as follows:

<u>Component Units</u>	<u>Due From</u>	<u>Due To</u>
Marianas Visitors Authority	\$ <u>742,272</u>	\$ <u>-</u>

The amount recorded as due from primary government of the component units of \$742,272 does not equal the corresponding due to component units of the primary government of \$13,205,888 due to appropriations payable to the Public School System and the Northern Marianas College of \$1,888,009 and \$213,026, respectively, and utility charges payable to the Commonwealth Utilities Corporation of \$10,362,581, whose financial statements are not included within the accompanying general purpose financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(5) Interfund Receivables and Payables, Continued

Receivables and payables between funds reflected as due to/from component units in the combined balance sheet at September 30, 2001, are summarized as follows:

<u>Primary Government</u>	<u>Due From</u>	<u>Due To</u>
General Fund:		
Northern Marianas Housing Corporation	\$ 1,303,300	\$ -
Marianas Visitors Authority	-	742,272
Commonwealth Utilities Corporation	-	10,362,581
Public School System	-	1,888,009
Northern Marianas College	-	213,026
	<u>\$ 1,303,300</u>	<u>\$ 13,205,888</u>

The amount recorded as due from component units of the primary government of \$1,303,300 does not equal the corresponding due to primary government of the Component Units - Proprietary Funds of \$-0- due to the amount being recorded as a note payable to the CNMI by the Northern Marianas Housing Corporation, which is included within the notes payable balance of \$2,078,646 (see note 10).

(6) Restricted Assets

Restricted assets as of September 30, 2001, are as follows:

	Fiduciary Fund Type	Component Units		Total
		<u>Governmental</u>	<u>Proprietary</u>	
	<u>Agency</u>			
Cash and cash equivalents	\$ -	\$ 87,411	\$ 7,188,577	\$ 7,275,988
Time certificates of deposit	-	-	5,097,829	5,097,829
Investments (see note 3G)	-	-	16,152,412	16,152,412
Other	<u>5,079,094</u>	<u>-</u>	<u>-</u>	<u>5,079,094</u>
	<u>\$ 5,079,094</u>	<u>\$ 87,411</u>	<u>\$ 28,438,818</u>	<u>\$ 33,605,323</u>

Agency Fund

Security Deposit Fund:

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

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(6) Restricted Assets, Continued

Component Units

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	\$ 1,574,523	\$ 2,684,104
Supplemental Reserve Fund	-	4,241,067
Construction Fund	1,677,917	-
Reimbursement Fund	-	4,994
Bond Fund	399,795	27,374
Maintenance and Operation	<u>13,538</u>	<u>5,361</u>
	<u>\$ 3,665,773</u>	<u>\$ 6,962,900</u>

Commonwealth Development Authority (CDA):

Restricted assets of CDA are comprised of the following:

	<u>Development Banking Division</u>	<u>Northern Marianas Housing Corporation</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,287,258	\$ 4,901,319	\$ 7,188,577
Time certificates of deposit	4,759,526	338,303	5,097,829
Investments	<u>5,523,739</u>	<u>-</u>	<u>5,523,739</u>
	<u>\$ 12,570,523</u>	<u>\$ 5,239,622</u>	<u>\$ 17,810,145</u>

Restricted assets of the Development Banking Division 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).

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(6) Restricted Assets, Continued

Component Units, Continued

Commonwealth Development Authority (CDA), Continued:

Restricted assets of the Northern Marianas Housing Corporation (NMHC) 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).	\$ 1,992
Savings account which acts as collateral against a bank line of credit (see note 10).	1,207,843
Escrow account maintained as a guarantee for any deficiency in foreclosure proceeds related to U.S. Farmers Home Administration loans (see note 17).	297,547
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development.	191,201
Savings account maintained as a guarantee of housing loans made by a savings and loan in the CNMI (see note 17).	118,079
Marianas Public Land Trust (MPLT) collateral account (see note 17).	188,605
Time certificates of deposit for MPLT loan program	2,986,221
Other depository accounts reserved for various purposes.	<u>248,134</u>
	<u>\$ 5,239,622</u>

(7) Fixed Assets

Activity in the General Fixed Assets Account Group for the year ended September 30, 2001, was as follows:

	Balance October 1, 2000	Additions	Retirements	Balance September 30, 2001
Motor vehicles	\$ 3,730,423	\$ 2,482,418	\$ -	\$ 6,212,841
Office equipment	4,339,280	1,024,805	-	5,364,085
Office furniture and fixtures	1,563,774	386,354	-	1,950,128
Machinery and equipment	1,658,613	163,578	-	1,822,191
Leasehold improvements	335,526	13,726	-	349,252
Surveying equipment	<u>33,515</u>	<u>-</u>	<u>-</u>	<u>33,515</u>
	11,661,131	4,070,881	-	15,732,012
Less accumulated depreciation	<u>(934,269)</u>	<u>(96,869)</u>	<u>-</u>	<u>(1,031,138)</u>
	<u>\$ 10,726,862</u>	<u>\$ 3,974,012</u>	<u>\$ -</u>	<u>\$ 14,700,874</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(7) Fixed Assets, Continued

A summary of fixed assets accounted for in the Component Units - Proprietary Funds as of September 30, 2001, 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	\$ 61,764,732	\$ -	\$ 61,764,732
Terminal facilities	20 years	56,960,771	-	56,960,771
Runway and improvements	20 years	38,300,415	-	38,300,415
Housing projects	30 years	-	9,208,157	9,208,157
Terminal equipment	2 - 10 years	8,494,996	-	8,494,996
Other improvements	3 - 20 years	6,852,265	893,042	7,745,307
Infrastructure	30 years	-	2,823,491	2,823,491
Fire and rescue	2 - 8 years	1,803,729	-	1,803,729
Office furniture and fixtures	2 - 10 years	734,073	467,404	1,201,477
General transportation	3 - 5 years	788,238	226,633	1,014,871
Other equipment	3 - 5 years	572,725	-	572,725
Ground maintenance and shop equipment	2 - 5 years	479,499	-	479,499
		<u>176,751,443</u>	<u>13,618,727</u>	<u>190,370,170</u>
Less accumulated depreciation and amortization		<u>(64,269,432)</u>	<u>(7,304,314)</u>	<u>(71,573,746)</u>
		112,482,011	6,314,413	118,796,424
Construction work in progress		17,732,230	5,269,762	23,001,992
Land		<u>464,429</u>	<u>-</u>	<u>464,429</u>
		<u>\$ 130,678,670</u>	<u>\$ 11,584,175</u>	<u>\$ 142,262,845</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.

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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(7) Fixed Assets, Continued

Pursuant to Public Law No. 11-57, NMHC shall have the obligation to pay CDA approximately \$3,364,412 for the cost of constructing fifty-two housing units located at the Sugar King II. Repayment of the loan shall come from the sale of the fifty-two units at Sugar King Part II. As of September 30, 2001, NMHC has sold thirty units amounting to \$1,964,000 with a total value of \$1,400,412 remaining to be disposed.

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 \$6,377,130. As of September 30, 2001, total progress payments amounted to \$5,269,762.

Expendable Trust Fund fixed assets as of September 30, 2001, are comprised of motor vehicles and office furniture, totaling \$30,509, and are being depreciated over estimated useful lives ranging from 2 to 5 years.

Nonexpendable Trust Fund fixed assets as of September 30, 2001, are comprised of office furniture and fixtures, totaling \$21,742, and are being depreciated over estimated useful lives ranging from 3 to 5 years.

Pension Trust Fund fixed assets as of September 30, 2001, are comprised of: 1) construction work in progress; and 2) office furniture, equipment and leasehold improvements, totaling \$275,513 and \$4,044,503, respectively. Depreciation and amortization are provided over estimated useful lives ranging from 3 to 39 years.

Component Unit - Governmental Fund fixed assets as of September 30, 2001, are comprised of equipment, leasehold improvements, vehicles and office furniture and fixtures, totaling \$283,272, 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 \$26,210,126 as of September 30, 2001. 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, 2001

(9) Landing Fees Payable

Landing fee liability recorded by the Expendable Trust Funds represents the cumulative balance from 1997 to September 30, 2001 collected and held in trust by the Office of Public Lands (OPL), related to landing fees on the island of Managaha. Managaha landing fees had been remitted to the lease operator of Managaha Island for operation and maintenance in accordance with the executed concessionaire agreement. The concessionaire agreement expired on September 26, 1998. On February 18, 1999, Public Law No. 11-64 was enacted which required landing fee collections to be appropriated by the CNMI Legislature for OPL and other various local programs, retroactive to September 26, 1998. Effective September 26, 1998, the lease operator chose to exercise the holdover clause of the concessionaire agreement and pay liquidated damages for occupying the premises at \$300 per day. OPL has recorded Managaha landing fees as a liability due to uncertainty with the public law. As of September 30, 2001, the landing fee liability amounted to \$3,111,896 (see note 22).

(10) 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). \$ 9,359,156

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, 2001), 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). 307,932

Note payable to the U.S. Small Business Administration, due November 15, 2010, interest adjusted annually to either 4.25% or 5%, based on the current average size of the microloans made by CDA (5% at September 30, 2001), principal and interest payable in monthly installments of \$5,261, 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). 325,000

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(10) Notes Payable, Continued

Component Units - Proprietary Funds, Continued

Commonwealth Development Authority, Continued

Northern Marianas Housing Corporation (NMHC):

Note payable to Marianas Public Land Trust (MPLT), bearing interest at 8.5% per annum, due on March 1, 2016, collateralized by the full faith and credit of the CNMI Government and specifically pledged loans receivable of NMHC (see note 4). Public Law No. 12-27 approved the repayment of this loan through legislative appropriation of operating transfers to the general fund of the CNMI Government from investment income of MPLT. Operating transfers in the general fund reduces NMHC's payable to MPLT but recognizes a payable to the CNMI Government deferred for ten years (see note 5). 10,000,000

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, 2001), collateralized by savings account balance (see note 6). 917,380

Note to bank, drawn against a bank line of credit of \$3,500,000, at interest rate of .25% below the Bank's base lending rate (5.75% at September 30, 2001), collateralized by mortgage of the Saipan Koblerville Expansion Project (the Project), guaranteed by CDA, due in full on July 31, 2001 or sixty days after completion of the Project, whichever is earlier. The loan matured on July 31, 2001. 2,501,446

\$ 23,410,914

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

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 4,231,195	\$ 503,540	\$ 4,734,735
2003	693,502	234,526	928,028
2004	713,064	214,964	928,028
2005	733,221	194,807	928,028
2006	753,994	174,034	928,028
Thereafter	<u>16,285,938</u>	<u>8,407,996</u>	<u>24,693,934</u>
	<u>\$ 23,410,914</u>	<u>\$ 9,729,867</u>	<u>\$ 33,140,781</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(11) 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, 2001, cash balances controlled by NMIRF for the retirement of debt totaled \$2,601,189. 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. The BANs bear interest at the bank's reference rate less a margin of 1% per annum. As of September 30, 2001, the BANs were paid in full from the proceeds of general obligation bonds issued pursuant to Public Law Nos. 11-3 and 11-102 (see note 12).

Changes in the General Long-Term Debt Account Group loans payable for the year ended September 30, 2001, are as follows:

	<u>Balance October 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2001</u>
NMIRF loan	\$ 12,466,555	\$ -	\$ (455,683)	\$ 12,010,872
BANs	<u>8,175,240</u>	<u>-</u>	<u>(8,175,240)</u>	<u>-</u>
	<u>\$ 20,641,795</u>	<u>\$ -</u>	<u>\$ (8,630,923)</u>	<u>\$ 12,010,872</u>

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>
2002	\$ 1,074,193	\$ 799,619	\$ 1,873,812
2003	855,123	791,253	1,646,376
2004	921,509	724,867	1,646,376
2005	993,048	653,328	1,646,376
2006	1,070,141	576,235	1,646,376
Thereafter	<u>7,096,858</u>	<u>1,501,138</u>	<u>8,597,996</u>
	<u>\$ 12,010,872</u>	<u>\$ 5,046,440</u>	<u>\$ 17,057,312</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(12) Bonds Payable

General Long-Term Debt Account Group

\$15,685,000 Bond Issue

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.

\$60,000,000 Bond Issue

On November 18, 2000, the Commonwealth Development Authority (CDA), acting for and on behalf of the CNMI, issued \$60,000,000 in 2000 Series A general obligation bonds, with interest rates varying between 4.875% beginning June 1, 2004 and 7.375% on June 1, 2030. The bonds were authorized by Public Law Nos. 11-3 and 11-102. Bond proceeds, net of bond issuance costs of \$3,210,104, are expected to fund certain capital improvement projects and to retire certain interim financing (see note 11).

Installments of principal are paid to the Bond Trustee annually commencing June 1, 2004 through June 1, 2030. Interest is payable annually, commencing June 1, 2001 through June 1, 2030.

The 2000 Series A general obligation bonds are subject to redemption prior to their respective maturities (on or after June 1, 2011), at the option of the CNMI, from any source of available funds, on any date on or after June 1, 2010, as a whole or in part by such maturity or maturities as may be specified by request of the CNMI (and by lot within a maturity as selected by the Trustee) at a redemption price of 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

The Bonds maturing on June 1, 2014, June 1, 2020 and June 1, 2030 are subject to redemption prior to their stated maturities, in part, by lot, from mandatory sinking fund payments deposited in the Principal Account in the Bond Payment Fund pursuant to Section 4.05 of the Indenture Agreement dated November 15, 2000, on each June 1, from and after June 1, 2011, June 1, 2015 and June 1, 2021, respectively, at the principal amount thereof plus accrued interest thereon, if any, to the date of redemption (without premium).

Mandatory sinking fund payments due June 1, are as follows:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(12) Bonds Payable, Continued

General Long-Term Debt Account Group, Continued

\$60,000,000 Bond Issue, Continued

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011	\$ 1,850,000	2018	\$ 2,780,000	2025	\$ 2,365,000
2012	\$ 1,965,000	2019	\$ 2,945,000	2026	\$ 2,535,000
2013	\$ 2,085,000	2020	\$ 3,125,000 *	2027	\$ 2,725,000
2014	\$ 2,210,000 *	2021	\$ 1,775,000	2028	\$ 2,925,000
2015	\$ 2,330,000	2022	\$ 1,910,000	2029	\$ 3,140,000
2016	\$ 2,470,000	2023	\$ 2,050,000	2030	\$ 3,375,000 *
2017	\$ 2,620,000	2024	\$ 2,200,000		

* The Paying Agent shall apply moneys transferred by the Trustee from the Principal Account to the redemption of Bonds maturing on June 14, 2014, June 1, 2020 and June 1, 2030, in the principal amounts and on the mandatory sinking fund payment dates.

Changes in the General Long-Term Debt Account Group bonds payable for the year ended September 30, 2001, are as follows:

	<u>Balance October 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2001</u>
1999 Series A	\$ 13,930,000	\$ -	\$ (1,365,000)	\$ 12,565,000
2000 Series A	-	60,000,000	-	60,000,000
	<u>\$ 13,930,000</u>	<u>\$ 60,000,000</u>	<u>\$ (1,365,000)</u>	<u>\$ 72,565,000</u>

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>
2002	\$ 1,420,000	\$ 4,420,713	\$ 5,840,713
2003	1,470,000	4,369,403	5,839,403
2004	2,830,000	4,314,731	7,144,731
2005	2,945,000	4,183,401	7,128,401
2006	3,095,000	4,034,151	7,129,151
Thereafter	<u>60,805,000</u>	<u>52,912,028</u>	<u>113,717,028</u>
	<u>\$ 72,565,000</u>	<u>\$ 74,234,427</u>	<u>\$ 146,799,427</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(12) 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, 2001, consist of the following:

1998 Series A tax-exempt airport revenue bonds	\$ 19,275,000
Deferred costs of debt refunding	<u>(298,365)</u>
	<u>\$ 18,976,635</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, 2001

(12) 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, 2001, consist of the following:

1998 Series A tax-exempt seaport revenue bonds	\$ 32,500,000
Deferred costs of debt refunding	<u>(1,263,731)</u>
	<u>\$ 31,236,269</u>

CPA has resolved to deposit \$700,000 annually into the Seaport supplemental reserve fund (beginning in 2001 and ending in 2005) until \$8,000,000 is deposited into such fund.

During the year ended September 30, 2001, the Bond Trustee revised the debt service schedule. The net effect of the change was an increase to the annual debt service of \$15,000.

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, 2001, except for the insurance coverage requirement related to the Airport bond indenture and the collection of gross revenues requirement related to the Airport and Seaport bond indentures.

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

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 770,000	\$ 3,324,775	\$ 4,094,775
2003	820,000	3,273,355	4,093,355
2004	875,000	3,218,550	4,093,550
2005	925,000	3,160,340	4,085,340
2006	985,000	3,098,570	4,083,570
Thereafter	<u>47,400,000</u>	<u>41,105,625</u>	<u>88,505,625</u>
	<u>\$ 51,775,000</u>	<u>\$ 57,181,215</u>	<u>\$ 108,956,215</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(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, 2001, consist of the following:

	<u>Authorizing Legislation</u>	<u>Outstanding Balance</u>
General Fund:		
PSS lapse appropriations	Public Law No. 8- 2	\$ 114,568
Salary adjustment	Public Law No. 10-41	520,698
Retirement bonus	Public Law No. 4-41	129,924
Other programs	Various	<u>403,822</u>
		<u>\$ 1,169,012</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

A. Operating Fund Transfers

Operating transfers in/out for all fund types, for the year ended September 30, 2001, are as follows:

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<u>General Fund</u>		
From General Fund to:		
Public School System	\$ 36,709,393	\$ -
Marianas Visitors Authority	6,284,558	-
Northern Marianas College	6,824,860	-
Northern Mariana Islands Retirement Fund	2,722,885	-
Human Resources Development Trust Fund	1,176,934	-
Debt Service Fund	2,000,000	-
DOI Capital Projects Fund	1,883,397	-
Federal Grants Fund	2,012,326	-
Local Capital Projects Fund	350,000	-
CNMI Workers' Compensation Commission	378,396	-
To General Fund from:		
Commonwealth Nonresident Workers' Fee Fund	-	4,123,530
Marianas Public Land Trust	-	1,303,300
Local Revenue Fund	-	<u>586,000</u>
	<u>\$ 60,342,749</u>	<u>\$ 6,012,830</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(14) Transfers In/Out, Continued

A. 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	\$ 4,123,530	\$ -
Northern Marianas College	1,252,900	-
From Local Revenue Fund to:		
General Fund	586,000	-
Commonwealth Museum Fund	200,000	200,000
Local Capital Projects Fund	1,125,000	-
From General Fund to:		
Federal Grants Fund	-	2,012,326
Human Resources Development Trust Fund	-	1,176,934
	<u>\$ 7,287,430</u>	<u>\$ 3,389,260</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:		
Commonwealth Ports Authority	\$ 3,497,070	\$ -
To Local Capital Projects Fund from:		
Infrastructure Tax Fund	218,385	218,385
From Local Revenue Fund to:		
Local Capital Projects Fund	-	1,125,000
To American Memorial Park Fund from:		
Marianas Public Land Trust	-	95,321
From General Fund to:		
Local Capital Projects Fund	-	350,000
DOI Capital Projects Fund	-	1,883,397
From Commonwealth Development Authority to:		
DOI Capital Projects Fund	-	2,837,927
Local Capital Projects Fund	-	4,517
From Local Capital Projects Fund to:		
Northern Marianas Housing Corporation	60,000	-
	<u>\$ 3,775,455</u>	<u>\$ 6,514,547</u>
<u>Expendable Trust Fund</u>		
From General Fund to:		
CNMI Workers' Compensation Commission	\$ -	\$ 378,396
<u>Nonexpendable Trust Fund</u>		
From Marianas Public Land Trust to:		
General Fund	\$ 1,303,300	\$ -
American Memorial Park Fund	95,321	-
	<u>\$ 1,398,621</u>	<u>\$ -</u>
<u>Pension Trust Fund</u>		
From General Fund to:		
Northern Mariana Islands Retirement Fund	\$ -	\$ 2,722,885

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(14) Transfers In/Out, Continued

A. Operating Fund Transfers, Continued

	<u>Transfer Out</u>	<u>Transfer In</u>
<u>Component Units - Governmental Funds</u>		
From General Fund to:		
Marianas Visitors Authority	\$ <u>-</u>	\$ <u>6,284,558</u>
<u>Component Units - Proprietary Funds</u>		
From Commonwealth Development Authority to:		
DOI Capital Projects Fund	\$ 2,837,927	\$ -
Local Capital Projects Fund	4,517	-
Northern Marianas Housing Corporation	2,420,000	-
To Commonwealth Ports Authority from:		
DOI Capital Projects Fund	-	3,497,070
To Northern Marianas Housing Corporation from:		
Local Capital Projects Fund	-	60,000
Commonwealth Development Authority	<u>-</u>	<u>2,420,000</u>
	\$ <u>5,262,444</u>	\$ <u>5,977,070</u>

Reconciliation of operating fund transfers is as follows:

Operating fund transfers, as reported	\$ 78,066,699	\$ 33,279,546
Operating fund transfers not reported due to component unit financial statements not included within the accompanying general purpose financial statements:		
Public Schools System	-	36,709,393
Northern Marianas College	<u>-</u>	<u>8,077,760</u>
	\$ <u>78,066,699</u>	\$ <u>78,066,699</u>

B. Residual Equity Transfers

Residual equity transfers in/out for all fund types, for the year ended September 30, 2001, are as follows:

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<u>General Fund</u>		
From General Fund to:		
Office of Public Lands	\$ <u>11,712,383</u>	\$ <u>-</u>
<u>Expendable Trust Fund</u>		
From General Fund to:		
Office of Public Lands	\$ <u>-</u>	\$ <u>11,712,383</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(15) Restatement/Reclassification of Fund Equity

Component Units - Proprietary Funds

Retained earnings - October 1, 2000, as previously stated	\$ 9,020,182
Implementation of GASB Statement No. 33, <i>Accounting and Financial Reporting for Nonexchange Transactions</i> , for grants and contributions that are required to be recognized as non-operating revenue	<u>156,383,454</u>
Retained earnings - October 1, 2000, as restated	\$ <u>165,403,636</u>
Contributed capital - October 1, 2000, as previously stated	\$ 156,383,454
Implementation of GASB Statement No. 33, <i>Accounting and Financial Reporting for Nonexchange Transactions</i> , for grants and contributions that are required to be recognized as non-operating revenue	<u>(156,383,454)</u>
Contributed capital - October 1, 2000, as restated	\$ <u>-</u>

(16) Commitments

Marianas Visitors Authority (MVA)

MVA is leasing its office in Saipan under a five year lease, expiring on May 14, 2002, with an option to renew for an additional five years. On January 19, 2001, MVA exercised the option to renew for another five-year term. The lessor mutually agreed with MVA to waive any rent increase. Minimum future lease payments is as follows:

<u>Year ending September 30,</u>	
2002	\$ 92,400
2003	92,400
2004	92,400
2005	92,400
2006	92,400
Subsequent years	<u>69,300</u>
	<u>\$ 531,300</u>

On June 6, 2001, MVA executed an agreement with a communication services corporation to provide marketing, advertising, internet, and public relations services to MVA, and to assist MVA in carrying out its mandate to promote the Northern Mariana Islands' tourism industry to North America, Japan and other foreign countries. Under the contract, MVA is obligated to make payments inclusive of reimbursements for personal business expenses, not to exceed \$2,600,000. At September 30, 2001, services delivered amounted to \$800,000. Accordingly, the remaining commitment under this agreement at September 30, 2001 was \$1,800,000. The term of the contract expires on September 30, 2002 and may be extended for an additional one year based on mutual agreement, and is contingent on availability of funding in fiscal year 2002.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(16) Commitments, Continued

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. Repayments are to be made from future distributable net income of the Park Trust Fund. No funds have been disbursed as of September 30, 2001.

Office of Public Lands (OPL)

OPL leases and grants permits for the use of public lands. Lease and permit terms range from one to twenty-five years and in most instances contain provisions for percentage rent. Lease and permit income for the year ended September 30, 2001, amounted to \$3,218,443. Minimum future lease income is as follows:

<u>Year ending September 30,</u>	<u>Minimum Lease Income Due</u>
2002	\$ 3,097,717
2003	3,133,663
2004	3,035,356
2005	2,741,535
2006	2,730,104
Thereafter	<u>30,236,670</u>
	<u>\$ 44,975,045</u>

Commonwealth Development Authority (CDA)

Certain residual funds of CDA are comprised of 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). At September 30, 2001, 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, 2001.

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, 2001, CDA has loaned \$61,568,750 to CUC.

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, 2001, \$7,045,832 and \$6,583,645, respectively, have been disbursed against these agreements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(16) Commitments, Continued

Commonwealth Development Authority (CDA), Continued

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, 2001, CDA has committed funds of \$6,930,000, \$9,000,000, \$3,000,000 and \$5,474,548, of which \$4,088,504, \$6,937,863, \$1,677,280 and \$2,844,790, 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, 2001, amounted to \$4,837,117. Minimum future lease income is as follows:

<u>Year ending September 30,</u>	<u>Minimum Lease Income Due</u>
2002	\$ 1,279,655
2003	1,287,853
2004	1,156,358
2005	1,021,597
2006	891,362
Thereafter	<u>12,641,347</u>
	<u>\$ 18,278,172</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 presently not determinable (see note 22).

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 presently not determinable.

Litigation

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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(17) Contingencies, Continued

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 \$410,759 have been set forth in the CNMI's Single Audit Report for the year ended September 30, 2001. 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) Airport facilities were underinsured by approximately \$11,074,531. In the event of a loss, CPA may be self-insured to a material extent.

Loan Guarantees

Commonwealth Development Authority (CDA):

CDA is authorized to guarantee up to 90% of the principal of loans and lines of credit made by financial institutions to qualified borrowers, in addition to approving direct loans. The amount for which CDA is contingently liable under this arrangement as of September 30, 2001, is \$17,911,529. Unutilized line of credit facilities guaranteed by CDA amount to \$160,283 as of September 30, 2001.

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 is deficient in required restricted assets of its MPLT collateral account at September 30, 2001. Required restricted assets were \$211,017 whereas the balance maintained by NMHC is \$188,605 at September 30, 2001 (see note 6).

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements September 30, 2001

(17) Contingencies, Continued

Loan Guarantees, Continued

Commonwealth Development Authority (CDA), Continued:

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, 2001, NMHC has guaranteed outstanding loans of approximately \$13,800,000, and the balance in the escrow account is \$297,547 (see note 6). NMHC is required to maintain a minimum balance of \$100,000.

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, 2001, NMHC was contingently liable for \$2,890,235 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, 2001 was \$118,079 (see note 6).

Going Concern

CPA has incurred an operating loss of \$2,879,219 during the year ended September 30, 2001. 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 operating losses of CPA.

Unfunded Pension Liability

Pursuant to Public Law No. 6-17, the CNMI is to make contributions to the Northern Mariana Islands Retirement Fund (NMIRF) each year on an actuarially funded basis toward the annuities related to retirement and other benefits. These contributions are to equal the sum of normal cost determined under an acceptable actuarial funding method, allowance for expenses, interest on any due but unpaid obligations, plus an amount sufficient to amortize the initial unfunded liability and unfunded accrued liability for Class I and Class II members respectively, as a level percentage of total payroll over specified period, determined by the Board upon recommendation of the actuary, but not to exceed a period of forty years from October 1, 1980.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements September 30, 2001

(17) Contingencies, Continued

Unfunded Pension Liability, Continued

The unfunded pension liability is the amount of contributions that the CNMI should have paid to the NMIRF for the retirement benefits of an undetermined number of individuals employed before October 1, 1980, the date the Fund was established, who collected money from the Fund based on their years of service but were not required to pay their share of contribution as mandated by this law. Based on the latest actuarial valuation report, dated October 1, 2000, the actual unfunded pension liability is \$355,877,800. This amount due from the CNMI was not recorded by the NMIRF and, accordingly, a prior period adjustment was made to record this amount. Due to the uncertainty of the CNMI's ability to pay the required contribution, a provision was made of an amount equal to the total amount of the unfunded pension liability. The CNMI has not appropriated funds for this purpose and, accordingly, a liability has not been recorded within the accompanying general purpose financial statements.

Other

Members of the 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, 2001, unprocessed claims submitted by health care providers amounted to \$23,890,142. 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.

As of September 30, 2001, the CNMI has invested in stock, totaling \$905,771, of the Pacific Islands Development Bank (PIDB). The CNMI has an additional commitment of \$94,229 outstanding to achieve a total investment of \$1,000,000. As of September 30, 2001, the CNMI does not have a formal written document mandating the investment of \$1,000,000 in PIDB.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(17) Contingencies, Continued

Other, Continued

CNMI Workers' Compensation Commission (WCC):

WCC assumed responsibility for administering and paying disability claims for CNMI Government employees on October 25, 1989. Effective September 1, 1990, WCC contracted with an insurance carrier to provide coverage for CNMI Government employees. The contract with the insurance carrier was terminated effective May 31, 1991. Accordingly, CNMI is self-insured for disability claims. No reserve for such claims has been established by WCC at September 30, 2001.

Commonwealth Ports Authority (CPA):

During the year ended September 30, 2001, CPA incurred expenditures in the amount of \$587,706 related to cleanup efforts as a result of a jet fuel leakage on its property. The property is currently being leased by a tenant responsible for the leakage. Although CPA has paid for the cleanup efforts, management believes the tenant should be responsible for fifty percent (50%) of the total cost incurred if not all. Management is currently negotiating the terms with the tenant. As of September 30, 2001, a decision from the tenant was still pending. Accordingly, the total expenses incurred are included as an other expense of CPA in the accompanying general purpose financial statements.

(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), the Office of Public Lands (OPL), and the Marianas Public Land Trust (MPLT), 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. The liability for claims and judgments is reported in the General Long-Term Debt Account Group because it is not expected to be liquidated with expendable available financial resources. Changes in the balance of claims liabilities during the past year are as follows:

	<u>Year ended September 30,</u>
Unpaid claims at beginning of year	\$ 2,219,550
Incurred claims	85,075
Claim payments	<u>(85,075)</u>
Unpaid claims at end of year	\$ <u>2,219,550</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(18) Risk Management, Continued

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.

OPL 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. OPL has elected to purchase commercial insurance from independent third parties for the risks of losses to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage.

MPLT is exposed to various risks of loss related to investments. MPLT has managed these risks through development of an investment policy designed to minimize such losses.

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 2001 was \$126,843,197, 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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(20) Individual Deficit Fund Balances or Deficit Retained Earnings

Specific individual funds that had individual deficit fund balances or retained earnings as of September 30, 2001, are as follows:

General Fund	\$ <u>62,444,646</u>
Special Revenue Funds:	
Human Resources Development Trust Fund	\$ <u>281,958</u>
Commonwealth Museum	\$ <u>19,370</u>
Capital Projects Funds:	
American Memorial Park Fund	\$ <u>60,531</u>
Internal Service Funds:	
Serv-Mart Revolving Fund	\$ <u>408,439</u>
Special Surplus Property Fund	\$ <u>75,803</u>

(21) Related Party Transaction

Office of Public Lands (OPL) maintains depository accounts in financial institutions not subject to Federal Deposit Insurance Corporation (FDIC) insurance. The Chairman of the Board of Directors of OPL is currently the Chief Executive Officer of one of these financial institutions. In addition, the Vice Chairman of the Board of Directors of OPL is currently the Vice President and General Manager of one of these financial institutions. As of September 30, 2001, OPL deposits in these non-FDIC financial institutions amounted to \$7,106,853.

(22) Subsequent Events

On November 13, 2001, Public Law No. 12-71 was enacted that abolished the Office of Public Lands (OPL) and transferred all of its functions, assets and liabilities to the Marianas Public Land Authority (MPLA). Public Law No. 12-71 gives broad powers over leasing of public lands not provided for in Public Law No. 12-33.

On April 30, 2002, a financial institution went into receivership. The CNMI's Office of the Public Auditor issued a report, dated April 3, 2002, indicating that certain component units of the CNMI, including OPL, the Northern Mariana Islands Retirement Fund, the Commonwealth Development Authority (CDA), the Marianas Visitors Authority (MVA) and the CNMI maintained deposits amounting to approximately \$8,006,000, \$5,570,000, \$962,000, \$250,000 and \$283,000, respectively, as of December 15, 2001. The ability of these component units and the CNMI to realize funds deposited is uncertain.

On July 3, 2002, Public Law No. 13-16 was enacted that appropriated \$2,600,000 to MVA from Managaha landing fees (see note 9).

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the General Purpose Financial Statements
September 30, 2001

(22) Subsequent Events, Continued

On July 23, 2002, Public Law No. 13-17 became effective, which authorized MPLA, in conjunction with CDA, to incur public debt in an amount not to exceed \$40,000,000 for the settlement of land acquisition claims against the CNMI and for other purposes. As of August 13, 2002, no debt has been incurred by either MPLA or CDA related to Public Law No. 13-17 (see note 17).

On December 10, 2002, Public Law No. 13-35 was enacted, which effectuates the terms of the Memorandum of Agreement (MOA) between CDA and the Commonwealth Utilities Corporation (CUC) by requiring CDA to waive \$16,068,750 of principal owed by CUC (see note 4).

On December 10, 2002, Public Law No. 13-36 was enacted, which effectuates the terms of the MOA between CDA and CUC by authorizing CUC to issue shares of cumulative, non-convertible, non-transferable preferred stock valued at \$45,500,000 to CDA and to provide for the repayment of debt for users fees for electrical consumption by the CNMI (see note 4).

On December 18, 2002, Public Law No. 13-41 was enacted, which authorized the CNMI's Department of Finance to incur debt in an amount not to exceed \$19,000,000 for the purpose of funding the payment of tax rebates and refunds covering tax years 1999 through 2001.

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, 2001
 (With comparative totals for the year ended September 30, 2000)

	Governmental Fund Types				Fiduciary Fund Type Expendable Trust	Total Primary Government (Memorandum Only)	Component Units Govern- mental	Totals Reporting Entity (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects				2001	2000
	Salaries and wages	\$ 113,738,515	\$ 10,725,628	\$ -				\$ 2,379,054	\$ 2,283,505
Construction in progress	-	-	-	22,209,215	-	22,209,215	-	22,209,215	15,357,325
Professional services	15,640,676	5,204,987	-	216,754	50,831	21,113,248	90,445	21,203,693	17,153,167
Capital outlay:									
Office equipment	1,404,129	1,259,583	-	-	16,587	2,680,299	-	2,680,299	1,948,946
Vehicles	1,101,616	647,451	-	-	-	1,749,067	-	1,749,067	726,383
Machinery and equipment	992,922	157,487	-	-	-	1,150,409	5,623	1,156,032	732,127
Furniture and fixtures	286,644	79,806	-	6,278	-	372,728	-	372,728	1,291,393
Road improvements	3,971	-	-	34,528	-	38,499	-	38,499	5,778,809
Building improvements	16,610	-	-	-	-	16,610	-	16,610	199,321
Other	32,784	629,285	-	5,481,227	695,662	6,838,958	-	6,838,958	3,677,806
Utilities	11,678,049	-	-	-	25,752	11,703,801	-	11,703,801	9,964,845
Supplies	9,162,212	965,015	-	2,401	47,724	10,177,352	-	10,177,352	7,090,245
Principal repayment	-	455,683	1,365,000	8,175,240	-	9,995,923	-	9,995,923	2,188,145
Medical claims	-	-	-	-	8,156,713	8,156,713	-	8,156,713	6,963,607
Food items	660,678	5,202,358	-	-	759	5,863,795	-	5,863,795	5,611,731
Travel	4,066,740	1,360,013	-	-	165,038	5,591,791	63,919	5,655,710	5,372,657
Rentals	4,022,264	342,160	-	128	224,481	4,589,033	113,296	4,702,329	5,498,981
Scholarships/grants	3,487,493	1,062,833	-	-	-	4,550,326	-	4,550,326	4,213,955
Advertising	156,012	164,981	-	-	25	321,018	3,500,694	3,821,712	4,686,919
Interest	59,838	963,257	599,983	2,150,571	-	3,773,649	-	3,773,649	1,585,564
Bond issuance costs	-	-	-	3,210,104	-	3,210,104	-	3,210,104	-
Repairs and maintenance	2,103,961	615,272	-	100,532	31,137	2,850,902	54,735	2,905,637	2,703,337
Communications	1,698,287	315,049	-	-	42,720	2,056,056	-	2,056,056	2,230,283
Fuel and lubrication	1,039,339	164,082	-	-	5,164	1,208,585	-	1,208,585	1,010,230
Indirect costs	-	1,123,263	-	-	-	1,123,263	-	1,123,263	1,419,060
Official representation	687,889	-	-	-	-	687,889	-	687,889	970,183
Printing	393,794	139,594	-	-	25,497	558,885	98,797	657,682	754,217
Miscellaneous services	267,046	275,649	-	-	-	542,695	-	542,695	580,052
Bad debts	346,776	-	-	-	-	346,776	-	346,776	296,738
Dues and subscriptions	285,593	44,365	-	-	75	330,033	-	330,033	237,814
Freight	151,341	112,360	-	-	1,117	264,818	-	264,818	246,316
Books and library materials	123,622	108,212	-	-	9,187	241,021	-	241,021	251,012
Insurance	151,852	-	-	-	82,215	234,067	-	234,067	206,948
Claims and judgments	47,590	-	-	-	-	47,590	-	47,590	142,584
Licenses and fees	15,307	-	-	-	-	15,307	-	15,307	24,465
Other	3,115,268	1,437,618	18,984	1,732,623	1,317,797	7,622,290	610,058	8,232,348	10,346,611
	<u>\$ 176,938,818</u>	<u>\$ 33,555,991</u>	<u>\$ 1,983,967</u>	<u>\$ 45,698,655</u>	<u>\$ 13,181,986</u>	<u>\$ 271,359,417</u>	<u>\$ 6,542,283</u>	<u>\$ 277,901,700</u>	<u>\$ 247,028,523</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
GENERAL FUND

September 30, 2001

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, 2001
(With comparative totals for the year ended September 30, 2000)

	<u>2001</u>	<u>2000</u>
Revenues:		
Taxes:		
Income	\$ 54,391,771	\$ 52,220,283
Business gross revenue	52,122,063	57,179,756
Garment certification	35,815,658	38,644,187
Excise	21,610,632	21,391,449
Hotel room occupancy	5,923,316	6,116,079
Fuel	4,374,052	4,181,912
Bar and liquor	3,007,247	3,216,898
Penalties and interest	711,037	1,599,506
Other	570,759	445,603
	<u>178,526,535</u>	<u>184,995,673</u>
Charges for sales and services:		
Hospital	14,439,703	6,089,942
Reimbursements	2,127,329	2,254,450
Other	2,477,717	4,702,837
	<u>19,044,749</u>	<u>13,047,229</u>
Licenses and fees:		
Amusement machines	8,083,225	6,509,709
Entry, alien labor, and transfer fees	1,851,009	2,745,281
Vehicle registration	873,791	861,765
Business licenses	614,957	756,115
Vehicle operator license	232,337	242,740
Corporation	195,398	233,006
Other	1,237,230	429,670
	<u>13,087,947</u>	<u>11,778,286</u>
Division of Public Lands:		
Land leases	-	2,795,099
Interest	-	599,646
Fees	-	21,238
	<u>-</u>	<u>3,415,983</u>
Other:		
Interest	891,402	1,388,979
Net increase in the fair value of investments	845,130	392,196
Other	1,228,789	806,424
	<u>2,965,321</u>	<u>2,587,599</u>
Total revenues	<u>213,624,552</u>	<u>215,824,770</u>
Expenditures by function:		
Department of Public Health	49,464,535	41,605,569
Department of Public Safety	19,866,016	19,559,019
Office of the Governor	14,136,665	11,845,444
Department of Finance	13,737,148	12,655,991
Department of Public Works	9,146,275	9,008,125
Department of Labor and Immigration	7,461,325	6,963,710
Department of Lands and Natural Resources	7,253,498	6,921,550
Department of Community and Cultural Affairs	3,870,559	3,834,819
Office of the Attorney General	3,125,586	2,627,141
Department of Commerce	2,295,921	2,087,750
Department of Personnel	2,061,253	2,078,179
Office of the Public Defender	590,874	577,777
Division of Public Lands	-	2,070,401
Total offices and departments	<u>133,009,655</u>	<u>121,835,475</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, 2001
(With comparative totals for the year ended September 30, 2000)

	2001	2000
Elected offices:		
Tinian mayor/municipal council	4,956,748	4,824,460
Rota mayor/municipal council	3,457,347	3,907,113
Saipan mayor/municipal council	2,405,240	2,311,179
Washington representative	1,407,798	1,551,410
Northern Islands mayor	663,466	551,487
Total elected offices	<u>12,890,599</u>	<u>13,145,649</u>
Legislative branch:		
House of Representatives	3,656,936	3,412,941
Legislative Bureau	2,086,954	2,121,993
Senate	2,054,527	1,939,446
Total legislative branch	<u>7,798,417</u>	<u>7,474,380</u>
Independent programs:		
Cops Universal Hiring Program	377,925	-
Public Library	316,783	266,612
Micronesia Legal Services Corporation	171,452	171,452
Chamorro/Carolinian language	150,543	156,111
Karidat	128,589	128,589
Judgments and settlements	85,075	120,184
Other	1,619,694	3,272,705
Total independent programs	<u>2,850,061</u>	<u>4,115,653</u>
Boards and commissions:		
Board of Elections	374,751	345,545
Civil Service Commission	371,102	337,949
Board of Professional Licensing	157,605	149,342
Total boards and commissions	<u>903,458</u>	<u>832,836</u>
Judicial branch:		
Superior Court	2,928,001	2,841,253
Supreme Court	1,614,371	1,532,688
Law Revision Commission	240,687	244,968
Family Court	-	1,691
Total judicial branch	<u>4,783,059</u>	<u>4,620,600</u>
Government utilities	<u>11,336,454</u>	<u>9,946,542</u>
Office of the Public Auditor	<u>2,185,327</u>	<u>1,985,101</u>
Other	<u>1,181,788</u>	<u>-</u>
Total expenditures	<u>176,938,818</u>	<u>163,956,236</u>
Excess of revenues over expenditures	<u>36,685,734</u>	<u>51,868,534</u>
Other financing sources (uses):		
Operating transfers in	6,012,830	13,002,700
Operating transfers out	<u>(60,342,749)</u>	<u>(58,084,318)</u>
Total other financing sources (uses), net	<u>(54,329,919)</u>	<u>(45,081,618)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(17,644,185)	6,786,916
Deficit at beginning of year	(33,088,078)	(39,874,994)
Residual equity transfer out	<u>(11,712,383)</u>	<u>-</u>
Deficit at end of year	<u>\$ (62,444,646)</u>	<u>\$ (33,088,078)</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, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 186,694,086	\$ 178,526,535	\$ (8,167,551)
Charges for sales and services	12,047,051	19,044,749	6,997,698
Licenses and fees	10,956,170	13,087,947	2,131,777
Other	4,448,116	2,965,321	(1,482,795)
Total revenues	<u>214,145,423</u>	<u>213,624,552</u>	<u>(520,871)</u>
Expenditures - budgetary basis by function:			
Executive branch:			
Department of Public Health	38,024,926	43,906,736	(5,881,810)
Department of Public Safety	11,312,599	16,323,285	(5,010,686)
Office of the Governor	15,995,796	15,847,572	148,224
Department of Finance	10,703,895	11,884,328	(1,180,433)
Department of Public Works	7,670,167	7,444,056	226,111
Department of Labor and Immigration	5,899,544	5,869,029	30,515
Department of Lands and Natural Resources	4,014,469	4,213,403	(198,934)
Office of the Attorney General	3,194,834	3,132,521	62,313
Department of Community and Cultural Affairs	3,007,616	3,033,460	(25,844)
Department of Commerce	1,935,731	1,645,683	290,048
Office of the Public Defender	565,198	575,251	(10,053)
	<u>102,324,775</u>	<u>113,875,324</u>	<u>(11,550,549)</u>
First Senatorial District - Rota:			
Mayor	2,679,805	2,679,691	114
Public Health	2,397,965	2,454,986	(57,021)
Public Safety	1,668,550	1,953,658	(285,108)
Lands and Natural Resources	1,714,701	1,638,393	76,308
Public Works	1,088,003	1,065,027	22,976
Finance	913,545	905,194	8,351
Municipal Council	778,688	779,069	(381)
Labor and Immigration	689,591	710,797	(21,206)
Community and Cultural Affairs	575,113	570,421	4,692
Commerce	300,991	309,501	(8,510)
Personnel Office	230,175	228,875	1,300
	<u>13,037,127</u>	<u>13,295,612</u>	<u>(258,485)</u>
Second Senatorial District - Tinian:			
Mayor	4,042,201	4,040,186	2,015
Public Health	2,224,352	2,285,147	(60,795)
Public Safety	1,677,290	1,668,068	9,222
Lands and Natural Resources	1,323,908	1,347,207	(23,299)
Municipal Council	857,707	851,942	5,765
Finance	604,783	804,358	(199,575)
Labor and Immigration	711,891	768,576	(56,685)
Public Works	695,541	694,961	580
Personnel Office	338,618	338,491	127
Community and Cultural Affairs	297,048	292,763	4,285
Commerce	288,824	290,011	(1,187)
	<u>13,062,163</u>	<u>13,381,710</u>	<u>(319,547)</u>
Office of the Mayors:			
Saipan	2,177,447	2,152,416	25,031
Northern Islands	670,825	677,278	(6,453)
Saipan Municipal Council	261,440	257,030	4,410
	<u>3,109,712</u>	<u>3,086,724</u>	<u>22,988</u>
Office of the Washington Representative			
	<u>1,264,633</u>	<u>1,407,013</u>	<u>(142,380)</u>
Legislative branch:			
House of Representatives	3,878,028	3,671,299	206,729
Legislative Bureau	1,834,248	2,086,954	(252,706)
Senate	2,149,588	2,064,324	85,264
	<u>7,861,864</u>	<u>7,822,577</u>	<u>39,287</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
GENERAL FUND

Statement of Revenues, Expenditures and Changes in
Deficit - Budget and Actual, Continued
Year Ended September 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures - budgetary basis by function, continued:			
Independent programs:			
Cops Universal Hiring Program	374,925	377,925	(3,000)
Public Library	335,412	294,567	40,845
Micronesia Legal Services Corporation	171,452	171,452	-
Chamorro/Carolinian language	154,119	151,586	2,533
Karidat	128,589	128,589	-
Judgments and settlements	55,687	85,075	(29,388)
Other	1,060,444	2,781,416	(1,720,972)
	<u>2,280,628</u>	<u>3,990,610</u>	<u>(1,709,982)</u>
Boards and commissions:			
Civil Service Commission	376,757	367,039	9,718
Board of Elections	347,880	352,775	(4,895)
Board of Professional Licensing	143,249	152,264	(9,015)
	<u>867,886</u>	<u>872,078</u>	<u>(4,192)</u>
Judicial branch:			
Superior Court	3,068,437	2,927,328	141,109
Supreme Court	1,589,134	1,640,319	(51,185)
Law Revision Commission	250,377	242,744	7,633
	<u>4,907,948</u>	<u>4,810,391</u>	<u>97,557</u>
Government utilities	<u>6,000,833</u>	<u>11,336,454</u>	<u>(5,335,621)</u>
Office of the Public Auditor	<u>2,311,300</u>	<u>2,181,811</u>	<u>129,489</u>
Total expenditures	<u>157,028,869</u>	<u>176,060,304</u>	<u>(19,031,435)</u>
Excess of revenues over expenditures	<u>57,116,554</u>	<u>37,564,248</u>	<u>(19,552,306)</u>
Other financing sources (uses):			
Operating transfers in:			
Commonwealth Nonresident Workers Fund	4,100,000	4,123,530	23,530
Marianas Public Land Trust	1,200,000	1,303,300	103,300
Local Revenue Fund	558,938	586,000	27,062
	<u>5,858,938</u>	<u>6,012,830</u>	<u>153,892</u>
Operating transfers out:			
Public School System	37,011,385	36,709,393	301,992
Northern Marianas College	6,815,659	6,824,860	(9,201)
Marianas Visitors Authority	6,284,558	6,284,558	-
Debt Service Fund	2,000,000	2,000,000	-
DOI Capital Projects Fund	2,108,569	1,883,397	225,172
Northern Mariana Islands Retirement Fund	2,722,885	2,722,885	-
Federal Grants Fund	252,721	2,012,326	(1,759,605)
Human Resources Development Trust Fund	1,176,934	1,176,934	-
Workers' Compensation Commission	378,396	378,396	-
Local Capital Projects Fund	-	350,000	(350,000)
Commonwealth Alien Deportation Fund	176,788	-	176,788
	<u>58,927,895</u>	<u>60,342,749</u>	<u>(1,414,854)</u>
Total other financing sources (uses), net	<u>(53,068,957)</u>	<u>(54,329,919)</u>	<u>(1,260,962)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,047,597	(16,765,671)	(20,813,268)
Other changes in unreserved deficit:			
Decrease in reserve for supplies inventory	-	810,608	810,608
Increase in reserve for related assets	-	(3,057,673)	(3,057,673)
Decrease in reserve for Division of Public Lands	-	11,712,383	11,712,383
Decrease in reserve for continuing appropriations	-	518,379	518,379
Deficit at beginning of year	(69,454,241)	(69,454,241)	-
Residual equity transfers out	-	(11,712,383)	(11,712,383)
Deficit at end of year	<u>\$ (65,406,644)</u>	<u>\$ (87,948,598)</u>	<u>\$ (22,541,954)</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
SPECIAL REVENUE FUNDS

September 30, 2001

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 to account for all revenues raised from the licensing of amusement machines. Public Law No. 5-3 was subsequently amended by Public Law No. 10-41, which required that funds collected under Public Law No. 5-3 to be 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, as amended by Public Law No. 10-66. 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 appropriated by the CNMI Legislature for several educational and training programs administered through the Northern Marianas College and the Mayors' offices.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
SPECIAL REVENUE FUNDS

September 30, 2001

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, 2001, 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, 2001
(With comparative totals as of September 30, 2000)

	Federal Grants	Private Grants	Commonwealth Arts Council	Human Resources Development Trust	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Commonwealth Muscuu	Judicial Building	Local Revenue	Totals	
											2001	2000
Assets												
Receivables, net:												
Federal agencies	\$ 4,542,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,542,447	\$ 6,735,194
Due from other funds	-	628,205	32,840	-	128,374	1,160,860	507,606	-	2,840,409	1,742,125	7,040,419	7,239,089
	<u>\$ 4,542,447</u>	<u>\$ 628,205</u>	<u>\$ 32,840</u>	<u>\$ -</u>	<u>\$ 128,374</u>	<u>\$ 1,160,860</u>	<u>\$ 507,606</u>	<u>\$ -</u>	<u>\$ 2,840,409</u>	<u>\$ 1,742,125</u>	<u>\$ 11,582,866</u>	<u>\$ 13,974,283</u>
Liabilities and Fund Balances (Deficit)												
Liabilities:												
Accounts payable	\$ 735,060	\$ 5,917	\$ 86	\$ 2,384	\$ -	\$ -	\$ 14,206	\$ 2,563	\$ 3,315	\$ 6,804	\$ 770,335	\$ 724,268
Other liabilities and accruals	535,432	-	-	35,376	-	25,007	1,433	7,688	-	-	604,936	706,665
Due to other funds	2,521,955	-	-	244,198	-	-	-	9,119	-	-	2,775,272	5,085,060
Deferred revenue	-	508,357	-	-	128,374	-	-	-	-	-	636,731	812,453
Total liabilities	<u>3,792,447</u>	<u>514,274</u>	<u>86</u>	<u>281,958</u>	<u>128,374</u>	<u>25,007</u>	<u>15,639</u>	<u>19,370</u>	<u>3,315</u>	<u>6,804</u>	<u>4,787,274</u>	<u>7,328,446</u>
Fund balances (deficit):												
Reserved for:												
Debt service	-	-	-	-	-	-	-	-	2,601,189	-	2,601,189	2,658,050
Encumbrances	4,751,770	168,958	11,163	134,335	-	92,478	105,378	61,157	7,334	37,538	5,370,111	5,800,061
Unreserved:												
Undesignated	(4,001,770)	(55,027)	21,591	(416,293)	-	(1,043,375)	(386,589)	(80,527)	228,571	1,697,783	(1,175,708)	(1,812,274)
Total fund balances (deficit)	<u>750,000</u>	<u>113,931</u>	<u>32,754</u>	<u>(281,958)</u>	<u>-</u>	<u>1,135,853</u>	<u>491,967</u>	<u>(19,370)</u>	<u>2,837,094</u>	<u>1,735,321</u>	<u>6,795,592</u>	<u>6,645,837</u>
	<u>\$ 4,542,447</u>	<u>\$ 628,205</u>	<u>\$ 32,840</u>	<u>\$ -</u>	<u>\$ 128,374</u>	<u>\$ 1,160,860</u>	<u>\$ 507,606</u>	<u>\$ -</u>	<u>\$ 2,840,409</u>	<u>\$ 1,742,125</u>	<u>\$ 11,582,866</u>	<u>\$ 13,974,283</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, 2001
(With comparative totals for the year ended September 30, 2000)

	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	
											2001	2000
Revenues:												
Federal contributions	\$ 26,336,532	\$ 175,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,512,254	\$ 28,461,326
Other contributions	196,988	84,499	37,588	-	-	-	-	-	-	-	319,075	452,699
Other	227,478	4,810	-	-	-	5,882,118	825,050	19,125	1,424,006	2,390,000	10,772,587	10,314,305
Total revenues	26,760,998	265,031	37,588	-	-	5,882,118	825,050	19,125	1,424,006	2,390,000	37,603,916	39,228,330
Expenditures by function:												
Department of Community and Cultural Affairs	8,591,221	33,800	-	-	-	71,132	-	-	-	-	8,696,153	8,292,783
Department of Health and Environmental Services	5,806,600	69,912	-	-	-	-	-	-	-	-	5,876,512	6,215,754
Office of the Governor	3,756,734	83,743	-	-	-	-	-	-	-	-	3,840,477	2,681,453
Department of Land and Natural Resources	2,439,557	45,435	-	-	-	-	-	-	-	-	2,484,992	1,859,012
Department of Public Safety	1,522,230	32,141	-	-	-	-	-	-	-	-	1,554,371	1,202,911
Department of Labor and Immigration	64,053	-	-	-	-	422,639	653,797	-	-	-	1,140,489	1,529,299
Human Resources Development Trust	-	-	-	1,081,098	-	-	-	-	-	-	1,081,098	970,013
Department of Commerce	311,578	-	-	-	-	-	-	-	-	-	311,578	2,463,695
Commonwealth Arts Council	-	-	-	-	-	-	-	-	-	-	-	30,109
Other	6,281,351	-	73,616	-	-	11,916	-	357,585	1,438,890	406,963	8,570,321	10,729,400
Total expenditures	28,773,324	265,031	73,616	1,081,098	-	505,687	653,797	357,585	1,438,890	406,963	33,555,991	35,974,411
Excess (deficiency) of revenues over (under) expenditures	(2,012,326)	-	(36,028)	(1,081,098)	-	5,376,431	171,253	(338,460)	(14,884)	1,983,037	4,047,925	3,253,919
Other financing sources (uses):												
Operating transfers in	2,012,326	-	-	1,176,934	-	-	-	200,000	-	-	3,389,260	3,443,823
Operating transfers out	-	-	-	-	-	(5,376,430)	-	-	-	(1,911,000)	(7,287,430)	(5,845,675)
Total other financing sources (uses), net	2,012,326	-	-	1,176,934	-	(5,376,430)	-	200,000	-	(1,911,000)	(3,898,170)	(2,401,852)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(36,028)	95,836	-	1	171,253	(138,460)	(14,884)	72,037	149,755	852,067
Fund balances (deficit) at beginning 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
Fund balances (deficit) at end of year	\$ 750,000	\$ 113,931	\$ 32,754	\$ (281,958)	\$ -	\$ 1,135,853	\$ 491,967	\$ (19,370)	\$ 2,837,094	\$ 1,735,321	\$ 6,795,592	\$ 6,645,837

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, 2001
(With comparative totals for the year ended September 30, 2000)**

	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	
											2001	2000
Revenues:												
Federal contributions	\$ 26,336,532	\$ 175,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,512,254	\$ 28,461,326
Other contributions	196,988	84,499	37,388	-	-	-	-	-	-	-	319,075	452,699
Other	227,478	4,810	-	-	-	5,882,118	825,050	19,125	1,424,006	2,390,000	10,772,587	10,314,305
Total revenues	26,760,998	265,031	37,388	-	-	5,882,118	825,050	19,125	1,424,006	2,390,000	37,603,916	39,228,330
Expenditures by account:												
Salaries and wages	8,742,902	-	-	961,615	-	487,866	303,151	176,726	-	53,368	10,725,628	12,018,872
Professional services	5,037,090	60,519	1,504	17,217	-	-	6,786	64,741	-	17,130	5,204,987	6,648,962
Food items	5,171,736	5,211	3,589	-	-	-	-	21,822	-	-	5,202,358	4,979,913
Capital outlay:												
Office equipment	1,236,163	15,828	-	908	-	-	-	-	-	6,574	1,259,583	844,270
Vehicles	574,451	-	-	-	-	-	-	-	-	73,000	647,451	424,739
Machinery and equipment	150,032	1,678	-	-	-	-	-	-	-	5,777	157,487	182,740
Furniture and fixtures	73,987	2,181	-	2,798	-	-	-	840	-	-	79,806	186,206
Other	610,084	-	-	-	-	-	-	-	13,415	5,786	629,285	1,048,315
Travel	1,021,708	21,206	30,184	37,643	-	-	233,779	4,712	-	10,781	1,360,013	1,367,795
Indirect costs	1,123,263	-	-	-	-	-	-	-	-	-	1,123,263	1,419,060
Scholarships/grants	1,062,383	450	-	-	-	-	-	-	-	-	1,062,833	1,216,612
Supplies	859,240	72,407	8,104	10,702	-	-	7,087	6,765	-	710	965,015	968,172
Interest	467,389	24,440	-	10,059	-	-	6,371	-	963,257	-	963,257	981,305
Repairs and maintenance	-	-	-	-	-	-	-	-	435,683	87,441	615,272	711,382
Principal repayment	-	-	-	-	-	-	-	-	-	455,683	455,683	433,145
Rentals	245,675	2,419	23,953	76	-	-	440	40,950	-	28,647	342,160	530,008
Communications	290,049	1,139	-	17,501	-	-	-	6,360	-	-	315,049	322,307
Miscellaneous services	260,161	266	300	15,237	-	-	14,722	-	-	-	273,649	160,736
Advertising	143,797	2,098	3,050	3,752	-	-	-	799	-	-	164,981	127,993
Fuel and lubrication	78,257	26,681	-	460	-	-	36,883	-	-	-	159,594	100,596
Printing	129,765	6,639	2,732	624	-	-	-	-	26,580	-	112,360	52,306
Freight	85,156	-	-	-	-	-	-	-	-	-	85,156	117,886
Books and library materials	106,870	1,342	-	-	-	-	-	-	-	-	108,212	53,370
Dues and subscriptions	42,783	-	-	1,582	-	-	-	-	-	-	44,365	-
Other	1,260,385	20,527	-	924	-	17,821	21,916	16,427	378	99,240	1,437,618	1,070,111
Total expenditures	28,773,324	265,031	73,616	1,081,098	-	505,687	653,797	357,585	1,438,890	406,963	33,555,991	35,974,411
Excess (deficiency) of revenues over (under) expenditures	(2,012,326)	-	(36,028)	(1,081,098)	-	5,376,431	171,253	(338,460)	(14,884)	1,983,037	4,047,925	3,253,919
Other financing sources (uses):												
Operating transfers in	2,012,326	-	-	1,176,934	-	-	-	200,000	-	-	3,389,260	3,443,823
Operating transfers out	-	-	-	-	-	(5,376,430)	-	-	-	(1,911,000)	(7,287,430)	(5,845,675)
Total other financing sources (uses), net	2,012,326	-	-	1,176,934	-	(5,376,430)	-	200,000	-	(1,911,000)	(3,898,170)	(2,401,852)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(36,028)	95,836	-	1	171,253	(138,460)	(14,884)	72,037	149,755	852,067
Fund balances (deficit) at beginning 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
Fund balances (deficit) at end of year	\$ 750,000	\$ 113,931	\$ 32,754	\$ (281,958)	\$ -	\$ 1,135,853	\$ 491,967	\$ (19,370)	\$ 2,837,094	\$ 1,735,321	\$ 6,795,592	\$ 6,645,837

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
CAPITAL PROJECTS FUNDS

September 30, 2001

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, 2001
(With comparative totals as of September 30, 2000)

	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	2001	2000
Assets											
Cash and cash equivalents	\$ 9,890,638	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,890,638	\$ -
Investments	37,703,516	-	-	-	-	-	-	-	-	37,703,516	-
Receivables, net:											
Federal agencies	11,766,398	-	279,801	-	322,274	155,694	-	-	-	12,524,167	7,110,992
Other	-	-	-	-	-	-	-	-	699,215	699,215	805,806
Due from other funds	8,454,687	525,487	-	2,377,232	-	-	50,968	1,552,505	434,692	13,395,571	24,443,055
	<u>\$ 67,815,239</u>	<u>\$ 525,487</u>	<u>\$ 279,801</u>	<u>\$ 2,377,232</u>	<u>\$ 322,274</u>	<u>\$ 155,694</u>	<u>\$ 50,968</u>	<u>\$ 1,552,505</u>	<u>\$ 1,133,907</u>	<u>\$ 74,213,107</u>	<u>\$ 32,359,853</u>
Liabilities and Fund Balances (Deficit)											
Liabilities:											
Accounts payable	\$ 1,617,742	\$ -	\$ -	\$ -	\$ 82,857	\$ -	\$ 12,362	\$ 78,704	\$ 32,197	\$ 1,823,862	\$ 3,054,139
Other liabilities and accruals	-	-	-	-	-	-	99,137	-	-	99,137	3,769
Due to other funds	-	-	279,801	-	239,417	155,694	-	-	-	674,912	603,482
Deferred revenue	-	525,487	-	-	-	-	-	-	-	525,487	435,592
Total liabilities	1,617,742	525,487	279,801	-	322,274	155,694	111,499	78,704	32,197	3,123,398	4,096,982
Fund balances (deficit):											
Reserved for:											
Debt service	82,824	-	-	-	-	-	-	-	-	82,824	-
Encumbrances	44,779,380	984,344	-	1,901	3,834,281	-	180,175	1,426,433	499,374	51,705,888	38,982,006
Continuing appropriations	-	-	-	-	-	-	-	1,844,404	-	1,844,404	1,844,404
Unreserved	21,335,293	(984,344)	-	2,375,331	(3,834,281)	-	(240,706)	(1,797,036)	602,336	17,456,593	(12,563,539)
Total fund balances (deficit)	66,197,497	-	-	2,377,232	-	-	(60,531)	1,473,801	1,101,710	71,089,709	28,262,871
	<u>\$ 67,815,239</u>	<u>\$ 525,487</u>	<u>\$ 279,801</u>	<u>\$ 2,377,232</u>	<u>\$ 322,274</u>	<u>\$ 155,694</u>	<u>\$ 50,968</u>	<u>\$ 1,552,505</u>	<u>\$ 1,133,907</u>	<u>\$ 74,213,107</u>	<u>\$ 32,359,853</u>

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, 2001
(With comparative totals for the year ended September 30, 2000)**

	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	
										2001	2000
Revenues:											
Federal contributions	\$ 20,221,672	\$ 233,656	\$ -	\$ -	\$ 2,380,552	\$ -	\$ -	\$ -	\$ -	\$ 22,835,880	\$ 22,076,036
Interest and dividends	2,409,337	-	-	-	-	-	-	-	6,771	2,416,108	-
Other contributions	-	-	-	278,667	-	-	5,096	21,267	1,025	306,055	991,367
Net increase in fair market value of investments	228,358	-	-	-	-	-	-	-	-	228,358	-
Total revenues	22,859,367	233,656	-	278,667	2,380,552	-	5,096	21,267	7,796	25,786,401	23,067,403
Expenditures by account:											
Construction in progress	21,975,559	233,656	-	-	-	-	-	-	-	22,209,215	15,357,325
Principal repayment	8,175,240	-	-	-	-	-	-	-	-	8,175,240	-
Capital outlay:											
Road improvements	-	-	-	-	-	-	-	-	34,528	34,528	5,769,561
Furnitures and fixtures	6,278	-	-	-	-	-	-	-	-	6,278	907,677
Building improvements	-	-	-	-	-	-	-	-	-	-	113,505
Office equipment	-	-	-	-	-	-	-	-	-	-	99,528
Machinery and equipment	-	-	-	-	-	-	-	-	-	-	99,088
Other	3,943,845	-	-	-	-	-	-	1,537,382	-	5,481,227	2,487,282
Bond issuance costs	3,210,104	-	-	-	-	-	-	-	-	3,210,104	-
Salaries and wages	-	-	-	-	2,379,054	-	-	-	-	2,379,054	442,447
Interest	2,150,571	-	-	-	-	-	-	-	-	2,150,571	-
Professional services	179,458	-	-	-	-	-	-	-	37,296	216,754	374,005
Repairs and maintenance	-	-	-	-	-	-	95,321	-	5,211	100,532	96,590
Supplies	-	-	-	-	-	-	-	-	2,401	2,401	50,095
Rentals	-	-	-	-	-	-	-	-	128	128	41,100
Travel	-	-	-	-	-	-	-	-	-	-	11,891
Advertising	-	-	-	-	-	-	-	-	-	-	3,474
Communications	-	-	-	-	-	-	-	-	-	-	890
Other	1,727,881	-	-	-	1,498	-	-	3,244	-	1,732,623	3,327,313
Total expenditures	41,368,936	233,656	-	-	2,380,552	-	95,321	1,540,626	79,564	45,698,655	29,181,771
Excess (deficiency) of revenues over (under) expenditures	(18,509,569)	-	-	278,667	-	-	(90,225)	(1,519,359)	(71,768)	(19,912,254)	(6,114,368)
Other financing sources (uses):											
Operating transfers in	4,721,324	-	-	-	-	-	95,321	1,697,902	-	6,514,547	6,052,239
Operating transfers out	(3,497,070)	-	-	(218,385)	-	-	-	(60,000)	-	(3,775,455)	(7,961,516)
Proceeds from issuance of debt	60,000,000	-	-	-	-	-	-	-	-	60,000,000	8,175,240
Total other financing sources (uses), net	61,224,254	-	-	(218,385)	-	-	95,321	1,637,902	-	62,739,092	6,265,963
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	42,714,685	-	-	60,282	-	-	5,096	118,543	(71,768)	42,826,838	151,595
Fund balances (deficit) at beginning of year	23,482,812	-	-	2,316,950	-	-	(65,627)	1,355,258	1,173,478	28,262,871	28,111,276
Fund balances (deficit) at end of year	\$ 66,197,497	\$ -	\$ -	\$ 2,377,232	\$ -	\$ -	\$ (60,531)	\$ 1,473,801	\$ 1,101,710	\$ 71,089,709	\$ 28,262,871

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
INTERNAL SERVICE FUNDS

September 30, 2001

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, 2001
(With comparative totals as of September 30, 2000)

	Internal Service	Serv-Mart Revolving	Special Surplus Property	Totals	
				2001	2000
<u>Assets</u>					
Due from other funds	\$ 72,316	\$ -	\$ -	\$ 72,316	\$ 70,316
Inventories	1,543	154,233	-	155,776	161,881
	<u>\$ 73,859</u>	<u>\$ 154,233</u>	<u>\$ -</u>	<u>\$ 228,092</u>	<u>\$ 232,197</u>
 <u>Liabilities and Fund Equity (Deficiency)</u>					
Accounts payable	\$ -	\$ 96,749	\$ -	\$ 96,749	\$ 103,890
Due to other funds	-	465,923	75,803	541,726	425,287
Total liabilities	<u>-</u>	<u>562,672</u>	<u>75,803</u>	<u>638,475</u>	<u>529,177</u>
Fund equity (deficiency):					
Retained earnings (deficit):					
Unreserved	73,859	(408,439)	(75,803)	(410,383)	(296,980)
Total fund equity (deficiency)	<u>73,859</u>	<u>(408,439)</u>	<u>(75,803)</u>	<u>(410,383)</u>	<u>(296,980)</u>
	<u>\$ 73,859</u>	<u>\$ 154,233</u>	<u>\$ -</u>	<u>\$ 228,092</u>	<u>\$ 232,197</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, 2001

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

	Internal Service	Serv-Mart Revolving	Special Surplus Property	Totals	
				2001	2000
Operating revenues:					
Charges for sales and services	\$ 2,000	\$ 668,232	\$ -	\$ 670,232	\$ 784,141
Total operating revenues	<u>2,000</u>	<u>668,232</u>	<u>-</u>	<u>670,232</u>	<u>784,141</u>
Operating expenses:					
Supplies	-	783,635	-	783,635	896,426
Total operating expenses	<u>-</u>	<u>783,635</u>	<u>-</u>	<u>783,635</u>	<u>896,426</u>
Operating income (loss)	2,000	(115,403)	-	(113,403)	(112,285)
Retained earnings (deficit) at beginning of year	<u>71,859</u>	<u>(293,036)</u>	<u>(75,803)</u>	<u>(296,980)</u>	<u>(184,695)</u>
Retained earnings (deficit) at end of year	<u>\$ 73,859</u>	<u>\$ (408,439)</u>	<u>\$ (75,803)</u>	<u>\$ (410,383)</u>	<u>\$ (296,980)</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
INTERNAL SERVICE FUNDS

Combining Statement of Cash Flows
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Internal Service	Serv-Mart Revolving	Special Surplus Property	Totals	
				2001	2000
Cash flows from operating activities:					
Operating income (loss)	\$ 2,000	\$ (115,403)	\$ -	\$ (113,403)	\$ (112,285)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
(Increase) decrease in assets:					
Due from other funds	(2,000)	-	-	(2,000)	(700)
Inventories	-	6,105	-	6,105	129,468
Increase (decrease) in liabilities:					
Accounts payable	-	(7,141)	-	(7,141)	(38,313)
Due to other funds	-	116,439	-	116,439	21,830
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, 2001

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.

Office of Public Lands

The Office of Public Lands (formerly the Department of Lands and Natural Resources, Division of Public Lands (DPL) of the Commonwealth of the Northern Mariana Islands (CNMI) and successor to the Marianas Public Land Corporation), is responsible for the management, use and disposition of public lands in the CNMI through lease and permit arrangements, including management, use and disposition of submerged lands off the coast of the CNMI and also administration of the homestead program for qualifying CNMI citizens.

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.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
EXPENDABLE TRUST FUNDS

September 30, 2001

Tobacco Settlement Trust Fund

Pursuant to Public Law No. 12-45 and amended by Public Law No. 13-15, the Tobacco Settlement Trust Fund was established to account for deposits made by any tobacco product manufacturer selling cigarettes to consumers within the CNMI (directly or through a distributor, retailer or similar intermediary or intermediaries). Funds shall be released to pay judgment or settlement on any released claim brought against such tobacco product manufacturer by the Government of the CNMI or any releasing party located or residing in the CNMI.

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
- Tobacco License Fee Fund
- Miscellaneous Expendable Trust Funds

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
EXPENDABLE TRUST FUNDS

Combining Balance Sheet
September 30, 2001
(With comparative totals as of September 30, 2000)

	Office of Public Lands	Agriculture Revolving	Saipan Trust	CNMI Workers' Compensation Commission	NMI Government Health and Life Insurance Trust	Marianas Garment Manufacturing	Probation Services	Tobacco Settlement Trust	Miscellaneous	Totals	
										2001	2000
Assets											
Cash and cash equivalents	\$ 13,505,364	\$ -	\$ -	\$ 151,534	\$ 120,098	\$ -	\$ -	\$ -	\$ -	\$ 13,776,996	\$ 374,217
Time certificates of deposit	4,520,745	-	-	-	-	-	-	-	-	4,520,745	207,579
Investments	-	-	569,984	582,568	-	-	-	-	-	1,152,552	670,507
Receivables, net:											
Leases	1,529,533	-	-	-	-	-	-	-	-	1,529,533	-
Other	26,339	-	-	57,402	4,602,861	-	-	-	-	4,686,602	507,008
Due from other funds	-	76,416	3,980	183,517	-	342,895	30,922	506,104	258,902	1,402,736	1,534,952
Restricted assets:											
Time certificates of deposit	-	-	-	-	-	-	-	-	-	-	669,921
Other assets	207,229	-	-	-	-	-	-	-	-	207,229	-
Fixed assets (net of accumulated depreciation)	-	-	-	11,085	19,424	-	-	-	-	30,509	45,304
	<u>\$ 19,789,210</u>	<u>\$ 76,416</u>	<u>\$ 573,964</u>	<u>\$ 986,106</u>	<u>\$ 4,742,383</u>	<u>\$ 342,895</u>	<u>\$ 30,922</u>	<u>\$ 506,104</u>	<u>\$ 258,902</u>	<u>\$ 27,306,902</u>	<u>\$ 4,009,488</u>
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	\$ 288,508	\$ -	\$ 8,304	\$ 90,891	\$ 4,742,383	\$ -	\$ -	\$ -	\$ 10	\$ 5,130,096	\$ 571,598
Other liabilities and accruals	274,984	-	-	-	-	-	-	-	-	274,984	554,521
Landing fees payable	3,111,896	-	-	-	-	-	-	-	-	3,111,896	-
Due to other funds	-	-	-	74,220	-	-	-	-	-	74,220	123,417
Deferred revenue	2,961,554	-	-	-	-	-	-	-	-	2,961,554	-
Total liabilities	<u>6,636,942</u>	<u>-</u>	<u>8,304</u>	<u>165,111</u>	<u>4,742,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>11,552,750</u>	<u>1,249,536</u>
Fund balances:											
Reserved for:											
Related assets	541,686	-	-	-	-	-	-	-	-	541,686	-
Encumbrances	685,737	935	-	-	-	-	-	-	10,447	697,119	15,892
Unreserved:											
Designated	-	-	-	820,995	-	-	-	-	-	820,995	669,779
Undesignated	11,924,845	75,481	565,660	-	-	342,895	30,922	506,104	248,445	13,694,352	2,074,281
Total fund balances	<u>13,152,268</u>	<u>76,416</u>	<u>565,660</u>	<u>820,995</u>	<u>-</u>	<u>342,895</u>	<u>30,922</u>	<u>506,104</u>	<u>258,892</u>	<u>15,754,152</u>	<u>2,759,952</u>
	<u>\$ 19,789,210</u>	<u>\$ 76,416</u>	<u>\$ 573,964</u>	<u>\$ 986,106</u>	<u>\$ 4,742,383</u>	<u>\$ 342,895</u>	<u>\$ 30,922</u>	<u>\$ 506,104</u>	<u>\$ 258,902</u>	<u>\$ 27,306,902</u>	<u>\$ 4,009,488</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, 2001
(With comparative totals for the year ended September 30, 2000)**

	Office of Public Lands	Agriculture Revolving	Saipan Trust	CNMI Workers' Compensation Commission	NMI Government Health and Life Insurance Trust	Marianas Garment Manufacturing	Probation Services	Tobacco Settlement Trust	Miscellaneous	Totals	
										2001	2000
Revenues:											
Premiums	\$ -	\$ -	\$ -	\$ 57,854	\$ 8,514,424	\$ -	\$ -	\$ -	\$ -	\$ 8,572,278	\$ 7,346,452
Land leases	3,218,443	-	-	-	-	-	-	-	-	3,218,443	-
Interest	618,042	-	11,470	-	20,177	-	-	-	2,746	652,435	96,355
Net increase (decrease) in the fair value of investments	-	-	(104,837)	-	-	-	-	-	-	(104,837)	14,817
Other	922,022	-	-	88,195	350	92,064	23,115	506,104	115,238	1,747,088	225,586
Total revenues	4,758,507	-	(93,367)	146,049	8,534,951	92,064	23,115	506,104	117,984	14,085,407	7,683,210
Expenditures:											
Medical claims	-	-	-	-	8,156,713	-	-	-	-	8,156,713	6,963,607
General-administrative	2,769,611	-	7,716	373,229	378,238	823,164	6,448	-	117,856	4,476,262	764,054
Projects	549,011	-	-	-	-	-	-	-	-	549,011	-
Total expenditures	3,318,622	-	7,716	373,229	8,534,951	823,164	6,448	-	117,856	13,181,986	7,727,661
Excess (deficiency) of revenues over (under) expenditures	1,439,885	-	(101,083)	(227,180)	-	(731,100)	16,667	506,104	128	903,421	(44,451)
Other financing sources:											
Operating transfers in	-	-	-	378,396	-	-	-	-	-	378,396	378,395
Total other financing sources	-	-	-	378,396	-	-	-	-	-	378,396	378,395
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,439,885	-	(101,083)	151,216	-	(731,100)	16,667	506,104	128	1,281,817	333,944
Fund balances at beginning of year	-	76,416	666,743	669,779	-	1,073,995	14,255	-	258,764	2,759,952	2,426,008
Residual equity transfer in	11,712,383	-	-	-	-	-	-	-	-	11,712,383	-
Fund balances at end of year	\$ 13,152,268	\$ 76,416	\$ 565,660	\$ 820,995	\$ -	\$ 342,895	\$ 30,922	\$ 506,104	\$ 258,892	\$ 15,754,152	\$ 2,759,952

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
NONEXPENDABLE TRUST FUND

September 30, 2001

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, 2001

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, 2001

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 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, 2001
(With comparative totals as of September 30, 2000)

	Tinian Land Condemnation	Autonomous Agencies Pass Through	Security Deposit	Rebate Trust	Totals	
					2001	2000
<u>Assets</u>						
Receivables:						
Federal agencies	\$ -	\$ 888,713	\$ -	\$ -	\$ 888,713	\$ 888,713
Due from other funds	1,346,951	-	-	26,210,126	27,557,077	24,814,439
Restricted assets:						
Other	-	-	5,079,094	-	5,079,094	4,394,316
	<u>\$ 1,346,951</u>	<u>\$ 888,713</u>	<u>\$ 5,079,094</u>	<u>\$ 26,210,126</u>	<u>\$ 33,524,884</u>	<u>\$ 30,097,468</u>
 <u>Liabilities</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 282,500
Claims payable	1,346,951	-	-	-	1,346,951	1,308,858
Tax rebates payable	-	-	-	26,210,126	26,210,126	23,223,081
Deposits payable	-	-	5,079,094	-	5,079,094	4,394,316
Due to other funds	-	888,713	-	-	888,713	888,713
	<u>\$ 1,346,951</u>	<u>\$ 888,713</u>	<u>\$ 5,079,094</u>	<u>\$ 26,210,126</u>	<u>\$ 33,524,884</u>	<u>\$ 30,097,468</u>

See Accompanying Independent Auditors' Report.

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

September 30, 2001

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 and judgments payable as of September 30, 2001.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
GENERAL FIXED ASSETS ACCOUNT GROUP

September 30, 2001

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, 2001

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, 2001

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 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, 2001

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;
- 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, 2001

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, 2001
(With comparative totals as of September 30, 2000)

	Commonwealth Ports Authority		Commonwealth Development Authority			Totals	
	Airport Division	Seaport Division	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	2001	2000
Assets							
Cash and cash equivalents	\$ 3,013,947	\$ 491,035	\$ -	\$ 1,253,776	\$ 214,847	\$ 4,973,605	\$ 6,473,239
Time certificates of deposit	-	-	-	6,917,774	-	6,917,774	5,255,469
Investments	4,142,000	631,348	-	-	-	4,773,348	1,863,606
Receivables, net:							
Loans	-	-	9,359,156	23,110,268	13,465,383	45,934,807	44,774,954
Federal agencies	1,234,760	-	-	-	-	1,234,760	824,712
General	1,458,325	1,099,940	-	-	165,753	2,724,018	2,622,174
Interest	-	-	406,599	552,557	485,382	1,444,538	1,793,788
Other	3,470,025	2,201	4,192,005	9,198,406	-	16,862,637	16,926,155
Prepaid items	90,750	-	-	17,833	180	108,763	8,323
Deferred bond issue costs	684,844	940,744	-	-	-	1,625,588	1,654,981
Restricted assets:							
Cash and cash equivalents	-	-	2,287,258	-	4,901,319	7,188,577	3,186,061
Time certificates of deposit	-	-	4,759,526	-	338,303	5,097,829	7,890,781
Investments	3,665,773	6,962,900	5,523,739	-	-	16,152,412	22,521,193
Other assets	-	-	-	71,723	69,606	141,329	137,335
Fixed assets (net of accumulated depreciation)	76,274,448	54,404,222	-	419,310	11,164,865	142,262,845	137,081,451
Foreclosed real estate	-	-	-	543,000	-	543,000	543,000
	<u>\$ 94,034,872</u>	<u>\$ 64,532,390</u>	<u>\$ 26,528,283</u>	<u>\$ 42,084,647</u>	<u>\$ 30,805,638</u>	<u>\$ 257,985,830</u>	<u>\$ 253,557,222</u>
Liabilities and Fund Equity							
Liabilities:							
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,304
Accounts payable	112,232	14,991	-	411,682	728,256	1,267,161	1,285,551
Contracts payable	1,557,772	104,200	-	-	-	1,661,972	1,309,236
Other liabilities and accruals	1,713,772	477,827	9,198,406	-	4,192,005	15,582,010	15,392,850
Notes payable	-	9,359,156	-	632,932	13,418,826	23,410,914	19,267,062
Bonds payable	18,976,635	31,236,269	-	-	-	50,212,904	50,845,748
Deferred revenue	47,443	-	-	-	-	47,443	47,835
Total liabilities	<u>22,407,854</u>	<u>41,192,443</u>	<u>9,198,406</u>	<u>1,044,614</u>	<u>18,339,087</u>	<u>92,182,404</u>	<u>88,153,586</u>
Fund equity:							
Retained earnings	71,627,018	23,339,947	17,329,877	41,040,033	12,466,551	165,803,426	165,403,636
Total fund equity	<u>71,627,018</u>	<u>23,339,947</u>	<u>17,329,877</u>	<u>41,040,033</u>	<u>12,466,551</u>	<u>165,803,426</u>	<u>165,403,636</u>
	<u>\$ 94,034,872</u>	<u>\$ 64,532,390</u>	<u>\$ 26,528,283</u>	<u>\$ 42,084,647</u>	<u>\$ 30,805,638</u>	<u>\$ 257,985,830</u>	<u>\$ 253,557,222</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

Combining Statement of Revenues, Expenses
and Changes in Fund Equity
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Commonwealth Ports Authority		Commonwealth Development Authority			Totals	
	Airport Division	Seaport Division	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	2001	2000
Operating revenues:							
Port fees	\$ 6,244,040	\$ 4,060,209	\$ -	\$ -	\$ -	\$ 10,304,249	\$ 10,339,862
Concession and lease income	4,103,457	733,660	-	-	2,220,918	7,058,035	6,965,683
Interest and fees	-	-	280,869	3,493,226	1,029,865	4,803,960	4,554,400
Net increase in the fair value of investments	-	-	355,102	-	-	355,102	416,071
Other	1,073,039	144,174	-	249,951	1,485,458	2,952,622	2,506,335
Total operating revenues	11,420,536	4,938,043	635,971	3,743,177	4,736,241	25,473,968	24,782,351
Operating expenses:							
General and administrative	7,001,683	780,899	-	756,626	733,428	9,272,636	8,524,245
Depreciation and amortization	5,287,853	2,392,972	-	109,169	476,216	8,266,210	8,494,167
Bad debts	61,485	316,777	-	3,000,109	-	3,378,371	1,891,035
Rent	-	-	-	140,338	1,027,961	1,168,299	966,536
Professional fees	409,767	174,665	-	99,268	292,743	976,443	1,183,100
Insurance	545,287	228,800	-	-	-	774,087	545,360
Repairs and maintenance	237,944	50,851	-	-	467,196	755,991	595,387
Travel	377,722	99,142	-	38,219	38,315	553,398	297,169
Supplies	417,444	14,726	-	-	-	432,170	401,945
Utilities	271,262	40,005	-	-	-	311,267	294,519
Printing and advertising	107,661	8,975	-	-	-	116,636	106,517
Other	348,911	62,967	224,752	199,044	1,706,362	2,542,036	2,035,908
Total operating expenses	15,067,019	4,170,779	224,752	4,342,773	4,742,221	28,547,544	25,335,888
Operating income (loss)	(3,646,483)	767,264	411,219	(599,596)	(5,980)	(3,073,576)	(553,537)
Nonoperating revenues (expenses):							
Capital contributions	5,790,588	-	-	-	63,003	5,853,591	1,749,881
Interest income	537,450	414,778	396,382	405,374	111,675	1,865,659	2,290,722
Forgiveness of loan	-	-	-	-	-	-	(974,108)
Gain on debt restructure	-	-	-	-	-	-	1,018,675
Federal grants	-	-	-	-	-	-	138,614
Amortization of bond issue cost	(24,459)	(32,934)	-	-	-	(57,393)	(62,453)
Contributions to other agencies	-	-	-	-	(71,383)	(71,383)	(65,762)
Interest expense	(788,959)	(2,427,900)	-	(9,251)	(1,014,235)	(4,240,345)	(3,973,394)
Other, net	(591,389)	-	-	-	-	(591,389)	372,674
Total nonoperating revenues (expenses), net	4,923,331	(2,046,056)	396,382	396,123	(910,940)	2,758,740	494,849
Income (loss) before other financing uses	1,276,748	(1,278,792)	807,601	(203,473)	(916,920)	(314,836)	(58,688)
Other financing sources (uses):							
Operating transfers in	3,497,070	-	-	-	2,480,000	5,977,070	-
Operating transfers out	-	-	(5,262,444)	-	-	(5,262,444)	(1,716,438)
Total other financing sources (uses), net	3,497,070	-	(5,262,444)	-	2,480,000	714,626	(1,716,438)
Net income (loss)	4,773,818	(1,278,792)	(4,454,843)	(203,473)	1,563,080	399,790	(1,775,126)
Retained earnings at beginning of year	66,853,200	24,618,739	21,784,720	41,243,506	10,903,471	165,403,636	167,178,762
Retained earnings at end of year	\$ 71,627,018	\$ 23,339,947	\$ 17,329,877	\$ 41,040,033	\$ 12,466,551	\$ 165,803,426	\$ 165,403,636

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
COMPONENT UNITS - PROPRIETARY FUNDS

Combining Statement of Cash Flows
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Commonwealth Ports Authority		Commonwealth Development Authority			Totals	
	Airport Division	Seaport Division	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	2001	2000
Cash flows from operating activities:							
Operating income (loss)	\$ (3,646,483)	\$ 767,264	\$ 411,219	\$ (599,596)	\$ (5,980)	\$ (3,073,576)	\$ (553,537)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and amortization	5,287,853	2,392,972	-	109,169	476,216	8,266,210	8,494,167
Net increase in the fair value of investments	-	-	(355,102)	-	-	(355,102)	(416,071)
Bad debts	61,485	316,777	-	3,000,109	-	3,378,371	1,891,035
(Increase) decrease in assets:							
General receivables	(342,005)	(111,930)	-	-	17,694	(436,241)	(746,702)
Other receivables	(536,066)	-	-	-	-	(536,066)	(889,148)
Interest and dividends receivable	-	-	(58,885)	(1,562,625)	(226,696)	(1,848,206)	(2,096,210)
Prepaid items	(90,750)	-	-	(9,510)	(180)	(100,440)	20,673
Other assets	-	-	-	(16,633)	12,639	(3,994)	29,307
Increase (decrease) in liabilities:							
Accounts payable	55,800	3,965	-	(37,343)	584,216	606,638	165,202
Deferred revenue	(392)	-	-	-	-	(392)	(13,846)
Other liabilities and accruals	127,912	26,647	-	-	-	154,559	103,678
Net cash provided by (used for) operating activities	917,354	3,395,695	(2,768)	883,571	857,909	6,051,761	5,990,548
Cash flows from noncapital financing activities:							
Net decrease in bank overdraft	-	-	-	-	(3,304)	(3,304)	(366,587)
Cash received from grantor agencies	-	-	-	-	-	-	138,614
Other income (expense), net	(591,389)	-	-	-	-	(591,389)	2,027,563
Net proceeds from line of credit	-	-	-	-	-	-	3,659
Net cash provided by (used for) noncapital financing activities	(591,389)	-	-	-	(3,304)	(596,693)	1,803,249
Cash flows from capital and related financing activities:							
Cash received from grantor agencies	3,497,070	-	-	-	-	3,497,070	1,851,678
Proceeds from sale of equipment	-	-	-	-	1,632,000	1,632,000	322,684
Acquisition of capital assets	(10,614,039)	(688,596)	-	(13,953)	(3,340,488)	(14,657,076)	(3,610,548)
Net interdivisional transactions	-	-	(394,807)	566,025	(171,218)	-	-
Capital contributions	5,790,588	-	-	2,543,003	-	8,333,591	81,836
Proceeds from notes payable	-	-	-	325,000	4,244,297	4,569,297	3,467,000
Principal paid on notes payable	-	(403,377)	-	(22,068)	-	(425,445)	(1,135,500)
Principal paid on revenue bonds	(210,233)	(422,611)	-	-	-	(632,844)	(597,594)
Bond issue costs	(13,000)	(15,000)	-	-	-	(28,000)	(81,725)
Capital development grants	-	-	(5,262,444)	-	(71,383)	(5,333,827)	(6,157,039)
Interest paid on borrowings	(1,278,048)	(2,453,359)	-	(9,251)	(1,014,235)	(4,754,893)	(4,545,927)
Net cash provided by (used for) capital and related financing activities	(2,827,662)	(3,982,943)	(5,657,251)	845,753	3,821,976	(7,800,127)	(10,405,135)
Cash flows from investing activities:							
Net (purchases) disposals of investments	1,147,939	(351,202)	4,505,158	(1,662,305)	(3,052,420)	587,170	1,595,199
Loan originations and principal collections, net	-	-	403,377	(846,894)	(1,518,989)	(1,962,506)	(685,272)
Interest on investments	537,450	414,778	751,484	405,374	111,675	2,220,761	1,051,904
Net cash provided by (used for) investing activities	1,685,389	63,576	5,660,019	(2,103,825)	(4,459,734)	845,425	1,961,831
Net increase (decrease) in cash and cash equivalents	(816,308)	(523,672)	-	(374,501)	214,847	(1,499,634)	(649,507)
Cash and cash equivalents at beginning of year	3,830,255	1,014,707	-	1,628,277	-	6,473,239	7,122,746
Cash and cash equivalents at end of year	\$ 3,013,947	\$ 491,035	\$ -	\$ 1,253,776	\$ 214,847	\$ 4,973,605	\$ 6,473,239
Noncash investing, capital and related financing activities:							
Capitalization of interest receivable to loan principal:							
Noncash increase in loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,014,163
Noncash decrease in accrued interest receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,014,163)
Acquisition of real estate through loan foreclosure:							
Noncash increase in foreclosed real estate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 543,000
Noncash decrease in loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (543,000)
Write-off of capital development loan:							
Noncash decrease in loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (974,108)
Forgiveness of loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 974,108
Write-off of property and equipment:							
Noncash decrease in property and equipment	\$ -	\$ -	\$ -	\$ -	\$ (20,305)	\$ (20,305)	\$ (181,447)
Noncash decrease in accumulated depreciation	\$ -	\$ -	\$ -	\$ -	\$ 20,305	\$ 20,305	\$ 181,447
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See Accompanying Independent Auditors' Report.