NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

Years Ended September 30, 2017 and 2016

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Years Ended September 30, 2017 and 2016

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Northern Marianas College

Report on the Financial Statements

We have audited the accompanying financial statements of the Northern Marianas College (the College), a component unit of the CNMI government, as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of September 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Burger Comer Magliari

Saipan, Commonwealth of the Northern Mariana Islands
June 29, 2018

Northern Marianas College

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This discussion and analysis of the Northern Marianas College's (the College) financial performance provides an overview of the College's activities for the fiscal year ended September 30, 2017 with comparisons to prior fiscal years. We encourage readers to consider the information presented here in conjunction with the financial statements and related notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this report presents the College's financial statements as two components: basic financial statements and notes to the financial statements. It also includes supplemental information.

Basic Financial Statements

The ***Statements of Net Position*** present information on assets, liabilities, and deferred outflows and inflows of resources, with the difference between these reported as net position. Changes in net position over time may provide an indicator as to whether the financial position of the College is improving or deteriorating.

Net position is divided into three major categories.

- The first category, investment in capital assets, indicates the College's equity in property, plant and equipment.
- The second category is restricted, which is further divided into two additional classifications:
    - Nonexpendable
    - Expendable

      The corpus of the nonexpendable restricted net assets is available only for investment purposes.

      Expendable restricted net assets are available only for purposes defined by donors and/or other external entities that have placed time or purpose restrictions on the use of the assets.
- The third and final category is unrestricted. Unrestricted net position can be used for any lawful purpose of the College.

The ***Statements of Revenues, , Expenses, and Changes in Net Position*** report how net position has changed during the year. It compares related operating revenues and operating expenses connected with the College's principal business as the state agency for higher education and adult education programs. Operating expenses include the cost of instruction, administrative expenses, student expenses, student services, and operations and maintenance. All other revenues and expenses are reported as non-operating.

The ***Statements of Cash Flows*** reports inflows and outflows of cash, classified into four major categories:

- Cash flows from operating activities include transactions and events reported as components of operating income in the Statement of Revenues, Expenses, and Changes in Net Position.

- Cash flows from non-capital financing activities include operating grant proceeds.

- Cash flows from capital and related financing activities include the borrowing and repayment (principal and interest) of capital-related debt, the acquisition and construction of capital assets, and the proceeds of capital grants and contributions.

- Cash flows from investing activities include proceeds from sale of investments, receipt of interest, and changes in the fair value of investments subject to reporting as cash equivalents. Outflows in this category include the purchase of investments.

Notes to the Financial Statements

Various notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are found immediately following the financial statements to which they refer.

FINANCIAL HIGHLIGHTS AND ANALYSIS OF BASIC FINANCIAL STATEMENTS

Condensed Statements of Net Position

			Increase/(Decrease)	
	2017	**2016**	**Amount**	**Percent**
ASSETS				
Current Assets	$15,166,315	$14,336,524	$ 829,791	5.79%
Capital Assets, net	$ 3,639,779	$ 3,598,722	$ 41,057	1.14%
Other Assets	$ 8,245,278	$ 7,671,961	$ 573,317	7.47%
Total Assets	$27,051,372	$25,607,207	$1,444,165	5.64%
			$ -	
LIABILITIES			$ -	
Current Liabilities	$ 3,880,912	$ 3,015,533	$ 865,379	28.70%
Noncurrent Liabilities	$ 203,292	$ 299,701	$ (96,409)	-32.17%
Total Liabilities	$ 4,084,204	$ 3,315,234	$ 768,970	23.20%
			$ -	
DEFERRED INFLOWS OF RESOURCES			$ -	
Grant Receipts	$ 115,932	$ 137,260	$ (21,328)	-15.54%
Total Deferred Inflows	$ 115,932	$ 137,260	$ (21,328)	-15.54%
			$ -	
NET POSITION			$ -	
Investment in Capital Assets, Net	$ 3,639,779	$ 3,598,722	$ 41,057	1.14%
Restricted Net Assets	$ 8,245,278	$ 7,671,961	$ 573,317	7.47%
Unrestricted	$10,966,179	$10,884,030	$ 82,149	0.75%
Total Net Position	$22,851,236	$22,154,713	$ 696,523	3.14%

	2016	2015	Amount	Percent
ASSETS				
Current Assets	$14,336,524	$12,148,248	$2,188,276	18.01%
Capital Assets, net	$ 3,598,722	$ 3,470,670	$ 128,052	3.69%
Other Assets	$ 7,671,961	$ 7,125,131	$ 546,830	7.67%
Total Assets	$25,607,207	$22,744,049	$2,863,158	12.59%
LIABILITIES				
Current Liabilities	$ 3,015,533	$ 3,010,848	$ 4,685	0.16%
Noncurrent Liabilities	$ 299,701	$ 332,211	$ (32,510)	-9.79%
Total Liabilities	$ 3,315,234	$ 3,343,059	$ (27,825)	-0.83%
DEFERRED INFLOWS OF RESOURCES				
Grant Receipts	$ 137,260	$ 145,908	$ (8,648)	-5.93%
Total Deferred Inflows	$ 137,260	$ 145,908	$ (8,648)	-5.93%
NET POSITION				
Investment in Capital Assets, Net	$ 3,598,722	$ 3,470,670	$ 128,052	3.69%
Restricted Net Assets	$ 7,671,961	$ 7,125,131	$ 546,830	7.67%
Unrestricted	$10,884,030	$ 8,659,281	$2,224,749	25.69%
Total Net Position	$22,154,713	$19,255,082	$2,899,631	15.06%

- Total assets as of September 30, 2017 amounted to $27,051,372, a $1,444,165 or 5.64% increase from $25,607,207 as of September 30, 2016.
  - Cash increased by $631,019 in 2017. As detailed below, this is related to a significant increase in Accounts Payable.
  - Accounts receivable grew by $144,912 in FY17. The College expanded offerings in programs with lower rates of collections but it was largely offset by a major collections effort in FY17.
  - Investments grew by $573,317 due to capital appreciation in investments for FY17, a very strong year for domestic and international markets.
  - Capital assets increased by $41,057.
- Total liabilities increased by $768,970 or 23.2%. The primary driver for this increase is an increase in Accounts Payable. The significant increase in AP is a timing issue relating to several October 2017 payments for significant purchases and prior year balances. This increase in AP offsets the $631,019 increase in cash.
- NMC's net position increased by $696,523 or 3.14% during fiscal year 2017.

Condensed Statements of Revenue, Expenses, and Changes in Net Position

	2017	2016	*Increase/(Decrease)* Amount	Percent
Operating Revenue, net	$ 9,032,211	$ 10,878,555	$ (1,846,344)	-16.97%
Operating Expenses	$ 14,285,255	$ 13,313,105	$ 972,150	7.30%
Operating Loss	$ (5,253,044)	$ (2,434,550)	$ (2,818,494)	115.77%
Nonoperating Revenues	$ 5,949,567	$ 5,334,181	$ 615,386	11.54%
Change in Net Position	$ 696,523	$ 2,899,631	$ (2,203,108)	-75.98%
Net Position, Beginning of Year	$ 22,154,713	$ 19,255,082	$ 2,899,631	15.06%
Net Position, End of Year	$ 22,851,236	$ 22,154,713	$ 696,523	3.14%

	2016	2015	*Increase/(Decrease)* Amount	Percent
Operating Revenue, net	$ 10,878,555	$ 10,800,030	$ 78,525	0.73%
Operating Expenses	$ 13,313,105	$ 15,701,511	$ (2,388,406)	-15.21%
Operating Loss	$ (2,434,550)	$ (4,901,481)	$ 2,466,931	-50.33%
Nonoperating Revenues	$ 5,334,181	$ 4,131,327	$ 1,202,854	29.12%
Change in Net Position	$ 2,899,631	$ (770,154)	$ 3,669,785	-476.50%
Net Position, Beginning of Year	$ 19,255,082	$ 20,025,236	$ (770,154)	-3.85%
Net Position, End of Year	$ 22,154,713	$ 19,255,082	$ 2,899,631	15.06%

- NMC's operating revenue decreased by $1,846,344 and operating expenses increased by $972,150. This led to an operating loss of $5,253,044, an increase of $2,818,494 over the operating loss of FY16. Factors include:

  - US federal grants decreased by $969,058 or 11.7% in 2017.
  - Scholarship discounts and allowances increased $739,715 or 34.1% resulting in lower operational revenue from Tuition and Fees.
  - Bookstore sales dropped $197,683 or 34.81% in 2017.

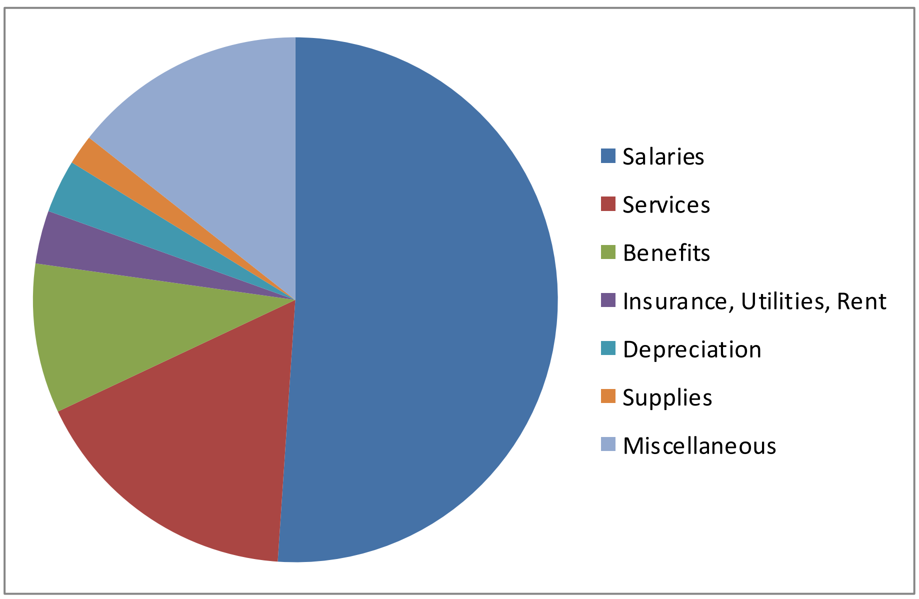
Revenue by Source

Operating Revenue	2017	% of Total	2016	% of Total
US Federal Grants	$ 7,315,196	48.83%	$ 8,284,254	51.10%
Tuition and Fees	$ 1,322,885	8.83%	$ 2,000,953	12.34%
Private Gifts, Grants, and Donations- Restricted	$ 23,995	0.16%	$ 25,530	0.16%
Others	$ 370,135	2.47%	$ 567,818	3.50%
Total Operating Revenue	$ 9,032,211	60.29%	$10,878,555	67.10%
Non-Operating Revenue				
CNMI Appropriations	$ 5,376,250	35.89%	$ 4,787,351	29.53%
Realized and Unrealized Gain (Loss) on Investments	$ 573,317	3.83%	$ 546,830	3.37%
Total Non-Operating Revenue	$ 5,949,567	39.71%	$ 5,334,181	32.90%
Total Revenue	$14,981,778	100.00%	$16,212,736	100.00%

- Operating revenue of $9,032,211 represents 60.29% of NMC's total revenue. This is a significant shift from previous years. Operating revenue represented 67.10% and 72.33% of total revenue in 2016 and 2015 respectively.
  - US Federal grant revenue represents 48.83% of NMC's total revenue. This is down from 51.10% in 2016 and 64.23% in 2015.
- Non-operating revenue of $5,949,567 represents 39.71% of NMC's total revenue. This is up from 32.90% in 2016 and 27.67% in 2015.
  - CNMI appropriations represent 35.89% of NMC's total revenue. This is up from 29.53% in 2016 and 29.21% in 2015.

Expenses by Natural Classification

	2017	% of Total	2016	% of Total
Salaries	$ 7,296,210	51.08%	$ 6,344,329	47.65%
Services	$ 2,417,599	16.92%	$ 3,298,215	24.77%
Benefits	$ 1,317,068	9.22%	$ 1,002,268	7.53%
Insurance, Utilities, Rent	$ 467,636	3.27%	$ 438,636	3.29%
Depreciation	$ 467,504	3.27%	$ 467,511	3.51%
Supplies	$ 262,625	1.84%	$ 265,062	1.99%
Miscellaneous	$ 2,056,613	14.40%	$ 1,497,084	11.25%
Total	$14,285,255	100.00%	$13,313,105	100.00%

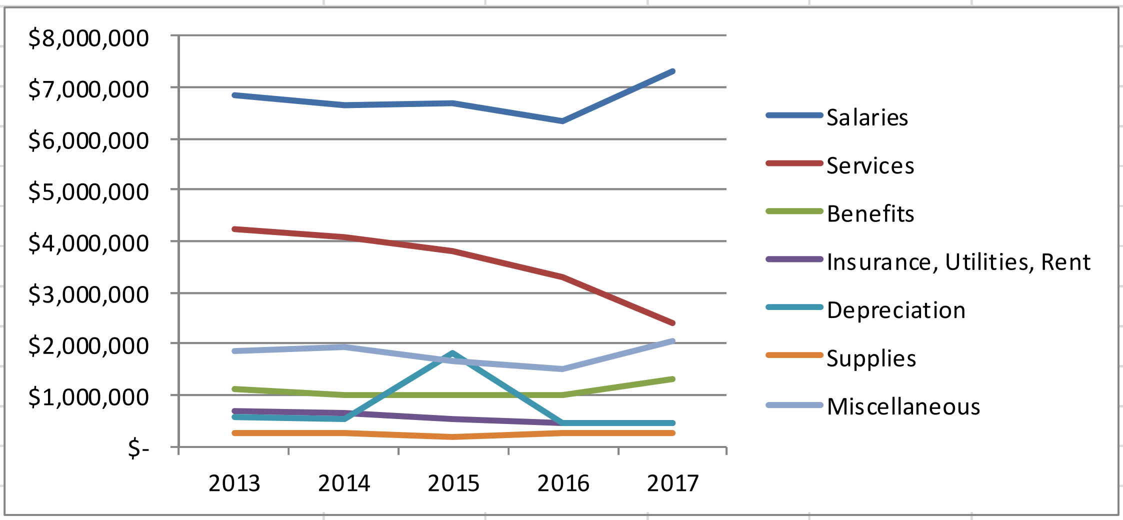


Highlights:

- Salaries constituted 51.08% and 47.65% of the College's total expenditures for fiscal years 2017 and 2016, respectively. Total salary expense in 2017 increased 15% over 2016, primarily due to two phases of salary increases effective October 1, 2017.
- Expenses for services, which include professional services contracts, bookstore operating expenses, and student expenses, represented 16.92% of total expenditures. This is significantly down from 2016 when services accounted for 24.77% of total expenditures.
- Benefits are up by 31.4% in FY17, largely due to rate increases and increased personnel levels. Benefits are now 9.22% of NMC's total expenditures, compared to 7.53% in FY16.

Comparative Expenses

	2013	2014	2015	2016	2017
Salaries	$6,854,399	$6,655,187	$6,692,441	$6,344,329	$7,296,210
Services	$4,239,435	$4,064,438	$3,790,690	$3,298,215	$2,417,599
Benefits	$1,120,877	$ 991,920	$1,006,489	$1,002,268	$1,317,068
Insurance, Utilities, Rent	$ 704,172	$ 652,256	$ 529,151	$ 438,636	$ 467,636
Depreciation	$ 550,506	$ 512,189	$1,818,196	$ 467,511	$ 467,504
Supplies	$ 243,409	$ 245,139	$ 193,998	$ 265,062	$ 262,625
Miscellaneous	$1,853,001	$1,923,586	$1,670,546	$1,497,084	$2,056,613



The graph above shows the College's spending pattern from fiscal year 2013 to 2017.

CAPITAL ASSETS

As of September 30, 2017 and 2016, the College had $3,639,779 and $3,598,722, respectively, invested in capital assets, net of accumulated depreciation, where applicable. These values remain depressed from pre-Typhoon Soudelor values in August 2015. For context, fiscal year 2014's capital assets were $4,648,526.

LONG-TERM DEBT

The College did not engage in any long-term debt financing in fiscal year 2017.

MAJOR ACCOMPLISHMENTS AND CHALLENGES IN FISCAL YEAR 2017

Fiscal year 2017 coincided with the hiring of a new President in October 2016. A major area of focus for the new administration was addressing the CNMI's labor shortage issues. In addition to strengthening the nursing, business, and other programs, the College also increased relevant offerings through the Community Development Institute in order to expand local capacity. Many of these program offerings were a direct result of local employers asking for trainings to be made available. For instance, the Department of Public Safety and the Department of Fire and Emergency Management Services partnered with NMC during 2017 to ensure rigorous academic training was a part of their cadet training programs. The College hired permanent staff to increase Prior Learning Assessment, a program targeting nontraditional students in order to promote career growth. Furthermore, academic programs have been re-launched on Tinian and Rota to expand academic offerings available to residents of these islands. The College has demonstrated its commitment to CNMI workforce development through significant allocation of resources from all revenue sources.

In 2017, two phases of long overdue wage increases were delivered to NMC's staff and faculty during fiscal year 2017; both were made retroactive to October 1, 2016. These wage increases represented the College's commitment to hiring and retaining qualified candidates at competitive wages. The significant increase in allocation of resources for salaries and benefits is made possible by the College's increase in CNMI appropriations.

Capital improvements were also a major focus in fiscal year 2017 as many areas of NMC's campus experienced significant renovation. The Student Café, Testing Center, Aquaculture Center, Library, CNMI Archives, among others, have been renovated for the benefit of the NMC community. Work on the renovation and expansion of the College Gym continued in 2017; the cost of the project is estimated at $4 million. This project is to be funded 90% by FEMA and 10% by NMC. Currently this project is in the final stages of A&E.

ECONOMIC OUTLOOK

The CNMI has seen economic growth in the past year; nonetheless there are challenges that remain. The most immediate economic threat to the CNMI is the expiration of the Commonwealth Worker program. While progress towards an extension has been made and optimism is growing, at this time the program is set to expire at the end of 2019. The US Government Accountability Office preliminary estimates suggest a “26% to 62%” reduction in CNMI GDP compared to 2015 levels should the program be phased out. NMC manages this risk with conservative budgeting and by preserving significant cash and cash equivalents.

In fiscal year 2017, the College received $5,376,250 in CNMI appropriations, the most funding in many years. This funding represents over 35% of NMC’s total revenue. CNMI appropriations are the revenue source most in jeopardy in the event of economic downturn. In times of economic recession, higher education institutions often see increases in enrollment. With the US experiencing strong economic growth, we project little risk to our federal programs.

CONTACTING THE COLLEGE’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the College’s finances and to demonstrate the College’s accountability for the money it receives. The Management’s Discussion and Analysis for the year ended September 30, 2017 is set forth in the report on the audit of the College’s financial statements which is dated June 29, 2018. The Management Discussion and Analysis explains the major factors impacting the 2017 financial statements. If you have questions about the 2017 or 2016 reports, or need additional information, please contact Andrew Reese, Chief Financial Officer at the Northern Marianas College, P.O. Box 501250, Saipan, MP 96950, or email andrew.reese@marianas.edu

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Net Position
September 30, 2017 and 2016

	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	$ 10,202,416	$ 9,571,397
Time certificate of deposit	696,928	696,392
Accounts receivable and unbilled charges, net	2,370,181	2,225,269
Due from grantor agencies	1,274,954	1,003,623
Due from CNMI	178,761	178,761
Inventories	443,075	634,316
Prepayments	-	26,766
Total current assets	15,166,315	14,336,524
Noncurrent assets:		
Investments	8,245,278	7,671,961
Capital assets, net	3,639,779	3,598,722
Total noncurrent assets	11,885,057	11,270,683
Total assets	27,051,372	25,607,207
Liabilities:		
Current liabilities:		
Accounts payable	1,021,840	556,120
Accrued salaries and benefits payable	205,922	170,490
Current portion of compensated absences	380,950	291,818
Unearned revenues	1,683,301	1,408,206
Due to CNMI	588,899	588,899
Total current liabilities	3,880,912	3,015,533
Noncurrent liabilities:		
Compensated absences, net of current portion	203,292	299,701
Total liabilities	4,084,204	3,315,234
Deferred inflows of resources:		
Grant receipts	115,932	137,260
Net position:		
Investment in capital assets, net	3,639,779	3,598,722
Restricted net assets:		
Nonexpendable	3,200,000	3,200,000
Expendable	5,045,278	4,471,961
Unrestricted	10,966,179	10,884,030
Net position	$ 22,851,236	$ 22,154,713

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended September 30, 2017 and 2016

	2017	2016
Operating revenues:		
U.S. Federal grants	$ 7,315,196	$ 8,284,254
Tuition and fees (net of scholarship discounts and allowances of $2,908,065 and $2,168,350 in 2017 and 2016, respectively)	1,322,885	2,000,953
Private gifts, grants and donations - restricted	23,995	25,530
Others (net of bookstore cost of sales of $417,970 in 2017 and $430,532 in 2016)	370,135	567,818
Net operating revenues	9,032,211	10,878,555
Operating expenses:		
Salaries	7,296,210	6,344,329
Services	2,417,599	3,298,215
Depreciation	467,504	467,511
Benefits	1,317,068	1,002,268
Insurance, utilities and rents	467,636	438,636
Supplies	262,625	265,062
Miscellaneous	2,056,613	1,497,084
Total operating expenses	14,285,255	13,313,105
Operating loss	(5,253,044)	(2,434,550)
Nonoperating revenues:		
CNMI appropriations	5,376,250	4,787,351
Realized and unrealized gain on investments	573,317	546,830
Total nonoperating revenues	5,949,567	5,334,181
Change in net position	696,523	2,899,631
Net position, beginning of the year	22,154,713	19,255,082
Net position, end of the year	$ 22,851,236	$ 22,154,713

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Cash Flows
For the Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Tuition and fees collected	$ 1,453,068	$ 1,423,536
U.S Federal grants	7,488,134	9,237,271
Other receipts	394,130	593,348
Payments to employees	(8,613,278)	(6,661,610)
Payments to suppliers	(5,519,620)	(6,747,597)
Net cash used for operating activities	(4,236,134)	(2,155,052)
Cash flows from investing activities:		
Increase in time certificate of deposit	(536)	(764)
Net cash used for investing activities	(536)	(764)
Cash flows from noncapital financing activities:		
CNMI appropriations	5,376,250	4,786,151
Deferred- CNMI appropriations	-	869,071
Net cash provided by noncapital financing activities	5,376,250	5,655,222
Cash flows capital and related financing activities:		
Purchases of capital assets	(508,561)	(595,563)
Net cash used for capital and related financing activities	(508,561)	(595,563)
Net change in cash and cash equivalents	631,019	2,903,843
Cash and cash equivalents, beginning of year	9,571,397	6,667,554
Cash and cash equivalents, end of year	$ 10,202,416	$ 9,571,397

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Cash Flows
For the Years Ended September 30, 2017 and 2016

	2017	2016
Reconciliation of operating loss to net cash used for operating actvities:		
Operating loss	$ (5,253,044)	$ (2,434,550)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	467,504	467,511
Provision for bad debts	99,799	-
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(244,711)	(348,431)
Due from grantor agencies	(271,331)	961,665
Inventories	191,241	64,745
Prepayments	26,766	39,552
Accounts payable	465,720	(350,629)
Accrued salaries and benefits payable	35,432	(295,655)
Current portion of compensated absences	(7,277)	(21,626)
Unearned revenues	275,095	(228,986)
Deferred inflows of resources	(21,328)	(8,648)
Net cash used for operating activities	$ (4,236,134)	$ (2,155,052)

See accompanying notes to financial statements.

(1) Organization

The Northern Marianas College (the College), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), was formally established as a nonprofit public corporation by CNMI Public Law 3-43 on January 19, 1983 to serve as the state agency for higher education and adult education programs. Autonomy was later granted by CNMI Public Law 4-34 (Post-Secondary Education Act of 1984) effective October 1, 1985.

The College is governed by a seven member Board of Regents appointed by the Governor of the CNMI with the advice and consent of the Senate. Executive powers are vested in the College President who is appointed by the Board.

The College has been granted initial accreditation by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges (WASC), at its meeting on June 11, 1985. The College undergoes periodic re-evaluations and approval of its accreditation. The College was re-evaluated and approved most recently in 2009.

In July 2014, the College was granted initial accreditation for a period of 6 years, through June 2020, by the WASC Senior College and University Commission.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis – for Public Colleges and Universities.* The financial statement presentation required by GASB No. 34 and 35, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

Operating revenues are those revenues that are generated from the primary operations of the College. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the College. All other expenses are reported as nonoperating expenses.

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting

For financial statement purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized if probable of collection, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents

For the purpose of the statements of net position and cash flows, cash and cash equivalents is defined as cash on hand and cash held in demand accounts as well as short-term investments with a maturity date within ninety days of the date acquired. Time certificates of deposit with maturities of greater than three months are separately classified.

At September 30, 2017 and 2016, the carrying amount of the College's cash and cash equivalents and time certificates of deposit were $10,882,372 and $10,267,789, respectively, and the corresponding bank balances were $10,830,607 and $10,259,946, respectively. Of the bank balance amounts, $11,527,534 and $10,712,383, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2017 and 2016, bank deposits in the amount of $1,309,760 and $1,325,532, respectively, were FDIC insured. The College does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government and the CNMI government, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated allowances for uncollectible amounts.

(2) Summary of Significant Accounting Policies, Continued

Accounts Receivable and Allowance for Doubtful Accounts, Continued

The allowance for doubtful accounts is stated at an amount that management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a charge to bad debt expense.

Inventories

Bookstore inventories are valued at retail less gross profit percentages sufficient to reduce inventories to the lower of first-in, first-out (FIFO) cost or market. All other inventories are valued at the lower of FIFO cost or market.

Capital Assets

Furniture and equipment, vehicles and computers are recorded at cost in instances where cost is determinable or estimated cost where cost is not determinable. Land, buildings and improvements are recorded at fair market values at September 30, 2017 and 2016. The College capitalizes property and equipment that equals or exceeds $5,000. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets.

The College has elected to present as capital assets those items acquired subsequent to 1994, except for land and buildings and improvements. Accordingly, capital asset records consist of additions commencing in fiscal year 1994 since any earlier acquired fixed assets have been fully depreciated or disposed.

Investments

Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments.

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the College. As of September 30, 2017 and 2016, there were no investments in any one issuer that exceeded five percent (5%) of total investments.

Custodial credit risk is the risk that in the event of failure of the counterparty, the College will not be able to recover the value of its investments or collateral security that are in the possession of outside parties. Investment securities are exposed to custodial risk if the security is uninsured, is not registered in the name of the College and is held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the name of the College.

The following investment policy governs the investment of assets of the College:

General:

- Any pertinent restrictions existing under the laws of the CNMI with respect to the College, that may exist now or in the future, will be the governing restriction.

- U.S. and non-U.S. equities, ADRs (American Depository Receipts), convertible bonds, preferred stocks, fixed-income securities, mutual funds and short-term securities are permissible investments.

- No individual security of any issuer, other than that of the United States Government, shall constitute more than 5% (at cost) of the Total Fund or 10% (at cost) of any Investment Manager's portfolio.

- No investment may be made in the securities of a single corporate entity in excess of 15% (at market) of any individual Investment Manager's portfolio, without prior approval.

- Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.

- Investments in a registered mutual fund managed by the Investment Manager are subject to prior approval.

- The following securities and transactions are not authorized without prior written approval: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and margin transactions.

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

General, Continued:

- An Investment Manager's portfolio shall not be excessively over weighted in any one industry (as compared to respective benchmark index) without prior approval by timely reporting and advice to the Board of Regents and Directors.

U.S. Fixed Income:

- All fixed income securities held in the portfolio shall have a Standard & Poor's credit quality rating of no less than "BBB", or an equivalent credit quality rating from Moody's (Baa) or Fitch (BBB). U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.

- No more than 20% of the market value of the portfolio shall be rated less than single "A" quality, unless the Investment Manager has specific prior written authorization from the Board of Regents and Directors.

- Total portfolio quality (capitalization weighted) shall maintain a credit quality rating of no less than "A".

Equities:

- Consistent with the desire to maintain broad diversification, allocations to any economic or industry sector should not be excessive.

- Equity holdings shall be restricted to readily marketable securities of corporations that are actively traded on the major exchanges and over the counter.

- The Investment Managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, as per the Investment Policy Statement, they will be evaluated against their peers on the performance of the total funds under their direct management.

- Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any other country are permissible investments.

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

Cash and Cash Equivalents:

- Cash equivalent reserves shall consist of cash instruments having a quality rating of Standard & Poor's A-1, Moody's P-1, or their equivalent. U.S. Treasury and Agency securities, Bankers Acceptances, Certificates of Deposit, and Collateralized Repurchase Agreements are also acceptable investment vehicles. Custodial Sweep Accounts must be, in the judgment of the Investment Managers, of credit quality equal or superior to the standards described above.

- In the case of Certificates of Deposit, they must be issued by FDIC insured institutions. Deposits in institutions with less than $10,000,000 in assets may not be made in excess of $100,000 (or prevailing FDIC insurance limit), unless the Deposit is fully collateralized by U.S. Treasury Securities.

- No single issue shall have a maturity of greater than two (2) years.

- Custodial Sweep Account portfolios must have an average maturity of less than one (1) year.

GASB Statement No. 40 requires entities to provide information about the credit risk associated with their investments by disclosing the credit quality ratings.

Endowment Fund

The College administers an endowment fund through the NMC Foundation Board of Directors, a separate legal entity. The investments are held in the name of the College; however, they are administered by a separate legal entity. The fund was established through an initial contribution of $3,000,000, with additional contributions of $100,000 from the NMC Foundation during the year ended September 30, 2010 and $100,000 from a private donation during the year ended September 30, 2008. Principal of this fund is nonexpendable while investment income is available for operations subject to approval by the Foundation Board. Investment income is accounted for as expendable restricted revenues of the College. Fundraising activity of the Foundation Board is accounted for as unrestricted revenue of the College. All activities of the Foundation Board are accounted for within the College's financial statements.

(2) Summary of Significant Accounting Policies, Continued

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences

The College recognizes cost for accrued annual leave at the time such leave is earned. As of September 30, 2017 and 2016, the College recorded accrued annual leave in the amount of $584,242 and $591,519, respectively, which is included within the statements of net position as compensated absences.

Net Position

The College's net position is classified as follows:

Investment in Capital Assets - This represents the College's total investment in capital assets.

Restricted Expendable - Restricted expendable includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties and the Board of Regents.

Restricted - Nonexpendable - Nonexpendable restricted consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted - Unrestricted represents resources derived from student tuition and fees, CNMI appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

(2) Summary of Significant Accounting Policies, Continued

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The College does not have any deferred outflows of resources as of September 30, 2017.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2017, the College only has one type of deferred inflows of resources arising from grants received with restrictions.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees; (2) sales and services of auxiliary enterprises; and (3) most federal, state and local grants.

Nonoperating Revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and CNMI appropriations, and other revenue sources such as investment income that are defined as nonoperating revenues by GASB Statement No. 9*, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as CNMI appropriations and investment income.

Scholarship Discounts and Allowances - Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan

The College contributed to the Northern Mariana Islands Retirement Fund's (the Fund) defined benefit plan (DB Plan), a cost sharing, multiple-employer plan established and administered by the Fund. On September 30, 2013, the DB Plan was transferred to Northern Mariana Islands Settlement Fund (NMISF) and the College now contributes to NMISF.

GASB Statement No. 45 requires employers to record other postemployment benefits (OPEB) expense for their contractually required contributions to the OPEB plan. Except as described in the paragraphs below, the College has complied with GASB Statement No. 45 by recording OPEB expense based on the statutorily determined contribution rate of the Fund. It is the understanding of the management of the College that the statutorily determined contribution rate of the Fund incorporates both the pension liability and OPEB liability. GASB Statement No. 45 also requires detailed disclosure of information related to the OPEB plan and the management of the College was unable to obtain this information from the Fund financial report. The management of the College is unable to obtain the required disclosures and is of the opinion that such information must be obtained from the Fund. It is the position of the management of the College that the Fund is solely responsible for disclosure of OPEB information.

Defined Benefit Plan (DB Plan)

The DB Plan provides retirement, disability, security and other benefits to employees of the CNMI Government and CNMI agencies, instrumentalities and public corporations and their spouses and dependents. 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 (NMIRF) Act of 1988, is the authority under which benefit provisions are established. Public Law No. 6-17 was subsequently amended by Public Law Nos. 6-41, 8-24, 8-30, 8-31, 8-39, 9-25, 9-45, 10-8, 10-19, 11-9, 11-95, 13-60, 15-14, 15-70, 15-126, 16-2,16-36, 17-82 and 18-02.

DB Plan members are required to contribute 10.5% for Class I members and 11% for Class II members. The actuarially determined contribution rate for the fiscal year ended September 30, 2010 is 72.7215% of covered payroll based on an actuarial valuation as of October 1, 2010 issued in October 2012. The established statutory rate at September 30, 2013 is 72.7215%, of covered payroll.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

The College's contribution to the Fund is at 20% of covered payroll. This is based on the Court Order, requiring the CNMI and Autonomous Agencies to remit contributions to the Fund.

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. The College is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. The DC Plan by its nature is fully funded on a current basis from employer and member contributions. Members of the DC Plan who have completed five years of government service have a vested balance of 100% of both member and employer contributions plus any earnings thereon. With the passage of Public Law 17-82 in September 11, 2012, membership in the DC Plan became voluntary.

The College's total contributions to the Settlement and Retirement Fund for the years ended September 30, 2017, 2016 and 2015 were $199,990, $182,644 and $178,131, respectively.

On June 24, 2008, the Office of the CNMI Governor confirmed that the CNMI central government will be responsible for the College's deficient retirement contribution beginning October 1, 2005. The College's deficient retirement contributions to the Retirement Fund, including penalties and interest, amounted to $9,116,781 as of September 30, 2013. Such deficient retirement contribution and related penalties and interest are not reflected in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statement 67 and 68,* which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement had a material effect on the financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* which replaces Statements No. 43, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement had a material effect on the financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* and provides guidance on reporting by governments that governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not evaluated the impact that the implementation of this statement will have on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures,* which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 31, 2015. Management does not believe that the implementation of this statement had a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting Pensions.* The provisions in Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement had a material effect on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14,* which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions in Statement No. 80 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement had a material effect on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this Statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,* which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement had a material effect on the financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations. GASB Statement No. 83 will be effective for the fiscal year ending September 30, 2019. Management has not evaluated the impact that the implementation of this statement will have on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 will be effective for reporting periods after December 15, 2018. Management has not evaluated the impact that the implementation of this statement will have on the financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The provisions of GASB Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for the Corporation for fiscal year ending September 30, 2021. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(3) Accounts Receivable and Unbilled Charges

Summarized below is the College's accounts receivable and unbilled charges as of September 30, 2017 and 2016:

	2017	2016
Student tuition and fees	$ 3,816,137	$ 3,508,272
Auxiliary enterprises	484,060	528,044
Other activities	238,157	255,251
Total	4,538,354	4,291,567
Allowance for doubtful accounts	(2,168,173)	(2,066,298)
Net receivable and unbilled charges	$ 2,370,181	$ 2,225,269

(4) Investments

GASB 72 requires all investments be categorized under a fair value hierarchy. The College determines fair value of its investments based upon both observable and unobservable inputs. The College categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. Levels within the hierarchy are as follows:

- Level 1- quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – inputs (other than quoted prices included within level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.
- Level 3 – unobservable inputs for an asset or liability, which generally results in a government using the best information available and may include the government's own data.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value (NAV). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

The following table presents a summary of the College's investments by type as of September 30, 2017, at fair value:

	Fair Value September 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)
Investments by Fair Value Level				
Equity Securities				
Domestic equity	$ 2,023,783	$ 2,023,783	$ -	$ -
International equity	1,825,098	1,825,098	-	-
Total equity securities	3,848,881	3,848,881	-	-
Debt Securities				
Government Sponsored Enterprise	775,610	-	775,610	-
Real Estate and Tangibles	666,445	-	-	666,445
Cash and cash equivalents	1,008,337	-	-	1,008,337
Asset-Backed, Mortgage-Backed, Collateralized Mortgage Obligation	338,877	-	338,877	-
US Treasury	515,091	-	515,091	-
Corporate bonds	733,932	-	733,932	-
Mutual funds	358,105	358,105	-	-
Total Investments By Fair Value Level	$ 8,245,278	$ 4,206,986	$ 2,363,510	$ 1,674,782

(4) Investments, Continued

As of September 30, 2017 and 2016, the College's fixed income securities had the following maturities:

	2017					
		Investment Maturities (In Years)				
Investment type	Fair Value	Less than 1	1-5	6-10	More than 10	Rating
Government and GSE bonds	$ 1,170,625	$ 255,240	$ 400,294	$ -	$ 515,091	AAA
Government and GSE bonds	120,075	120,075	-	-	-	AA+
Corporate bonds	55,102	-	55,102	-	-	AA+
Corporate bonds	96,485	-	45,277	51,208	-	AA-
Corporate bonds	115,668	-	115,668	-	-	AA
Corporate bonds	25,070	-	25,070	-	-	A+
Corporate bonds	226,085	-	184,505	41,581	-	A-
Corporate bonds	81,719	-	-	81,719	-	A
Corporate bonds	133,803	-	-	133,803	-	BBB+
Corporate bonds	338,877	-	31,694	227,005	80,178	No rating
	$ 2,363,510	$ 375,315	$ 857,610	$ 535,316	$ 595,269	

	2016					
		Investment Maturities (In Years)				
Investment type	Fair Value	Less than 1	1-5	6-10	More than 10	Rating
Government and GSE bonds	$ 1,300,337	$ 50,092	$ 805,299	$ -	$ 444,946	AAA
Government and GSE bonds	155,451	-	155,451	-	-	AA+
Corporate bonds	163,639	-	56,363	107,276	-	A-
Corporate bonds	192,213	-	60,655	131,558	-	BBB+
Corporate bonds	574,963	-	68,942	394,793	111,228	No rating
	$ 2,386,603	$ 50,092	$ 1,146,710	$ 633,627	$ 556,174	

(5) Capital Assets

Summarized below is the College's investment in capital assets and changes at September 30, 2017 and 2016:

	Estimated Useful Lives	Balance October 1 , 2016	Additions	Deletions	Balance September 30, 2017
Buildings and improvements	5 - 30 years	$ 7,328,298	$ 229,847	$ -	$ 7,558,145
Furniture and equipment	2 - 5 years	1,718,687	35,157	(67,533)	1,686,311
Vehicles	5 years	858,798	243,557	(137,412)	964,943
Computers	3 - 5 years	1,389,962	-	(2,865)	1,387,097
Total depreciable assets		11,295,745	508,561	(207,810)	11,596,496
Accumulated depreciation		(8,810,399)	(467,504)	207,810	(9,070,093)
Depreciable assets, net		2,485,346	41,057	-	2,526,403
Land		1,113,376	-	-	1,113,376
Net capital assets		$ 3,598,722	$ 41,057	$ -	$ 3,639,779

	Estimated Useful Lives	Balance October 1 , 2015	Additions	Deletions	Balance September 30, 2016
Buildings and improvements	5 - 30 years	$ 6,861,452	$ 466,846	$ -	$ 7,328,298
Furniture and equipment	2 - 5 years	1,773,486	22,987	(77,786)	1,718,687
Vehicles	5 years	990,326	98,970	(230,498)	858,798
Computers	3 - 5 years	1,390,451	6,760	(7,249)	1,389,962
Total depreciable assets		11,015,715	595,563	(315,533)	11,295,745
Accumulated depreciation		(8,658,421)	(467,511)	315,533	(8,810,399)
Depreciable assets, net		2,357,294	128,052	-	2,485,346
Land		1,113,376	-	-	1,113,376
Net capital assets		$ 3,470,670	$ 128,052	$ -	$ 3,598,722

(6) Long-Term Obligation

Changes in long-term obligations for the years ended September 30, 2017 and 2016, are as follows:

	2017	2016
Compensated absences		
Balance, beginning	$ 299,701	$ 613,145
Additions	337,704	34,784
Reductions	(53,163)	(56,410)
Balance, end	584,242	591,519
Due within one year	(380,950)	(291,818)
Noncurrent	$ 203,292	$ 299,701

(7) Related Party Transactions

To ensure that the College carries out its mission and meets educational and the vocational needs of the community, the College receives annual appropriations from the CNMI Government. During the years ended September 30, 2017 and 2016, the College recognized $5,376,250 and $4,787,351, respectively, in appropriations from the CNMI Government. The amounts due from CNMI Government from appropriation as of September 30, 2017 and 2016 amounted to $0 and $1,200, respectively, while the amount due from CNMI Government for retirement contributions paid for retired employees amounted to $177,561 as of September 30, 2017 and 2016.

At September 30, 2017 and 2016, amounts payable for utility expense to the Commonwealth Utilities Corporation (CUC), a component unit of the CNMI Government, amounted to $23,848 and $24,881, respectively, which are included in accounts payable in the accompanying statements of net position. During the years ended September 30, 2017 and 2016, total utilities purchased from CUC amounted to $285,380 and $265,504, respectively.

In the ordinary course of business, the College has and expects to continue to have transactions with its employees and officials. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the College.

(8) Natural Classifications with Functional Classification

In order to be consistent with the CNMI Government's reporting method, operating expenses are displayed in their natural classifications for fiscal years 2017 and 2016. The following table shows natural classifications with functional classifications:

	2017							
	Salaries	Services	Benefits	Insurance Utilities and Rent	Depreciation	Supplies	Miscellaneous	Total
Instruction	$ 2,303,299	$ 26,060	$ 455,606	$ -	$ -	$ 54,679	$ 161,068	$ 3,000,712
Academic Support	747,837	57,042	90,320	-	-	6,625	132,947	1,034,772
Institutional Support	2,001,219	117,572	388,123	-	-	56,882	809,632	3,373,429
Student Services	651,420	205,832	146,561	-	-	12,068	98,657	1,114,539
Community Services	1,525,292	464,225	236,458	-	-	132,371	339,663	2,698,009
Scholarships	-	1,061,122	-	-	-	-	-	1,061,122
Auxiliary	67,143	-	-	-	-	-	121,047	188,190
Operation and Maintenance	-	485,746	-	467,636	467,504	-	393,596	1,814,482
	$ 7,296,210	$ 2,417,599	$ 1,317,068	$ 467,636	$ 467,504	$ 262,625	$ 2,056,610	$ 14,285,255

	2016							
	Salaries	Services	Benefits	Insurance Utilities and Rent	Depreciation	Supplies	Miscellaneous	Total
Instruction	$ 1,859,214	$ 99,488	$ 351,310	$ -	$ -	$ 24,304	$ 52,437	$ 2,386,753
Academic Support	867,356	22,696	97,346	-	-	8,293	94,462	1,090,153
Institutional Support	1,477,059	125,046	238,450	-	-	51,901	563,397	2,455,853
Student Services	672,706	575,433	93,822	-	-	16,861	149,576	1,508,398
Community Services	1,374,418	371,929	221,340	-	-	163,703	568,455	2,699,845
Scholarships	-	1,921,131	-	-	-	-	-	1,921,131
Auxiliary	93,576	-	-	-	-	-	15,439	109,015
Operation and Maintenance	-	182,492	-	438,636	467,511	-	53,318	1,141,957
	$ 6,344,329	$ 3,298,215	$ 1,002,268	$ 438,636	$ 467,511	$ 265,062	$ 1,497,084	$ 13,313,105

(9) Commitments

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Outstanding purchase orders and purchase commitments are not reported in the financial statements for the years ended September 30, 2017 and 2016.

(10) Contingencies

Financial and Compliance Audits

The College participates in a number of U.S. Department of Education assisted grant programs and various other federally assisted grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Substantially all grants are subject to either the Uniform Guidance or to financial and compliance audits by the grantor agencies of the Federal Government or their designees.

Lawsuits and Claims

On September 30, 2013, the U.S District Court approved the Final Settlement Agreement for Case No. 09-000023, to which the College is a party. Beginning in fiscal year 2014, the College and employees who are members of the Retirement Fund, who did not opt out of the Settlement, contribute to the Settlement Fund. The College contributes at 20% of covered payroll. The Settlement Fund asserts that the College should contribute at 30% of covered payroll. The Settlement Fund asserts that the College owes the Settlement Fund $71,749 for unpaid contributions and penalties. Such deficient retirement contribution and related penalties and interest are not reflected in the accompanying financial statements.

On March 10, 2016, the U.S. District Court for the Northern Mariana Islands issued an order on the Settlement Fund’s motion, and found that the College has not been underpaying into the Settlement Fund, and has been meeting its obligations under the Settlement Agreement. The College will have no further liability beyond what it normally pays to the Settlement Fund.

Sick Leave

It is the policy of the College to record expenditures for sick leave when the leave is actually taken. Employees are credited with sick leave at the rate of 4 hours per pay period. Unused sick leave hours may be accumulated without limit but cannot be converted to cash upon termination of employment. Sick leave is compensated time for absence during working hours arising from employee illness or injury. The estimated accumulated sick leave at September 30, 2017 and 2016 is $1,763,997 and $472,228, respectively. These amounts are not accrued in the accompanying financial statements.

(11) Risk Management

The College 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.

(11) Risk Management, Continued

The College has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed with respect to workers' compensation, general liability, and the use of motor vehicles. Settled claims have not exceeded this commercial coverage in any of the past three years.

For other risks of loss to which it is exposed, the College has elected not to purchase commercial insurance. Instead, the College's management believes it is more economical to manage its risks internally. The College will report all of its risk management activities, if and when such occurs. Claims expenditures and liabilities will be reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Losses, if reported, would include an estimate of claims that have been incurred but not reported. No losses as a result of these risks have occurred or have been reported within the last three years.

(12) Subsequent events

In fiscal year 2016, NMC received an appropriation from the CNMI government of $1,000,000 for typhoon repairs. Of this total, NMC spent approximately $412,000 by September 30, 2017. In February 2018, the CNMI Government reduced the fiscal year 2018 appropriations by approximately $588,000 to recover the unspent typhoon repair funds. The unspent $588,000 is reflected as a liability to the CNMI Government in the accompanying financial statements.

The College has evaluated subsequent events from October 1, 2017 to June 29, 2018, the date the financial statements were available to be issued. The College did not note any subsequent events requiring disclosure or adjustment in the accompanying financial statements except for the event noted above.

(13) Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net position.

NORTHERN MARIANAS COLLEGE
(A COMPONENT UNIT OF THE GOVERNMENT OF CNMI)

INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2017

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Regents
Northern Marianas College:

We have audited, in accordance with the 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, the financial statements of the Northern Marianas College (the College) as of and for the year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2018.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Saipan, Commonwealth of the Northern Mariana Islands
June 29, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents
Northern Marianas College:

Report on Compliance for Each Major Federal Program

We have audited the Northern Marianas College's (the College's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

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Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

Burger Comer Magliari

Saipan, Commonwealth of the Northern Mariana Islands
June 29, 2018

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
	Direct from U.S. Department of Agriculture:			
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		$ 998,677	$ 998,677
10.322	Building Faculty Capacity		20,296	-
10.500	Cooperative Extension Service		645,416	-
	Subtotal Direct Programs		1,664,389	998,677
	Pass-through from Secretariat of the Pacific Community:			
10.200	Non Communicable Disease Prevention and Control Plan	2-1-22	1,000	-
	Pass-through			
10.303	Islands of Opportunity Alliance	none identified	3,002	-
	Pass-through			
	Fruit Fly and Mango Fly		3,818	-
	Pass-through			
	Solenopsis Invicta/Imptd Fire Ant		7,682	-
	Pass-through			
	Animal and Health Insp Svs		2,333	-
	Pass-through			
	Distance Learning and Telemedicine		2,248	-
	Pass-through from University of Hawaii:			
10.310	Children's Healthy Living Program	MA110018	13,221	13,221
	Subtotal Pass-Through Programs		33,304	13,221
	Total U.S. Department of Agriculture		$ 1,697,693	$ 1,011,898

See accompanying notes to Schedule of Expenditures of Federal Awards.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
	Direct from U.S. Department of Education:			
	Student Financial Aid Cluster:			
84.007	Federal Supplemental Educational Opportunity Grants		$ 47,061	
84.033	Federal Work-Study Program		33,789	
84.063	Federal Pell Grant Program		3,823,807	
84.379	Teacher Education Assistance for College and Higher Education Grants		71,222	
	Subtotal Student Financial Aid Cluster		3,975,879	
84.002	Adult Education - Basic Grants to States		300,226	
84.031	Project for the Promotion and Retention of Opportunities for Advancement		231,202	
84.378	College Access Challenge Grant Program		-	
	Subtotal Direct Programs		4,507,307	
	Pass-through from Asian & Pacific Islander American Scholarship Fund:			
84.031	Enhancing Tech	none identified	-	
	Pass-through			
84.unknown	Pacific Rim College to Improve Education	none identified	-	
	Subtotal Pass-Through Programs		-	
	Total U.S. Department of Education		$ 4,507,307	
	National Endowment for the Humanities:			
	Pass-through from Northern Marianas Humanities Council:			
45.164	Culture in the Marianas: Perspectives on the Present-day Landscape	GPH16-00261	$ 3,222	$ 3,222
	Subtotal Pass-Through Programs		3,222	3,222
	Total National Endowment for the Humanities		$ 3,222	$ 3,222

See accompanying notes to Schedule of Expenditures of Federal Awards.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
	U.S. Department of Health and Human Services:			
	Pass-through from University of Hawaii:			
93.107	Model State-Supported Area Health Education Center	5U77HP08404-09-00	$ 58,969	$ 58,969
	Pass-through from Portland State University:			
93.310	Enhance Cross Discipline and Infrastructure and Training	205CRE491	50,585	50,585
	Pass-through from Portland State University:			
93.310	Enhance Cross Discipline and Infrastructure and Training	205CRE492	18,479	-
	Pass-through from University of Hawaii:			
93.632	Pacific Basin University Centers for Excellence in Developmental Diabilities Education, Research, and Service (B)	MA120060	122,305	122,305
	Total Pass-Through Programs		250,338	231,859
	Total U.S. Department of Health and Human Services		$ 250,338	$ 231,859
	U.S. Department of Homeland Security:			
	Pass-through from CNMI Government:			
97.unknown	Commonwealth Worker Fund	none identified	$ 599,244	
	Total Pass-Through Programs		599,244	
	Total U.S. Department of Homeland Security		$ 599,244	
	U.S. Department of the Interior:			
	Pass-through from CNMI Government:			
15.875	Economic, Social, and Political Development of the Territories - Compact Impact	none identified	$ 74,187	
	Total Pass-Through Programs		74,187	
	Total U.S. Department of the Interior		$ 74,187	
	Grand Total		$ 7,131,991	

See accompanying notes to Schedule of Expenditures of Federal Awards.

(1) Scope of Audit

The Northern Marianas College (the College) was created as an autonomous public agency of the Commonwealth of the Northern Mariana Islands (CNMI) pursuant to Title 3, Division 1, Chapter 3, Article 1 of the Commonwealth Code. The College's existence is to be perpetual and it shall have all the rights and privileges of a corporation. The purpose of the College is to provide secondary educational opportunities to the people of the CNMI. Only the financial statements of the College are included within the scope of the Uniform Guidance audit (the "Single Audit").

Programs Subject to Single Audit

The Schedule of Expenditures of Federal Awards presents each Federal program related to the following agencies:

- U.S. Department of Agriculture
- U.S. Department of the Interior
- U.S. Department of Education
- U.S. Department of Health and Human Services
- U.S. Department of Homeland Security
- National Endowment for the Humanities

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the College and is presented on the accrual basis of accounting, consistent with the manner in which the College maintains its accounting records. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. All program award amounts represent the total allotment or grant award received. All expenses and capital outlays are reported as expenditures.

Cost Allocation

The College is currently allocating administrative costs to program awards based upon criteria prescribed in those program awards.

(3) Indirect Cost Allocation

For fiscal year 2017, the College has an approved indirect cost rate of 21% for all grant programs, except for U.S. Department of Education programs, which is 8%.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	______ yes ___X___no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_______ yes ___X___none reported
Noncompliance material to financial statements noted?	______ yes ___X___no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	______ yes ___X___no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_______ yes ___X___none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR § 200.516 (a)?	_______ yes ___X___none reported

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

SECTION I – SUMMARY OF INDEPENDENT AUDITORS' RESULTS, Continued

Federal Awards

Identification of major programs:

CFDA Number	Description	Federal Expenditures
	Student Financial Assistance Cluster:	
84.063	Federal Pell Grant Program	$ 3,823,807
84.379	Teacher Education Assistance for College and Higher Education (TEACH) Grant Program	71,222
84.007	Federal Supplemental Educational Opportunity Grants	47,061
84.033	Federal Work-Study Program	33,789
	Student Financial Assistance Cluster	3,975,879
84.031	Project for the Promotion and Retention of Opportunities for Advancement	231,202
Total Federal Expenditures-Major Programs		$ 4,207,081
	Percentage of total federal awards tested	59%

Dollar threshold used to distinguish between Type A and Type B programs $ 750,000

Auditee qualified as low-risk auditee __X__ yes _____ no

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

SECTION II – FINANCIAL STATEMENTS FINDINGS

There were no financial statements audit findings for the year ended September 30, 2017.

SECTION III – FEDERAL AWARDS FINDINGS

There were no federal awards audit findings for the year ended September 30, 2017.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2017

There were no unresolved audit findings and questioned costs from the prior year audits of the College.