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COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

REPORT ON THE AUDIT OF FINANCIAL
STATEMENTS IN ACCORDANCE
WITH THE UNIFORM GUIDANCE

YEAR ENDED SEPTEMBER 30, 2019

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COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

BASIC FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2019

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FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

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INDEPENDENT AUDITORS' REPORT

Honorable Ralph DLG. Torres
Governor
Commonwealth of the Northern Mariana Islands:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (CNMI) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the CNMI's basic financial statements as set forth in Section III of the foregoing 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marianas Public Land Trust (MPLT), the Northern Marianas College (NMC), the Public School System (PSS) and the Marianas Visitors Authority (MVA), which represent 40%, 44% and 51%, respectively, of the assets, net position, and program revenues of the CNMI's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for MPLT, NMC, PSS and MVA, is based solely on the reports of the other auditors. 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 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.

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Adverse
Aggregate Discretely Presented Component Units	Adverse
Each Major Governmental Fund	Unmodified
Aggregate Remaining Fund Information	Adverse

Basis for Adverse Opinions on the Governmental Activities, the Aggregate Discretely Presented Component Units and the Aggregate Remaining Fund Information

Management has not adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. As discussed in note 1 to the financial statements, the CNMI has not determined the liability associated with the payment of 25% of the class members full benefits that are considered to be substantively automatic. GASB Statement 73 requires the pension liability to include all benefits to be provided to current active and inactive employees through the pension plan in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. The amount of which the departure would affect the assets and deferred outflows of resources, liabilities and deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

Further, the CNMI's component units' column does not include the financial statements of the Commonwealth Utilities Corporation (CUC) and the Commonwealth Healthcare Corporation (CHCC). Accounting principles generally accepted in the United States of America require the financial statements of CUC and CHCC be reported with the financial data of the CNMI's component units' column unless the CNMI also issues financial statements for the financial reporting entity that include the financial data for its component units. The CNMI has not issued such reporting entities' financial statements. Because of the departure from accounting principles generally accepted in the United States of America, the assets and deferred outflows, liabilities and deferred inflows, net position, revenues, and expenses of the aggregately discretely presented component units could not be determined.

Finally, the CNMI's aggregate remaining fund information does not include the financial statements of the Northern Mariana Islands Settlement Fund (NMISF), a fiduciary fund component unit. Accounting principles generally accepted in the United States of America require the financial statements of NMISF be reported with the financial data of the CNMI's aggregate remaining fund information. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, additions, and deductions of the fiduciary funds has not been determined.

Adverse Opinions

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinions on the Governmental Activities, the Aggregate Discretely Presented Component Units and the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly, the respective financial position of the aggregate discretely presented component units and the aggregate remaining fund information of the CNMI as of September 30, 2019, or the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the CNMI as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matters

Implementation of Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 71

As discussed in note 1W to the financial statements, during the year ended September 30, 2019, the CNMI implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result, the CNMI has elected to restate its 2018 financial statements to reflect the implementation of these standards.

Correction of Errors

As discussed in note 19 to the financial statements, the beginning net position of the aggregate discretely presented component units has been restated for the correction of errors.

Going Concern

The CNMI's plans regarding its General Fund deficit position and the related governmental activities net deficiency position are described in note 16 to the financial statements.

COVID-19

Economic uncertainties as a result of the COVID-19 coronavirus pandemic may negatively impact the CNMI's future financial results as described in note 20 to the financial statements.

Our opinion is not modified with respect to these matters.

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 5 through 11 as well as the Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund and notes thereto, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions, as set forth in Section IV of the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB 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.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CNMI's basic financial statements. The Other Supplementary Information, as set forth in Section V of the foregoing table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary 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. Such 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2021 on our consideration of the CNMI'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 solely 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 CNMI'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 CNMI's internal control over financial reporting and compliance.

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April 21, 2021

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Management's Discussion and Analysis (MD&A)
Year Ended September 30, 2019

Our discussion and analysis of the Commonwealth of the Northern Marianas Islands (CNMI) financial performance provides an overview of the CNMI's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the CNMI's financial statements, which follow this section. Fiscal year 2018 information has been included where appropriate for comparative purposes.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2019, the CNMI exacerbated its net position by 10.7%, or $48.9 million, to an increased deficit net position of over $504.7 million. The increased deficit is due, largely in part, to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, requiring the inclusion of the net pension liability for fiscal year 2019, which was not adopted in the previous fiscal years.

- During the year, the CNMI's expenses for primary governmental activities were approximately $524.2 million which includes expense payments made or due to autonomous agencies. These expenses were funded in part by program revenues of $270.4 million and general revenues of $204.9 million.

- At September 30, 2019, the General Fund reported an unassigned fund deficit of $134.2 million. This is a 67.1% increase from prior year's $80.3 million unassigned fund deficit.

- For budgetary reporting purposes, General Fund revenues of $210.1 million were slightly under projections. In addition, actual expenditures were higher than final projected estimates by 10.0%, or $22.7 million. These amounts do not include transfers to and from other funds, nor do they include the receipt or use of long-term debt proceeds.

- Due to the implementation of GASB 68, the governmental activities net position has been restated by $404.4 million, from a deficit net position of $51.4 million to a deficit net position of $455.8 million as at October 1, 2018. Refer to note 1W for additional discussion on this restatement.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the CNMI and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for the governmental activities of the CNMI, which include the CNMI's discretely presented component units, also known as autonomous agencies. The government-wide financial statements present the complete financial picture of the CNMI from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the CNMI (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the CNMI as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the CNMI's finances is, "Has the CNMI's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the CNMI as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the CNMI's net position and changes in them from the prior year. You can think of the CNMI's net position - the difference between assets and liabilities - as one way to measure the CNMI's financial condition or position. Over time, increases or decreases in the CNMI's net position are indicators of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the CNMI's tax base, the conditions of the CNMI's roads and infrastructure, and the quality of services to assess the overall health and performance of the CNMI.

As mentioned above in the Statement of Net Position and the Statement of Activities, we divide the CNMI into two kinds of activities:

Governmental Activities - Most of the CNMI's basic services are reported here, including public safety, general administration, streets, and parks. Income taxes, business gross receipt taxes, other taxes and fees, fines, and federal grants finance most of these activities.

Discretely Presented Component Units - These account for activities of the CNMI's reporting entities that do not meet the criteria for blending within the CNMI's primary government. These discretely presented component units are often referred to as autonomous agencies.

Reporting the CNMI's Most Significant Funds

Fund Financial Statements

The Fund financial statements provide detailed information about the most significant funds - not the CNMI as a whole. Some funds are required to be established by law or regulation and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies.

Governmental Funds - Most of the CNMI's basic services are reported in governmental funds, which focus on how money flows into and out of those funds, as well as the remaining balances at year-end that are available for spending. These funds are reposted using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the CNMI's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the CNMI's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Fiduciary Funds - The CNMI is responsible for assets that, because of a trust arrangement or other fiduciary requirement, can be used only for trust beneficiaries or other parties, such as pensions and other employee benefit trust funds and agency fund. The CNMI is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the CNMI's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the CNMI's government-wide financial statement because the CNMI cannot use these assets for finance operations.

A FINANCIAL ANALYSIS OF THE CNMI AS A WHOLE

Net Position

The CNMI's governmental activities deficit net position increased from $455.8 million (inclusive of prior period adjustments of $404.4 million) to a deficit net position of $504.7 million, an increase of 10.7% between fiscal years 2018 and 2019.

A summary of net position (condensed) of fiscal year 2019 is presented below with comparable balances of fiscal year 2018:

	Governmental Activities		
	2019	2018 (As Restated)	Change
Current assets	$ 84,843,262	$ 107,876,452	$ (23,033,190)
Capital assets, net	148,389,440	152,078,484	(3,689,044)
Other noncurrent assets	2,500,000	2,500,000	-
Deferred outflows from cost of refunding debt	4,336,168	4,645,894	(309,726)
Deferred outflows of resources from pension	59,895,340	78,953,755	(19,058,415)
Total assets and deferred outflows	299,964,210	346,054,585	(46,090,375)
Long-term debt outstanding	66,363,477	71,329,797	(4,966,320)
Net pension liability	529,283,156	574,761,225	(45,478,069)
Other liabilities	208,998,853	154,478,157	54,520,696
Deferred inflows of resources from pension	-	1,299,978	(1,299,978)
Total liabilities	804,645,486	801,869,157	2,776,329
Net position:			
Net investment in capital assets	86,362,131	85,394,581	967,550
Restricted	5,232,755	6,975,449	(1,742,694)
Unrestricted	(596,276,162)	(548,184,602)	(48,091,560)
Total net position	$ (504,681,276)	$ (455,814,572)	$ (48,866,704)

Significant results from the prior year in the Statement of Net Position include decreases in long-term debt from payments toward pension liabilities under the settlement agreement and debt services. The inclusion of the net pension liability is also a factor that significantly impacted the Statement of Net Position due to the implementation of GASB 68 and 71.

Changes in Net Position

For the year ended September 30, 2019, net position of the primary government changed as follows, with comparable amounts for fiscal year 2018:

	Governmental Activities		
	2019	2018	Change
Revenues:			
Program revenues	$ 270,357,328	$ 130,700,293	$ 139,657,035
Taxes and other general revenues	204,926,617	277,628,313	(72,701,696)
Total revenues	475,283,945	408,328,606	66,955,339
Expenses:			
Health	75,478,836	66,174,538	9,304,298
Public safety and law enforcement	162,857,819	50,816,397	112,041,422
General government	25,633,378	28,076,946	(2,443,568)
Community and social services	53,388,116	36,098,021	17,290,095
Other elected officials	12,039,889	13,584,291	(1,544,402)
Utilities	2,080,437	1,934,374	146,063
Public works and capital projects	27,328,079	14,342,240	12,985,839
Lands and natural resources	23,325,185	25,995,116	(2,669,931)
Legislative branch	6,113,700	7,115,563	(1,001,863)
Judicial branch	6,788,734	6,856,485	(67,751)
Education	7,278,594	7,192,464	86,130
Interest and fiscal charges	3,948,432	4,432,605	(484,173)
Economic development	4,675,013	5,682,400	(1,007,387)
Payments to CNMI Group Health and Life Insurance Trust Fund	12,296,401	10,013,861	2,282,540
Payments to autonomous agencies	84,637,668	119,559,026	(34,921,358)
Pension expense	16,280,368	-	16,280,368
Total expenses	524,150,649	397,874,327	126,276,322
Change in net position	(48,866,704)	10,454,279	(59,320,983)
Net position, beginning, as previously reported	(455,814,572)	(61,910,563)	(393,904,009)
Implementation of GASB Statement No. 68	-	(404,358,288)	404,358,288
Net position, beginning of year, as restated	(455,814,572)	(466,268,851)	10,454,279
Net position, end of year	$ (504,681,276)	$ (455,814,572)	$ (48,866,704)

The CNMI's primary governmental activities' increase in deficit net position to $504.7 million represents a $48.9 million increase from the prior year which is due, largely in part to, the adoption of GASB 68 and 71. Relative to other activities outside of the net pension liability, the results indicate that the CNMI's financial condition improved. Significant changes from 2018 in the Statement of Activities include a decrease in general revenues by $72.7 million and increased expenditures of $112.0 million in public safety and law enforcement for disaster efforts.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given.

Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this format is to highlight the relative financial burden of each of the functions on the CNMI's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

The following table illustrates the financial weight governmental activities affect the general sources after collecting for fees and charges on services:

Net (Expenses) Revenues of Governmental Activities

	2019	2018	Change
Health	$ (22,095,645)	$ (28,224,289)	$ 6,128,644
Public safety and law enforcement	(52,921,996)	(35,164,624)	(17,757,372)
General government	12,503,691	(8,468,400)	20,972,091
Community and social services	(11,026,787)	(10,438,397)	(588,390)
Other elected officials	(12,039,889)	(13,584,291)	1,544,402
Utilities	(713,507)	(1,852,030)	1,138,523
Public works and capital projects	(21,306,811)	(2,706,091)	(18,600,720)
Land and natural resources	(7,919,423)	(9,045,382)	1,125,959
Legislative branch	(6,113,700)	(7,115,563)	1,001,863
Judicial branch	(6,788,734)	(6,856,485)	67,751
Education	(7,278,594)	(7,192,464)	(86,130)
Interest and fiscal charges	(3,948,432)	(4,432,605)	484,173
Economic development	(2,121,666)	(3,655,332)	1,533,666
Payments to CNMI Group Health and Life Insurance Trust Fund	(12,296,401)	(10,013,861)	(2,282,540)
Pension expense	(16,280,368)	-	(16,280,368)
Payments to autonomous agencies	(83,445,059)	(118,424,220)	34,979,161
Total	$ (253,793,321)	$ (267,174,034)	$ 13,380,713

For the year ended September 30, 2019, the CNMI's governmental activities were funded from general revenues of $204.9 million. The following chart illustrates the areas of revenue sources:

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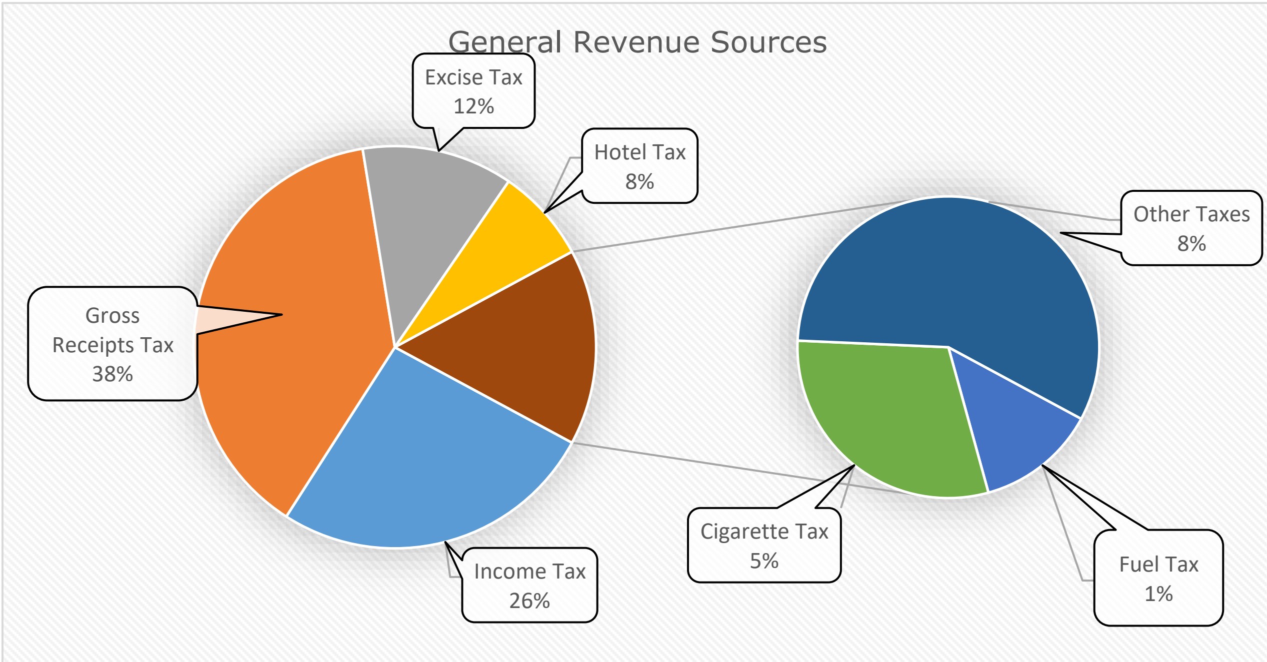
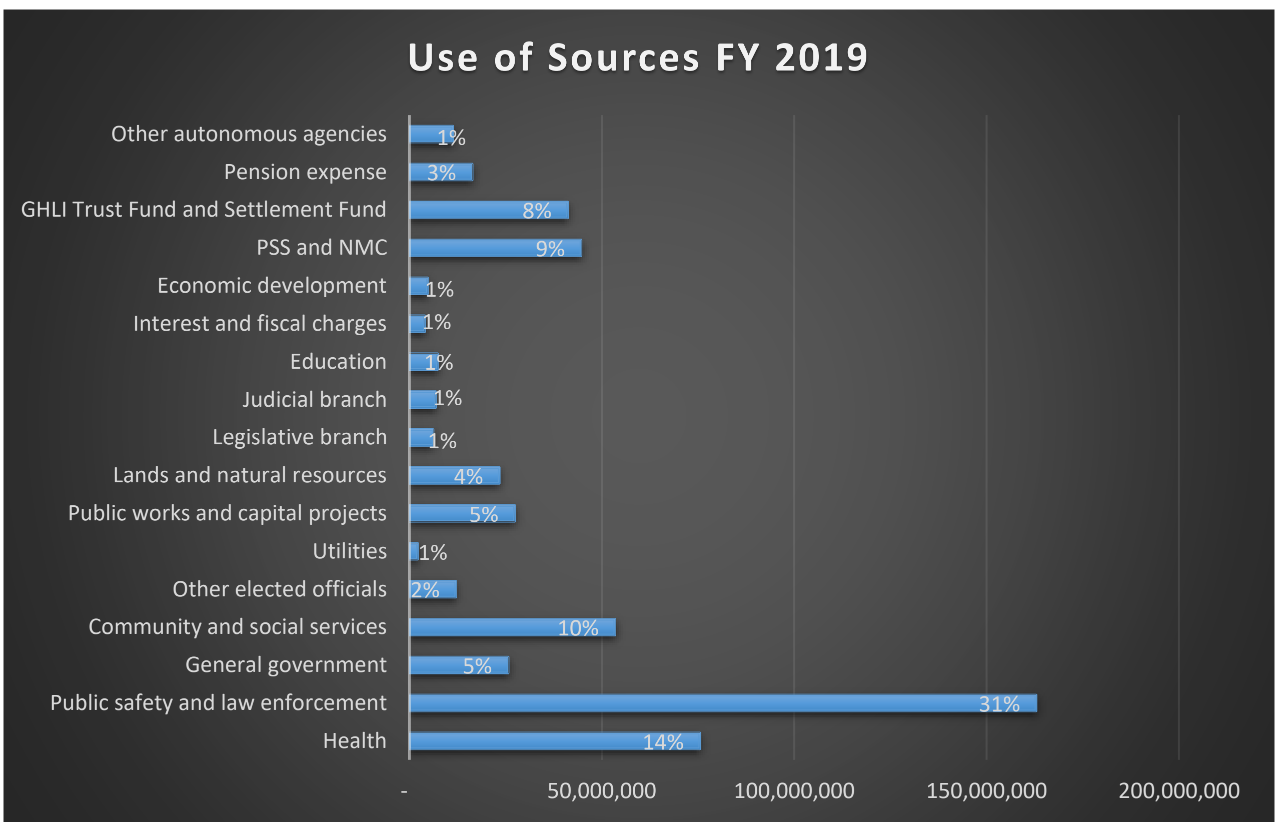


For the year ended September 30, 2019, the CNMI's activities by function are as follows:



For the year ended September 30, 2019, total expenses for governmental activities amounted to $524.2 million. Of these total expenses, taxpayers funded $204.9 million, $227.8 million from grants and other contributions, and $42.5 million from charges for services.

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A FINANCIAL ANALYSIS OF THE CNMI'S FUNDS

The CNMI completed its 2019 fiscal year with a reported combined fund deficit of $95.9 million.

Individual fund highlights include:

- For the year ended September 30, 2019, the General Fund's total fund deficit increased by $53.9 million or 71.8%, for a total fund deficit of $129.0 million, largely through an increase in the unassigned general fund.
- The Grants Assistance Fund balance significantly decreased by $1.8 million from prior year with a fund balance of $2.7 million for fiscal year 2019. This decrease is heavily attributed primarily to expenses related to the disaster response.
- The Saipan Amusement Fund accounts for casino license fees and other electronic gaming fees. Revenues and expenditures netted a $25.7 million decrease; however accounting for operating transfers, there is a significant decrease ending the year at a deficit of $0.8 million.
- The Department of Public Lands fund balance decreased by $1.5 million from $7.1 million in 2018 to $5.6 million in 2019
- The Pension and Other Employee Benefit Trust Fund's fiduciary net position increased by $4.0 million or 9.9% for the year. This fund type includes the retirement fund.

General Fund Budgetary Highlights

Original revenue estimates for the General Fund was at $257.3 million compared to final revenue estimates at $231.1 million and actual revenues at $210.1 million. General Fund actual expenditures of $249.4 million exceeded appropriations by $22.7 million, contributed mainly to unanticipated expenditures in health programs ($14.7 million) and disaster expenditures ($19.0 million).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2019, the CNMI had just over $147.1 million invested in capital assets, net of accumulated depreciation where applicable, including land, infrastructure, vehicles and other machinery and equipment, buildings, and various projects under construction (see table below). See note 7 to the financial statements for more detailed information on the CNMI's capital assets and changes therein.

	Governmental Activities		
	2019	2018	Change
Infrastructure, net	$ 32,142,348	$ 38,388,006	$ (6,245,658)
Buildings and improvements, net	58,824,352	62,929,882	(4,105,530)
Machinery and equipment, net	13,002,991	10,294,860	2,708,131
Land	30,064,154	30,064,154	-
Construction in progress	14,355,595	10,401,582	3,954,013
Total	$ 148,389,440	$ 152,078,484	$ (3,689,044)

Long- Term Debt

At year end, the CNMI had $66.3 million in long-term debt outstanding, which represents a net decrease of $4.9 million or 7.0% from the prior year. The CNMI's changes in long-term debt outstanding are as follows:

	Governmental Activities 2019	2018	Change
Bonds payable	$ 66,363,477	$ 71,329,797	$ (4,966,320)

As of September 30, 2019, no rating information was provided from Fitch Ratings or Standard and Poor's Financial Services, LLC for the CNMI's General Obligation Bonds.

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, 2019. See note 11 to the financial statements for more detailed information on the CNMI's long-term debt and changes therein.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The cessation of airline flights due to COVID-19 is projected to negatively impact growth prospects in the short-term. The CNMI is unable to reasonably estimate its ultimate financial impact. Construction is anticipated to be performed due to continued construction and improvements to new and existing visitor accommodations, various public projects, and road construction.

The CNMI underwent two typhoons during the months of September and October 2018: Typhoon Mangkhut destroyed much of the resources for the island of Rota, and Super Typhoon Yutu devastated the islands of Tinian and Saipan. These disasters had detrimental effects on the CNMI’s economic activity, leaving two main sectors of our economy (tourism and gaming) at a standstill for the first quarter of the fiscal year. Despite these setbacks, the CNMI remains resilient, moving forward with investments in infrastructure and disaster aid services to rebuild the economy and the lives of its residents.

Furthermore, the CNMI is optimistic as foreign direct investment is continuing in the tourism sector with developments in the northern end of Saipan and on Tinian. The re-opening of established small and medium sized businesses after the typhoons stood at 85% in March 2019 and is anticipated to reach completion by the end of the fiscal year. Our forecasts for the gaming and casino industry remain conservatively steady as this sector shows signs of slight contraction for a short period in the near future. Moreover, the cannabis industry emerged in the latter part of fiscal year 2019 to help revitalize the economy and increase CNMI financial resources.

The CNMI is optimistic for the year ahead as the continued improvement in infrastructure and economic activity rebounds from the shocking events experienced.

CONTACTING THE CNMI'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the CNMI's finances and to show the CNMI's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Finance, Office of the Secretary of Finance at P.O. Box 5234 CHRB, Saipan, MP 96950 or phone (670) 664-1100.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Net Position
September 30, 2019

	Primary Government	Component Units
ASSETS AND DEFERRED OUTFLOWS		
Current assets:		
Cash and cash equivalents	$ 27,582,488	$ 53,717,842
Time certificates of deposit	112,643	11,698,914
Receivables, net of allowance for uncollectibles	30,303,420	19,728,279
Due from primary government	-	14,192,207
Due from component units	1,832,726	-
Due from fiduciary funds	2,523,810	-
Inventories	804,343	508,374
Advances	1,189,075	-
Other assets	-	782,765
Restricted assets:		
Cash and cash equivalents	18,929,315	10,946,995
Time certificates of deposit	-	10,500,000
Investments	1,565,442	54,843,349
Total current assets	84,843,262	176,918,725
Noncurrent assets:		
Other assets	2,500,000	-
Investments	-	97,661,921
Receivables:		
Loans, net of allowance for uncollectibles	-	9,859,561
Notes, net of allowance for uncollectibles	-	13,805,466
Foreclosed real estate	-	1,995,141
Nondepreciable capital assets	44,419,749	99,684,327
Depreciable capital assets, net of accumulated depreciation	103,969,691	176,824,741
Total noncurrent assets	150,889,440	399,831,157
Deferred outflows from cost of refunding debt	4,336,168	527,114
Deferred outflows of resources from pension	59,895,340	-
Total assets and deferred outflows	299,964,210	577,276,996
LIABILITIES AND DEFERRED INFLOWS		
Current liabilities:		
Current portion of bonds payable	5,241,320	2,565,000
Claims and judgments payable	4,205,204	-
Current portion of compensated absences	4,446,254	1,774,546
Loan payable under Settlement Agreement	2,019,860	-
Accounts payable	47,416,811	25,476,185
Tax rebates payable	58,664,463	-
Recovery rebates payable	393,837	-
Health and life insurance payable	1,912,134	-
Security deposits	11,327,700	-
Other liabilities and accruals	5,096,893	4,363,089
Due to fiduciary funds	17,693,829	-
Due to component units	23,681,954	-
Due to primary government	-	2,350,003
Unearned revenues	2,026,368	23,670,724
Total current liabilities	184,126,627	60,199,547
Noncurrent liabilities:		
Net pension liability	529,283,156	-
Bonds payable, net of current portion	61,122,157	28,688,306
Compensated absences, net of current portion	4,800,972	3,395,593
Due to component units	8,848,237	-
Accrued interest payable	1,394,167	-
Unearned revenues, net of current portion	-	4,651,541
Landfill closure and post closure costs	15,070,170	-
Total noncurrent liabilities	620,518,859	36,735,440
Deferred inflows of resources from pension	-	1,708,465
Total liabilities and deferred inflows of resources	804,645,486	98,643,452
Commitments and contingencies		
NET POSITION		
Net investment in capital assets	86,362,131	245,782,876
Restricted for:		
Expendable:		
Capital projects	683,464	-
Retirement of indebtedness	2,523,754	-
Federal programs and projects	2,021,410	-
Other purposes	4,127	225,344,010
Unrestricted	(596,276,162)	7,506,658
Total net position	$ (504,681,276)	$ 478,633,544

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government	Net (Expenses) Revenues and Changes in Net Position: Component Units
Primary government:						
Governmental activities:						
Health	$ 75,478,836	$ 734,321	$ 52,648,870	$ -	$ (22,095,645)	$ -
Public safety and law enforcement	162,857,819	2,986,508	106,949,315	-	(52,921,996)	-
General government	25,633,378	29,982,524	8,076,157	78,388	12,503,691	-
Community and social services	53,388,116	50,708	42,310,621	-	(11,026,787)	-
Other elected officials	12,039,889	-	-	-	(12,039,889)	-
Utilities	21,600	-	-	21,600	-	-
Utilities - Capital Projects	2,058,837	-	-	1,345,330	(713,507)	-
Public works	27,328,079	1,879,702	19,185	4,122,381	(21,306,811)	-
Lands and natural resources	23,325,185	6,493,801	8,911,961	-	(7,919,423)	-
Legislative branch	6,113,700	-	-	-	(6,113,700)	-
Judicial branch	6,788,734	-	-	-	(6,788,734)	-
Education	7,278,594	-	-	-	(7,278,594)	-
Interest and fiscal charges	3,948,432	-	-	-	(3,948,432)	-
Economic development	4,675,013	384,495	1,979,686	189,166	(2,121,666)	-
Education:						
Payments to Public School System	35,751,759	-	224,874	-	(35,526,885)	-
Payments to Northern Marianas College	8,824,188	-	39,108	-	(8,785,080)	-
Payments to Commonwealth Healthcare Corporation	1,794,460	-	928,627	-	(865,833)	-
Payments to Marianas Visitors Authority	9,451,782	-	-	-	(9,451,782)	-
Payments to CNMI Group Health and Life Insurance Trust Fund	12,296,401	-	-	-	(12,296,401)	-
Payments to Settlement Fund	28,815,479	-	-	-	(28,815,479)	-
Pension expense	16,280,368	-	-	-	(16,280,368)	-
Total primary government	$ 524,150,649	$ 42,512,059	$ 222,088,404	$ 5,756,865	(253,793,321)	-
Component units:						
Commonwealth Ports Authority	$ 34,191,285	$ 40,507,774	$ 180,060	$ 8,867,926	-	15,364,475
Commonwealth Development Authority	8,853,013	-	8,972,170	-	-	119,157
Marianas Public Land Trust	3,591,810	5,990,526	-	-	-	2,398,716
Northern Marianas College	16,396,696	1,580,677	9,369,866	-	-	(5,446,153)
Public School System	91,320,226	826,642	43,496,287	-	-	(46,997,297)
Marianas Visitors Authority	11,260,713	131,157	204,701	-	-	(10,924,855)
Total component units	$ 165,613,743	$ 49,036,776	$ 62,223,084	$ 8,867,926	-	(45,485,957)
General revenues:						
Taxes:						
Income					53,690,364	-
Gross receipts					78,614,078	-
Excise					24,868,409	-
Hotel					15,490,295	-
Fuel					4,146,525	-
Cigarette					9,670,247	-
Other taxes					10,441,605	-
Unrestricted investment earnings and dividends					626,315	1,696,412
Contributions from primary government					-	58,947,707
Other					7,378,779	416,400
Total general revenues					204,926,617	61,060,519
Change in net position					(48,866,704)	15,574,562
Net position - beginning, as previously reported					(51,456,284)	450,733,711
Implementation of GASB Statement No. 68 (note 1W)					(404,358,288)	-
Prior period adjustment (note 19)					-	12,325,271
Net position - beginning, as restated					(455,814,572)	463,058,982
Net position - ending					$ (504,681,276)	$ 478,633,544

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Balance Sheet
Governmental Funds
September 30, 2019

Assets	General	Grants Assistance	Saipan Amusement	Department of Public Lands	Other Governmental Funds	Total
Cash and cash equivalents	$ 16,352,936	$ -	$ -	$ 11,229,552	$ -	$ 27,582,488
Time certificates of deposit	112,643	-	-	-	-	112,643
Restricted cash and cash equivalents	7,594,677	-	-	11,327,652	6,986	18,929,315
Restricted investments	-	-	-	-	1,565,442	1,565,442
Receivables, net:						
Federal agencies	6,875,038	9,369,317	-	-	284,562	16,528,917
Taxes	7,395,606	-	-	-	-	7,395,606
General	4,144,214	-	-	1,011,966	56	5,156,236
Other	-	12,831	-	-	1,209,830	1,222,661
Due from other funds	1,794,709	2,490,137	2,627,724	-	25,799,161	32,711,731
Due from fiduciary funds	1,659,022	-	-	-	864,788	2,523,810
Due from component units	-	-	-	-	1,832,726	1,832,726
Advances	1,189,075	-	-	-	-	1,189,075
Inventories	232,387	571,956	-	-	-	804,343
Other assets	2,500,000	-	-	-	-	2,500,000
	$ 49,850,307	$ 12,444,241	$ 2,627,724	$ 23,569,170	$ 31,563,551	$ 120,054,993
Liabilities and Fund Balances (Deficit)						
Liabilities:						
Accounts payable	$ 32,993,197	$ 6,756,517	$ 3,459,588	$ 469,555	$ 3,737,954	$ 47,416,811
Health and life insurance payable	-	-	-	-	1,912,134	1,912,134
Tax rebates payable	58,664,463	-	-	-	-	58,664,463
Recovery rebates payable	393,837	-	-	-	-	393,837
Other liabilities and accruals	3,861,698	763,698	-	330,590	140,907	5,096,893
Security deposits	-	-	-	11,327,700	-	11,327,700
Claims and judgments payable	4,205,204	-	-	-	-	4,205,204
Loan payable under Settlement Agreement	2,019,860	-	-	-	-	2,019,860
Due to other funds	30,917,022	1,647,196	-	15,047	132,466	32,711,731
Due to fiduciary funds	17,693,829	-	-	-	-	17,693,829
Due to component units	28,078,720	-	-	4,451,471	-	32,530,191
Unearned revenues	-	571,956	-	1,354,346	100,066	2,026,368
Total liabilities	178,827,830	9,739,367	3,459,588	17,948,709	6,023,527	215,999,021
Fund balances (deficit):						
Non-spendable	2,732,387	-	-	-	-	2,732,387
Restricted	2,523,754	2,704,874	-	-	4,127	5,232,755
Committed	-	-	-	5,620,461	25,544,169	31,164,630
Unassigned:						
General fund	(134,233,664)	-	-	-	-	(134,233,664)
Special revenue funds	-	-	(831,864)	-	(8,272)	(840,136)
Total fund balances (deficit)	(128,977,523)	2,704,874	(831,864)	5,620,461	25,540,024	(95,944,028)
	$ 49,850,307	$ 12,444,241	$ 2,627,724	$ 23,569,170	$ 31,563,551	$ 120,054,993

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2019

Total fund balances - governmental funds		$ (95,944,028)
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources are charged to future periods and are not reported in the funds. Those deferred outflows consist of:		
Deferred loss on refunding		4,336,168
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	$ 30,064,154	
Construction in progress	14,355,595	
Depreciable capital assets and infrastructure, net of $248,590,298 of accumulated depreciation	103,969,691	
Capital assets, net of accumulated depreciation		148,389,440
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities include:		
Net pension liability	(529,283,156)	
Bonds payable	(66,363,477)	
Accrued interest payable	(1,394,167)	
Compensated absences payable	(9,247,226)	
Landfill closure and postclosure costs	(15,070,170)	
Long-term liabilities		(621,358,196)
Deferred outflows of resources are charged to future periods and are not reported in the funds. Those deferred outflows consist of:		
Deferred outflows from pensions		59,895,340
Net position of governmental activities		$ (504,681,276)

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Governmental Funds
For the Year Ended September 30, 2019

	General	Grants Assistance	Saipan Amusement	Department of Public Lands	Other Governmental Funds	Total
Revenues:						
Taxes	$ 189,880,711	$ -	$ 31,000	$ -	$ 7,009,152	$ 196,920,863
Federal contributions	-	221,029,629	-	-	4,225,404	225,255,033
Licenses and fees	12,154,017	241,481	16,925,918	620,277	4,710,933	34,652,626
Charges for sales and services	1,988,226	-	-	5,583,072	288,795	7,860,093
Contributions from component units	2,265,082	-	-	-	325,154	2,590,236
Interest and dividends	29,184	-	53	550,441	46,637	626,315
Other	4,446,207	255,232	-	479,478	2,197,864	7,378,781
Total revenues	210,763,427	221,526,342	16,956,971	7,233,268	18,803,939	475,283,947
Expenditures:						
Current:						
Health	18,460,825	56,028,457	280,237	-	709,317	75,478,836
General government	14,067,804	4,900,041	2,571,946	-	4,202,952	25,742,743
Public safety and law enforcement	57,344,799	106,732,691	461,982	-	566,788	165,106,260
Community and social services	7,218,590	42,310,621	1,784,646	-	786,022	52,099,879
Lands and natural resources	6,678,619	8,911,961	19,269	8,747,951	79,134	24,436,934
Utilities	-	21,600	-	-	-	21,600
Other elected officials	11,982,489	-	-	-	57,400	12,039,889
Legislative branch	5,819,161	-	294,539	-	-	6,113,700
Judicial branch	6,099,150	-	343,118	-	-	6,442,268
Education	3,298,848	-	1,533,831	-	2,445,915	7,278,594
Economic development	1,593,586	455,688	14,620	-	2,611,119	4,675,013
Payments to:						
Public School System	31,676,885	224,874	3,850,000	-	-	35,751,759
Marianas Visitors Authority	7,912,823	-	-	-	1,538,959	9,451,782
Northern Marianas College	7,927,937	39,108	857,143	-	-	8,824,188
Commonwealth Healthcare Corporation	704,544	928,627	-	-	161,289	1,794,460
CNMI Group Health and Life Insurance Trust Fund	12,296,401	-	-	-	-	12,296,401
Settlement Fund	43,627,540	-	29,187,939	-	-	72,815,479
Debt service:						
Interest and fiscal charges	3,740,651	-	-	-	-	3,740,651
Principal retirement	4,960,000	-	-	-	-	4,960,000
Capital outlay:						
Public works	4,365,897	1,304,172	1,462,153	-	6,592,211	13,724,433
Utilities - Capital Projects	-	2,058,837	-	-	-	2,058,837
Total expenditures	249,776,549	223,916,677	42,661,423	8,747,951	19,751,106	544,853,706
Excess (deficiency) of revenues over (under) expenditures	(39,013,122)	(2,390,335)	(25,704,452)	(1,514,683)	(947,167)	(69,569,759)
Other financing sources (uses):						
Operating transfers in	2,093,253	3,379,587	11,534,522	-	3,836,910	20,844,272
Operating transfers out	(16,989,048)	(2,793,071)	(999,659)	-	(62,494)	(20,844,272)
Total other financing sources (uses), net	(14,895,795)	586,516	10,534,863	-	3,774,416	-
Net change in fund balances (deficit)	(53,908,917)	(1,803,819)	(15,169,589)	(1,514,683)	2,827,249	(69,569,759)
Fund balances (deficit) at beginning of year	(75,068,606)	4,508,693	14,337,725	7,135,144	22,712,775	(26,374,269)
Fund balances (deficit) at end of year	$ (128,977,523)	$ 2,704,874	$ (831,864)	$ 5,620,461	$ 25,540,024	$ (95,944,028)

See accompanying notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities
September 30, 2019

Total net change in fund balances - governmental funds		$ (69,569,759)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts consist of:		
Capital outlays	$ 12,139,550	
Depreciation expense	(15,828,594)	
		(3,689,044)
The incurrence of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. For the current year, these amounts consist of:		
Repayment of bonds	4,960,000	
Amortization of bond premiums	6,320	
Amortization of deferred amount on refunding	(309,727)	
		4,656,593
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. For the current year, these activities consist of:		
Change in accrued interest payable	95,625	
Change in due to component units	1,011,199	
Change in landfill closure and postclosure care costs	(8,962,382)	
Change in compensated absences payable	(128,568)	
Net pension activity	27,719,632	
		19,735,506
Change in net position of governmental activities		$ (48,866,704)

See accompanying notes to financial statements.

Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2019

	Pension (and Other Employee Benefit) Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	$ 3,914,606	$ 1,769,302
Receivables, net:		
Notes	1,911,385	-
Agency	794,900	-
Other	7,951	-
	2,714,236	-
Defined contribution plan investments	41,043,713	-
Foreclosed real estate	209,095	-
Restricted assets	-	2,022,536
Total assets	47,881,650	$ 3,791,838
Liabilities and Fiduciary Net Position		
Accounts payable and accrued expenses	217,758	-
Deposits payable	-	3,791,838
Due to primary government	2,523,810	-
Total liabilities	2,741,568	$ 3,791,838
Fiduciary net position:		
Held in trust for pension benefits	$ 45,140,082	

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2019

	Pension (and Other Employee Benefit) Trust Fund
Additions:	
Employee contributions	$ 7,733,459
Employer contributions	2,900,940
	10,634,399
Investment income:	
Net change in the fair value of investments	1,054,635
Interest and dividend income	233,648
Total investment income	1,288,283
Less management and custodial fees	(351,334)
Net investment income	936,949
Interest and fees on loans	160,356
Transfers and rollovers	50,065
Other	14,631
Total additions	11,796,400
Deductions:	
Benefits and refund payments:	
Withdrawal and refunds	7,140,655
Retirement benefits	256,522
Forfeitures	128,291
Health and life insurance premiums	62,692
Survivor benefits	6,000
Total benefits and refund payments	7,594,160
Administrative expenses:	
Salaries and wages	79,038
Employee benefits	6,730
Professional fees	60,000
Total administrative expenses	145,768
Total deductions	7,739,928
Change in net position held in trust for employees' pension benefits	4,056,472
Fiduciary net position held in trust:	
Beginning of year	41,083,610
End of year	$ 45,140,082

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Net Position
Component Units
September 30, 2019

	Commonwealth Ports Authority	Commonwealth Development Authority	Marianas Public Land Trust	Northern Marianas College	Public School System	Marianas Visitors Authority	Total
ASSETS AND DEFERRED OUTFLOWS							
Current assets:							
Cash and cash equivalents	$ 33,351,620	$ 4,383,948	$ 1,792,951	$ 7,523,114	$ 1,156,340	$ 5,509,869	$ 53,717,842
Time certificates of deposit	-	11,000,000	-	698,914	-	-	11,698,914
Receivables, net:							
Loans	-	2,247,849	-	-	-	-	2,247,849
Notes	-	-	2,251,296	-	-	-	2,251,296
Federal agencies	2,802,737	-	-	1,803,285	2,340,787	-	6,946,809
General	2,925,836	-	-	913,724	-	-	3,839,560
Interest and dividends	-	44,450	307,434	-	-	-	351,884
Dividend	-	1,440,000	-	-	-	-	1,440,000
Other	10,292	1,588,181	101,891	-	946,889	3,628	2,650,881
Due from primary government	-	-	-	3,093,652	4,949,038	6,149,517	14,192,207
Inventories	-	-	-	508,374	-	-	508,374
Other assets	728,149	40,495	7,514	4,216	-	2,391	782,765
Restricted assets:							
Cash and cash equivalents	-	10,946,995	-	-	-	-	10,946,995
Time certificates of deposit	-	10,500,000	-	-	-	-	10,500,000
Investments	54,843,349	-	-	-	-	-	54,843,349
Total current assets	94,661,983	42,191,918	4,461,086	14,545,279	9,393,054	11,665,405	176,918,725
Noncurrent assets:							
Investments	-	-	88,548,960	9,112,961	-	-	97,661,921
Receivables:							
Loans, net	-	9,859,561	-	-	-	-	9,859,561
Notes, net	-	1,848,782	11,956,684	-	-	-	13,805,466
Nondepreciable capital assets	52,938,082	8,832,019	153,000	1,113,376	36,647,850	-	99,684,327
Depreciable capital assets, net of accumulated depreciation	133,164,819	1,235,094	118,874	2,949,785	39,229,160	127,009	176,824,741
Foreclosed real estate	-	1,995,141	-	-	-	-	1,995,141
Total noncurrent assets	186,102,901	23,770,597	100,777,518	13,176,122	75,877,010	127,009	399,831,157
Deferred outflows from cost of refunding debt	527,114	-	-	-	-	-	527,114
Total assets and deferred outflows	281,291,998	65,962,515	105,238,604	27,721,401	85,270,064	11,792,414	577,276,996
LIABILITIES AND DEFERRED INFLOWS							
Current liabilities:							
Current portion of bonds payable	2,565,000	-	-	-	-	-	2,565,000
Accounts payable	8,022,160	6,921,259	34,882	994,171	7,465,226	2,038,487	25,476,185
Current portion of compensated absences	290,313	-	-	385,038	1,083,132	16,063	1,774,546
Due to primary government	2,350,003	-	-	-	-	-	2,350,003
Other liabilities and accruals	772,315	2,175,532	106,459	279,566	-	1,029,217	4,363,089
Unearned revenues	21,971,335	20,378	-	1,679,011	-	-	23,670,724
Total current liabilities	35,971,126	9,117,169	141,341	3,337,786	8,548,358	3,083,767	60,199,547
Noncurrent liabilities:							
Bonds payable, net of current portion	28,688,306	-	-	-	-	-	28,688,306
Compensated absences, net of current portion	384,714	-	-	207,328	2,700,970	102,581	3,395,593
Unearned revenues, net of current portion	3,642,992	1,008,549	-	-	-	-	4,651,541
Total noncurrent liabilities	32,716,012	1,008,549	-	207,328	2,700,970	102,581	36,735,440
Deferred inflows of resources	-	-	-	441,448	1,259,217	7,800	1,708,465
Total liabilities and deferred inflows of resources	68,687,138	10,125,718	141,341	3,986,562	12,508,545	3,194,148	98,643,452
NET POSITION							
Net investment in capital assets	155,376,709	10,067,113	271,874	4,063,161	75,877,010	127,009	245,782,876
Restricted	54,843,349	45,769,684	104,825,389	9,112,961	2,321,370	8,471,257	225,344,010
Unrestricted	2,384,802	-	-	10,558,717	(5,436,861)	-	7,506,658
Total net position	$ 212,604,860	$ 55,836,797	$105,097,263	$ 23,734,839	$ 72,761,519	$ 8,598,266	$ 478,633,544

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Revenues, Expenses, and Changes in Net Position
Components Units
Year Ended September 30, 2019

	Commonwealth Ports Authority	Commonwealth Development Authority	Marianas Public Land Trust	Northern Marianas College	Public School System	Marianas Visitors Authority	Total
Expenses	$ 34,191,285	$ 8,853,013	$ 3,591,810	$ 16,396,696	$ 91,320,226	$ 11,260,713	$ 165,613,743
Program revenues:							
Charges for services	40,507,774	-	5,990,526	1,580,677	826,642	131,157	49,036,776
Operating grants and contributions	180,060	8,972,170	-	9,369,866	43,496,287	204,701	62,223,084
Capital grants and contributions	8,867,926	-	-	-	-	-	8,867,926
Total program revenues	49,555,760	8,972,170	5,990,526	10,950,543	44,322,929	335,858	120,127,786
Net program revenues (expenses)	15,364,475	119,157	2,398,716	(5,446,153)	(46,997,297)	(10,924,855)	(45,485,957)
General revenues:							
Contributions from the primary government	-	-	-	6,057,595	40,940,631	11,949,481	58,947,707
Dividend income	-	900,000	-	-	-	-	900,000
Unrestricted investment earnings	580,980	7,093	-	208,339	-	-	796,412
Other revenues	-	120,621	-	-	261,126	34,653	416,400
Total general revenues	580,980	1,027,714	-	6,265,934	41,201,757	11,984,134	61,060,519
Change in net position	15,945,455	1,146,871	2,398,716	819,781	(5,795,540)	1,059,279	15,574,562
Net position at beginning of year, as previously reported	193,210,958	45,813,102	102,698,547	22,915,058	78,557,059	7,538,987	450,733,711
Prior period adjustment (note 19)	3,448,447	8,876,824	-	-	-	-	12,325,271
Net position - beginning, as restated	196,659,405	54,689,926	102,698,547	22,915,058	78,557,059	7,538,987	463,058,982
Net position - ending	$ 212,604,860	$ 55,836,797	$105,097,263	$ 23,734,839	$ 72,761,519	$ 8,598,266	$ 478,633,544

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The accompanying basic 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). 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 elected by eligible voters; 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, 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 basic financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the CNMI, as the primary government, has appointed a voting majority of an organization's governing body and either has the ability to impose its will on that organization or there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the CNMI. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

Each component unit of the CNMI has a September 30 year end.

Component units are entities that are legally separate organizations for which the CNMI's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with the CNMI are such that exclusion would cause the CNMI's basic financial statements to be misleading or incomplete. The CNMI is financially accountable because it appoints the members of the governing authorities of each of the component units and because it is able to impose its will on these organizations or because the organizations provide specific financial benefits or impose specific financial burdens on the CNMI.

The financial statements of the component units have been included in the financial reporting entity as discretely presented component units in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and 34*. The component units' column of the basic financial statements includes the financial data of the following discretely presented component units:

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

- The Commonwealth Ports Authority (CPA) is responsible for the operations, maintenance and improvement of all airports and seaports within the CNMI. CPA is governed by a seven-member Board of Directors appointed by the Governor. The CNMI has the ability to impose its will on CPA.

- 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 seven-member Board of Directors appointed by the Governor. The CNMI has the ability to impose its will on CDA.

- The Marianas Public Land Trust (MPLT) manages all monies received by it from the CNMI Department of Public Lands (DPL) 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. The CNMI has the ability to impose its will on MPLT.

- The Northern Marianas College (NMC) serves as the state 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. The CNMI provides financial support to NMC through legislative appropriations.

- The Public School System (PSS) is the state educational agency responsible for pre-school, elementary and secondary education programs in the CNMI. PSS is governed by a five-member Board of Education elected at-large. The CNMI provides financial support to PSS through legislative appropriations.

- The Marianas Visitors Authority (MVA) is responsible for the promotion and development of the tourism industry in the CNMI. MVA is governed by a nine-member Board of Directors, five of which are appointed by the Governor with the remaining four chosen by the members of MVA. The CNMI provides financial support to MVA through legislative appropriations.

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

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

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

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

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

Northern Marianas College
P.O. Box 501250
Saipan, MP 96950-1250

Public School System
P.O. Box 501370
Saipan, MP 96950-1370

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

In addition, the fiduciary component units are subject to legislative and executive controls. These component units, while meeting the definition of a component unit and while legally separate, are presented in the fund financial statements of the CNMI. They have been omitted from the government-wide financial statements as their resources are not available to fund operations of the CNMI. The fiduciary component units are as follows:

- The Northern Mariana Islands Retirement Fund (NMIRF), a Fiduciary Fund Type - Pension (and Other Employee Benefit) Trust Fund, 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 was governed by a seven-member Board of Trustees who appointed an Administrator who administered NMIRF in a manner that furthered its purposes. The Board of Trustees has not been renewed by the Governor as a result of Civil Case No. 09-00023 and NMIRF is administered by the CNMI Secretary of Finance who serves as the Acting Administrator.

- The Defined Contribution Plan (DCP) was created by Public Law 15-13 to provide an individual account retirement system for any person employed by the CNMI or its autonomous agencies. Participating employers include the CNMI, NMIRF, CGECU, CDA, CHCC, CPA, CUC, MPLT, MVA, NMC, NMHC and PSS. The NMIRF Acting Administrator is responsible for the general administration and operation of DCP. DCP, by its nature, is fully funded on a current basis from employer and member contributions. DCP is a voluntary multi-employer pension plan and is the single retirement program for all new employees whose employment commenced on or after January 1, 2007.

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

Northern Mariana Islands Retirement Fund
P.O. Box 5234 CHRB
Saipan, MP 96950

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Omitted Component Units

The CNMI has omitted the Commonwealth Utilities Corporation (CUC) from the basic financial statements due to the lack of available financial information. CUC is responsible for supervising the construction, maintenance, operations, and regulation of electric, water and sewage services, provided however, that whenever feasible, CUC shall contract with private businesses to assume its duties with respect to one or more of these divisions. CUC was also designated the responsibility to establish rates, meter, bill and collect fees in a fair and rational manner from all customers of utility services in order for CUC to become financially independent of appropriations by the CNMI Legislature. CUC is governed by a board of directors appointed for terms of four years by the Governor of the CNMI with the advice and consent of the Senate. The CNMI has the ability to impose its will on CUC.

The CNMI has omitted the Commonwealth Healthcare Corporation (CHCC) from the basic financial statements due to the lack of available financial information. CHCC is responsible for providing healthcare services in the CNMI. CHCC is governed by a Chief Executive Officer (CEO) who governs the operations of CHCC in a manner that furthers its purposes. A seven-member Board of Trustees, three of which are ex officio voting members consisting of the CEO, the Director of Medical Affairs and a U.S. citizen selected from CHCC’s non-physician healthcare professionals and the remaining four appointed by the Governor with the advice and consent of the Senate, acts in an advisory role to the CEO. The CNMI provides financial support to CHCC through legislative appropriations.

The omission of the above component units is considered material to the discretely presented component units’ reporting column.

The CNMI has omitted the Northern Mariana Islands Settlement Fund (NMISF) from the basic financial statements due to the lack of available financial information. NMISF exists to accept the transfer of NMIRF assets, receive annual contributions and payments from the CNMI and to carry out the consent judgment entered by the United States District Court for the Northern Mariana Islands (District Court) for Civil Case No. 09-000023. NMISF is governed by a Trustee appointed by the District Court. The omission of this component unit is considered material to the aggregate remaining fund information.

The CNMI has omitted the Commonwealth Government Employees Credit Union (CGECU) from the basic financial statements due to the lack of available financial information. 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. The financial activities of this omitted component unit are not considered material to the basic financial statements.

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Program and Other Revenue Recognition

Program revenue is defined by the CNMI to be revenue from fees and assessments collected by departments that are applicable to that department's operations. General revenue is derived from taxation, investment income and other fees that are not allocated to specific programs. All other revenues and expenses are reported as nonoperating.

B. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from these statements except for other changes between the primary government and the discretely presented component units. Elimination of these changes would distort the direct costs and program revenues reported for the various functions concerned. Primary government activities are all governmental in nature. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Discretely presented component unit activities are presented with their business-type focus.

The Statement of Net Position presents all of the reporting entity's non-fiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

- *Restricted net position* results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

- *Unrestricted net position* consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider it to be available for general operations.

The government-wide Statement of Net Position reports $5,232,755 of restricted net position, of which $4,127 is restricted by enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are, instead, reported as general revenue.

(1) Summary of Significant Accounting Policies, Continued

C. Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for its major and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with nonmajor governmental funds being combined into a single column.

The CNMI reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenue is derived from taxation, investment income and other fees that are not allocated to specific programs.

Governmental Funds Financial Statements:

Governmental funds financial statements account for the general governmental activities of the CNMI and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CNMI considers revenues to be available if they are collected within ninety days of the end of the current fiscal period. Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenue when available and entitlement occurs, which is generally within twelve months of the current fiscal period.

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

Governmental Funds Financial Statements, Continued:

Significant revenues susceptible to accrual include income, gross receipts, corporation and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Therefore, tax related receivables are essentially reserved for or have been historically deferred. Miscellaneous revenues from other financing sources are recognized when received because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fiduciary Funds and Component Units Financial Statements:

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments,* as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus,* sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses for either fund category or the governmental and enterprise combined) for the determination of major funds. The CNMI has elected to add an additional major fund that is of specific public interest, namely the Saipan Amusement Fund.

Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining statements. The CNMI reports the following major funds:

- General Fund. This fund is the primary operating fund of the CNMI. It is used to account for all governmental transactions, except those required to be accounted for in another fund.

- Grants Assistance Fund, a Governmental Fund Type - Capital Projects Fund/Special Revenue Fund. This fund accounts for all financial transactions related to grants received from various U.S. departments. This fund combines the DOI Capital Projects Fund, a Governmental Fund Type - Capital Projects Fund and Federal Grants Fund, a Governmental Fund Type - Special Revenue Fund and is detailed in the combining statements.

- Saipan Amusement Fund, a Governmental Fund Type - Special Revenue Fund. This fund accounts for all financial transactions related to casino licensing and nonrefundable application fees.

- DPL, a Governmental Fund Type - Special Revenue Fund. This fund accounts for all financial transactions related to those lands defined as public lands.

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

For all discretely presented component units, the CNMI utilizes the flow of economic resources measurement focus. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

E. Concentrations of Credit Risk

Financial instruments, which potentially subject the CNMI to concentrations of credit risk, consist principally of cash demand deposits and investments.

At September 30, 2019, the CNMI has cash deposits and investments in bank accounts that exceed federal depository insurance limits. The CNMI has not experienced any losses on such accounts.

F. 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 in U.S. Treasury obligations with a maturity date within three months of the date acquired by the CNMI. Time certificates of deposit with original maturity dates greater than ninety days are separately classified on the statement of net position/balance sheet.

G. Receivables

In general, tax revenue is recognized in the government-wide financial statements, when assessed or levied. Tax revenue is recognized in the governmental funds financial statements to the extent that it is both measurable and available. 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".

H. Interfund/Intrafund Transactions

As a general rule, the effect of interfund activity has been eliminated in the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

(1) Summary of Significant Accounting Policies, Continued

I. Interfund Receivables and 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 governmental funds 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" in the governmental funds balance sheet and statement of net position. Interfund receivables and payables have been eliminated from the statement of net position.

J. Advances

Advances include amounts paid in advance to vendors. In the governmental funds balance sheet, 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.

K. Inventories

Inventories are stated at the lower of cost or market using the first-in/first-out (FIFO) method.

Food stamp balances held at year end are recorded as inventories based on face value. Inventories reported in the Grants Assistance Fund of $571,956 are offset by unearned revenues.

L. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the governmental activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

All land, non-depreciable land improvements are capitalized, regardless of cost. Singular pieces of machinery and equipment, other than vehicles, that equal or exceed $50,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds $100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

All vehicles have been grouped together regardless of cost and depreciated on a composite basis.

Management has elected to present only assets acquired subsequent to 1990, except for roads. Accordingly, fixed asset records consist of additions commencing in fiscal year 1990.

(1) Summary of Significant Accounting Policies, Continued

L. Capital Assets and Depreciation, Continued

Applicable capital assets are depreciated using the straight-line method with a full year's depreciation charged in the year of acquisition and disposal, regardless of date. Estimated useful lives are as follows:

	Estimated Useful Life
Buildings and other improvements	10 - 50 years
Infrastructure	20 years
Machinery and equipment	5 - 25 years

M. Fund Equity/Net Position

The CNMI reports net position as restricted where legally segregated for a specific future use by enabling legislation in accordance with GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. Otherwise, these balances are considered unrestricted.

Net position has been restricted as follows:

"Restricted for capital projects" - identifies amounts held for Capital Projects.

"Restricted for retirement of indebtedness" - identifies amounts held to fund future debt service obligations.

"Restricted for federal programs and projects" - identifies amounts held for various externally imposed restrictions by federal grantor agencies.

"Restricted for other purposes" - identifies amounts held for various externally imposed restrictions either by creditors, grantors or laws and regulations of other governments. It also includes various restrictions put forth by the CNMI enabling statutes.

Fund balance classifications are based on the extent to which the CNMI is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the CNMI Legislature, the CNMI's highest level of decision making authority, and does not lapse at year-end. Formal action of the CNMI Legislature is required to remove the limitations of committed fund balances.

(1) Summary of Significant Accounting Policies, Continued

M. Fund Equity/Net Position, Continued

- Unassigned - includes negative fund balances in other governmental funds.

The CNMI has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the CNMI is to use committed resources first, followed by unassigned. The use of restricted resources may be deferred based on a review of the specific transaction. A formal minimum fund balance policy has not been adopted.

N. Long-Term Obligations

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, 2019.

O. 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. Compensated absences are recorded as a long-term liability in the statement of net position with amounts to be paid during the next fiscal year reported as current. The liability as of September 30, 2019, is $9,247,226.

Annual leave accumulates at the rate of thirteen working days for each year of service for up to three years of service, nineteen and a half working days for each year of service for three to six years of service, and twenty-six working days for each year of service for more than six years of service. Accrued annual leave is limited to forty-five working days, with any amounts over forty-five days transferred to sick leave.

P. Unearned Revenues

In the government-wide financial statements, unearned revenue is recognized when cash is received prior to being earned and relates to prepaid lease income and other prepayments remitted to DPL and other funds of $1,354,346 and $100,066, respectively, and grant monies for food stamp balances held at year end of $571,956, which refers to revenues of the subsequent fiscal year.

(1) Summary of Significant Accounting Policies, Continued

Q. Casino License and Application Fees

Public Law 18-38, as amended by Public Law 18-43 and Public Law 18-56 was enacted to authorize, establish and regulate an exclusive gaming license within the CNMI. Public laws allow the Commonwealth Casino Commission (the Commission) to impose a one-time nonrefundable casino license application fee of $1,000,000 for each applicant and impose an annual casino license fee of $15,000,000.

Funds collected from licensing must be deposited in the CNMI Treasury and allocated to pay for the 25% reduction of the retirees and the beneficiaries' pension and to pay interest to active members who terminated their membership from the defined benefit plan under Public Law 17-82, as amended by Public Law 18-02. The nonrefundable casino license application fees must be deposited in a Special Fund and be expended by the Commission, without appropriation for the investigation of license applicants pursuant to 1 CMC §2318 and any other costs associated with reviewing the applications and granting or denying applications for the exclusive license.

On August 12, 2014, a casino license agreement between the Commission and Imperial Pacific International (CNMI), LLC (the Licensee) was approved. The casino license agreement is valid for a consecutive period of twenty-five years with an option to extend the initial license term for an additional consecutive period of fifteen years. The annual casino license fee is $15,000,000 and must be paid every year to the CNMI Treasurer on the date of the issuance of the license and on every subsequent anniversary.

R. Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of bond premiums and discounts. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received and discounts deducted on debt issuance are reported as other financing sources and other financing uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

S. Deferred Outflows/Inflows of Resources

The statement of net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (deduction of net position) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (additions to net position) until then.

(1) Summary of Significant Accounting Policies, Continued

T. 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.

During the calendar year, the CNMI collects individual and corporate income taxes through withholdings and payments from taxpayers. At September 30, the CNMI estimates the amount owed to taxpayers for overpayments and rebates. These estimated amounts and the actual tax rebates claimed for prior years but not paid at year end are recorded as tax rebates payable with a corresponding reduction of tax revenue in the General Fund. The estimated tax rebate liability is evaluated on a regular basis by the CNMI and is based upon the CNMI's periodic review of tax returns in light of historical experience and the nature and volume of tax returns submitted. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Accordingly, changes to estimates are accounted for on a prospective basis.

U. 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.

V. GASB Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* which aligns the reporting requirements for pension and pension plans not covered in GASB 67 and 68 with the reporting requirements in Statement 68. As discussed in note 18 to the financial statements, the CNMI agrees to make minimum annual payments to NMISF to allow for the payment of 75% of Class Members' full benefits annually during NMISF's expected life as part of the Settlement Agreement. In addition, while the benefit is not guaranteed and legislation may change the source of the funds, payment of 25% of the class members full benefits has historically been paid consistently, which appears to be substantively automatic. Management acknowledges the requirement to recognize within the government-wide financial statements a liability associated with the 25% payment of the class members full benefits. However, the CNMI did not record the effects of GASB 73 as of and for the year ended September 30, 2019 as the amounts are not available.

(1) Summary of Significant Accounting Policies, Continued

W. New Accounting Standards

During the year ended September 30, 2019, the CNMI implemented the following pronouncements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of* GASB *Statement No. 68,* which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits through plans that are administered through trusts. The implementation of these statements has no impact on the CNMI's governmental funds financial statements, which continue to report expenditures in the amount required. However, implementation has resulted in the restatement of the CNMI's fiscal year 2018 government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68.

	As Previously Reported	Adjustment	As Restated
As of September 30, 2018:			
Deferred outflows of resources from pension	$ -	$ 78,953,755	$ 78,953,755
Deferred inflows of resources from pension	$ -	$ (1,299,978)	$ (1,299,978)
Net pension liability	$ -	$ (574,761,225)	$ (574,761,225)
Obligations under Settlement Agreement	$ (92,749,160)	$ 92,749,160	$ -
Net position	$ (51,456,284)	$ (404,358,288)	$ (455,814,572)

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on the CNMI's financial statements, except for GASB Statement No. 88, which resulted in additional disclosures (see note 11).

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(1) Summary of Significant Accounting Policies, Continued

W. New Accounting Standards, Continued

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

(1) Summary of Significant Accounting Policies, Continued

X. Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results may differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of tax rebates payable.

In determining tax rebates payable, the CNMI makes various estimates. In conjunction with these estimates, the CNMI has established a permanent tax rebate reserve of $1,500,000 to offset potential estimated disputes or claims.

Y. Encumbrances

The CNMI utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2019, the CNMI has significant encumbrances summarized as follows:

General	Grants Assistance	Saipan Amusement	DPL	Other Governmental Funds	Total
$ 24,122,092	$ 9,911,517	$ 1,275,895	$ -	$ 7,475,586	$ 42,785,090

Z. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the CNMI's financial statements for the year ended September 30, 2018 from which summarized information was derived.

(2) Deposits and Investments

Deposit and Investment Policy

The CNMI has no formal deposit and investment policy other than the requirements stipulated in applicable bond indentures.

Cash and Cash Equivalents and Time Certificates of Deposit

Custodial credit risk is the risk that in the event of a bank failure, the CNMI's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The CNMI does not have a deposit policy for custodial credit risk.

(2) Deposits and Investments, Continued

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

As of September 30, 2019, the carrying amount of the primary government's total unrestricted cash and cash equivalents and time certificates of deposit were $27,695,131 and the corresponding bank balances were $32,622,263, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance.

Restricted cash and cash equivalents for the primary government represent amounts held and administered by the CNMI in accordance with legal mandates and certain capital projects. Restricted cash and cash equivalents at September 30, 2019 amounted to $18,929,315 and the corresponding bank balances were $21,749,819. Of the bank balance amounts, $21,742,841 is maintained in financial institutions subject to FDIC insurance. The remaining amount of $6,978 represents short-term investments held and administered by the CNMI's trustees in accordance with various trust agreements and bond indentures. Based on negotiated trust and custody contracts, all of the investments were held in the CNMI's name by the CNMI's custodial financial institutions at September 30, 2019. As of September 30, 2019, bank deposits in the amount of $750,000 were FDIC insured. Public Law No. 12-61, the Government Deposit Safety Act of 1994, as amended, governs the general deposit policies of the CNMI and 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, 2019, is presently not determinable. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2019, the carrying amount of the fiduciary fund's total cash and cash equivalents was $5,683,908 and the corresponding bank balances were $5,709,344, which are maintained in financial institutions subject to FDIC insurance. As of September 30, 2019, bank deposits in the amount of $250,000 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. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2019, the carrying amount of the discretely presented component units' restricted and unrestricted cash and cash equivalents and time certificates of deposit were $86,863,751 and the corresponding bank balances were $91,183,140. Of the bank balance amounts, $89,633,805 is maintained in financial institutions subject to FDIC insurance and $100,907 represents amounts maintained in a non-FDIC insured bank. The remaining amount of $1,448,428 represents amount held and administered by the discretely presented components units' investment manager subject to Securities Investor Protection Corporation (SIPC) insurance up to $250,000 with coverage in excess of SIPC provided by a supplemental insurance policy through certain underwriters with a per client aggregate limit of $1.9 million. As of September 30, 2019, bank deposits in the amount of $7,827,429 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. Accordingly, these deposits are exposed to custodial credit risk.

(2) Deposits and Investments, Continued

Investments

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

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 CNMI.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the CNMI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The CNMI's investments are held and administered by trustees in accordance with various bond indentures for the purpose of funding various capital projects, land settlement claims and future debt service requirements. Based on negotiated trust and custody contracts, all of these investments were held in the CNMI's name by the CNMI's custodial financial institutions at September 30, 2019.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The CNMI does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value Measurement of 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 (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

The CNMI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement. Investments not categorized under the fair value hierarchy are shown at either Net Asset Value (NAV) or amortized cost.

A. Primary Government

Investments held by a bank administered trust company as of September 30, 2019, are as follows:

(2) Deposits and Investments, Continued

Investments, Continued

Fair Value Measurement of Investments, Continued:

A. Primary Government, Continued

Stock mutual fund	$ 1,087,807
Mutual bond funds	411,600
Money market placements	66,035
	$ 1,565,442

Stock mutual funds are categorized as Level 1, mutual bond funds are measured at net asset value (NAV) and money market placements are recorded at amortized cost.

The following is a listing of fixed income securities of Other Governmental Funds at September 30, 2019:

		Investment Maturities (In Years)				
Investment Type	NAV	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Mutual bond funds	$ 411,600	$ 411,600	$ -	$ -	$ -	N/A

B. Fiduciary Funds

Contributions to the defined contribution plan are invested under the authority of the plan members. In investing these contributions, NMIRF employs the services of a professional investment company to assist in the investment program. The investment company provides plan members with investment options to make investment decisions. The contributions are usually invested in stocks, bonds, and real estate traded in recognized stock markets. Investments at September 30, 2019 consist of the following:

Mutual funds	$ 39,240,705
Loans	1,803,008
	$ 41,043,713

Investments not categorized under the fair value hierarchy are shown at either NAV or amortized cost. The following table sets forth by fair value hierarchy level assets carried at fair value at September 30, 2019:

		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
Core funds	$ 3,439,780	$ 3,439,780	$ -	$ -
Total investments by fair value level	3,439,780	$ 3,439,780	$ -	$ -
Investments measured at NAV:				
ASC Direct Retirement Trust	35,800,925			
Investments measured at amortized cost:				
Loans	1,803,008			
	$ 41,043,713			

(2) Deposits and Investments, Continued

Investments, Continued

Fair Value Measurement of Investments, Continued:

C. Discretely Presented Component Units

CPA:

CPA's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on those agreements, all of those deposits were held in CPA's name by CPA's custodial financial institutions at September 30, 2019. As of September 30, 2019, investments at fair value consist of investments in U.S. Government money market placements and mutual funds amounting to $54,843,349. All CPA investments are categorized as Level 1.

CDA:

A Memorandum of Agreement (MOA) was established between CDA and CUC on November 21, 2002, as amended in January 2004, to waive a portion of the capital development loans receivable and to provide for the conversion into equity ownership of the balance. Public Laws 13-35, 13-36 and 16-17 were enacted to effectuate the settlement of disputes between CDA and CUC as required by the MOA.

On May 7, 2009, CUC and CDA, entered into a Preferred Stock Agreement (the Agreement) to effectuate the terms and conditions of the MOA by requiring CUC to issue shares of cumulative, non-convertible and non-transferrable preferred stock of $45,000,000 to CDA and yielding annual dividends of two percent. The Commonwealth Public Utilities Commission approved the Agreement on September 3, 2009. The Agreement provides CUC the right to purchase from CDA up to $16,200,000 of the $45,000,000 preferred stock through offset against CUC's future, internally-funded capital improvement projects. Subject to CUC purchase exception, CDA shall not transfer any of its rights, title or interest to such preferred stock.

Further, the Agreement provides for deferral of the dividend payments for the first three years after issuance, with such deferred dividend payments being amortized, interest free, over a fifteen-year period. Dividends were to be paid to CDA beginning October 1, 2012 but were not received. The Agreement cancels and discharges the indebtedness of CUC to CDA of $61,568,750 in principal and $138,670,797 in accrued interest, including related late charges and any other charges owed by CUC on the capital development loans.

CUC issued to CDA forty-five shares of preferred stock with a par value of $1,000,000 per share for a total aggregate value of $45,000,000 dated September 28, 2009. The preferred stock yields guaranteed dividends at two percent per annum payable quarterly in advance. The dividends of the preferred stock are cumulative from and after October 1, 2009 and bear no interest. CDA has taken the position that the value of the preferred stock represents the net present value of the future stream of dividend payments required by CUC and not the face value of the stock itself. At September 30, 2019, CDA has recorded an investment of $11,309,651, with a corresponding 100% valuation allowance, based on the discounted cash flows of the future dividend payments at 6.27% per annum.

(2) Deposits and Investments, Continued

Investments, Continued

Fair Value Measurement of Investments, Continued:

C. Discretely Presented Component Units, Continued

CDA, Continued:

Minimum receipts (which do not factor in CUC's right to purchase up to $16,200,000 of preferred stock through offset against CUC's future, internally-funded capital improvement projects) under the original agreement are as follows:

Year ending September 30,	Principal Amount	Interest	Total
2013	$ 875,589	$ 204,411	$ 1,080,000
2014	822,775	257,225	1,080,000
2015	773,147	306,853	1,080,000
2016	726,512	353,488	1,080,000
2017	682,691	397,309	1,080,000
2018 - 2022	2,843,258	2,556,742	5,400,000
2023 - 2027	2,083,152	3,316,848	5,400,000
2028 - 2032	1,271,875	3,228,125	4,500,000
2033 - 2037	931,857	3,568,143	4,500,000
2038 - 2039	298,795	1,501,205	1,800,000
	$ 11,309,651	$ 15,690,349	$ 27,000,000

On August 17, 2016, CDA entered into an agreement with CUC for the total amount of unpaid dividend payments owed by CUC to CDA and agreed to a dividend of $4,320,000 for the year ended September 30, 2016. The agreement states that CUC will make quarterly dividend payments beginning October 1, 2016, as required by the preferred stock agreement, with a payment to CDA of $270,000 which represents the full amount of the quarterly dividend due. In 2015, CDA has determined that, prospectively, dividend income will be recognized upon collection; however, changes in circumstances in CUC's cash flows resulted in collections of dividends receivable as of September 30, 2019. At September 30, 2019, CDA recorded dividends receivable of $1,440,000 for deferred dividends earned for the first three years after issuance of the preferred stock, which is being amortized over a fifteen-year period.

MPLT:

MPLT's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments are held in MPLT's name by MPLT's custodial financial institutions at September 30, 2019.

As of September 30, 2019, investments at fair value are as follows:

(2) Deposits and Investments, Continued

Investments, Continued

Fair Value Measurement of Investments, Continued:

C. Discretely Presented Component Units, Continued

MPLT, Continued:

		Fair Value Measurement Using		
Investments by fair value level	Total	Level 1	Level 2	Level 3
Debt securities:				
Mortgaged and asset backed securities	$ 4,888,734	$ -	$ 4,888,734	$ -
Government bonds	5,513,417	5,513,417	-	-
Corporate bonds	21,885,871	-	21,885,871	-
Total debt securities	32,288,022	5,513,417	26,774,605	-
Equity securities:				
Domestic common stock	24,483,308	24,483,308	-	-
International common stock	4,610,454	4,610,454	-	-
Master limited partnerships	6,512,455	6,512,455	-	-
Real estate investment trusts	11,782,809	11,782,809	-	-
Total equity securities	47,389,026	47,389,026	-	-
Total investments by fair value level	79,677,048	$ 52,902,443	$ 26,774,605	$ -
Investments measured at net asset value (NAV):				
Mutual funds	8,871,912			
	$ 88,548,960			

The following is a listing of MPLT's fixed income securities at September 30, 2019:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Mortgage and asset backed securities	$ 4,888,734	$ 74,938	$ 3,521,633	$ -	$ 1,292,163	AA+
Government bonds	5,513,417	-	-	-	5,513,417	AA+
Corporate bonds	90,602	90,602	-	-	-	A+
Corporate bonds	2,980,214	-	2,980,214	-	-	A
Corporate bonds	6,634,491	-	6,634,491	-	-	A-
Corporate bonds	2,709,822	-	2,709,822	-	-	A+
Corporate bonds	742,086	-	742,086	-	-	AA+
Corporate bonds	2,610,099	-	2,610,099	-	-	BBB+
Corporate bonds	383,712	-	-	383,712	-	A-
Corporate bonds	673,979	-	-	673,979	-	BBB+
Corporate bonds	456,347	93,405	362,942	-	-	B-
Corporate bonds	768,970	-	768,970	-	-	B
Corporate bonds	438,768	-	438,768	-	-	B+
Corporate bonds	445,221	-	359,651	85,570	-	BB
Corporate bonds	1,111,328	-	619,863	491,465	-	BB-
Corporate bonds	660,090	-	368,879	291,211	-	BB+
Corporate bonds	82,003	-	82,003	-	-	CCC+
Corporate bonds	186,966	-	-	186,966	-	B
Corporate bonds	544,225	-	-	544,225	-	B-
Corporate bonds	366,948	-	-	366,948	-	B+
	$ 32,288,022	$ 258,945	$ 22,199,421	$ 3,024,076	$ 6,805,580	

NMC:

NMC's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments were held in NMC's name by NMC's custodial financial institutions at September 30, 2019.

(2) Deposits and Investments, Continued

Investments, Continued

Fair Value Measurement of Investments, Continued:

C. Discretely Presented Component Units, Continued

NMC, Continued:

As of September 30, 2019, investments at fair value are as follows:

		Fair Value Measurement Using		
Investments by fair value level:		Level 1	Level 2	Level 3
Debt securities:				
Government sponsored enterprise	$ 531,383	$ -	$ 531,383	$ -
Real estate and tangibles	797,957	-	-	797,957
Cash and cash equivalents	527,669	-	-	527,669
Asset-backed, mortgage-backed, collateralized mortgage obligation	154,867	-	154,867	-
U.S. Treasury	763,264	-	763,264	-
Corporate bonds	1,901,802	-	1,901,802	-
Equity securities:				
Domestic equity	2,403,808	2,403,808	-	-
International equity	2,032,211	2,032,211	-	-
Total investments by fair value level	$ 9,112,961	$ 4,436,019	$ 3,351,316	$ 1,325,626

The following is a listing of NMC's fixed income securities at September 30, 2019:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Government and GSE bonds	$ 763,264	$ -	$ 105,593	$ 89,063	$ 568,608	AAA
Government and GSE bonds	531,383	-	531,383	-	-	AA+
Corporate bonds	90,118	90,118	-	-	-	AA
Corporate bonds	155,845	-	155,845	-	-	A+
Corporate bonds	524,664	-	322,458	183,075	19,131	A-
Corporate bonds	386,168	-	347,640	38,528	-	A
Corporate bonds	481,088	-	329,074	138,788	13,226	BBB+
Corporate bonds	56,490	-	18,026	38,464	-	BBB
Corporate bonds	362,296	-	-	11,634	350,662	No rating
	$ 3,351,316	$ 90,118	$ 1,810,019	$ 499,552	$ 951,627	

(3) Receivables and Tax Abatements

A. Receivables

Primary Government

Receivables as of September 30, 2019, for the primary government's individual major governmental funds and nonmajor governmental funds in the aggregate, including allowances for uncollectible accounts, are as follows:

	General	Grants Assistance	Saipan Amusement	DPL	Other Governmental Funds	Total
Receivables:						
Federal agencies	$ 6,875,038	$ 17,657,050	$ -	$ -	$ 5,089,834	$ 29,621,922
General	6,005,726	-	-	5,096,975	56	11,102,757
Taxes	7,395,606	-	-	-	-	7,395,606
Other	3,103,600	12,831	-	25,372	1,209,830	4,351,633
Gross receivables	23,379,970	17,669,881	-	5,122,347	6,299,720	52,471,918
Less allowance for uncollectibles	(4,965,112)	(8,287,733)	-	(4,110,381)	(4,805,272)	(22,168,498)
Net receivables	$ 18,414,858	$ 9,382,148	$ -	$ 1,011,966	$ 1,494,448	$ 30,303,420

(3) Receivables and Tax Abatements, Continued

A. Receivables, Continued

Primary Government, Continued

Receivables are primarily due from businesses and individuals residing in the CNMI. The allowance for uncollectibles primarily represents estimated uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

Fiduciary Funds

Receivables as of September 30, 2019, for the fiduciary funds, including allowances for uncollectible accounts, are as follows:

	NMIRF	Defined Contribution Plan	Total
Receivables:			
Notes	$ 2,527,039	$ -	$ 2,527,039
Agency	-	794,900	794,900
Other	7,951	-	7,951
Gross receivables	2,534,990	794,900	3,329,890
Less allowance for uncollectibles	(615,654)	-	(615,654)
Net receivables	$ 1,919,336	$ 794,900	$ 2,714,236

Notes receivable recorded by NMIRF consist of mortgage home loans from various individuals, with interest at 8.5% to 9.0% per annum and terms from fifteen to thirty years.

Discretely Presented Component Units

Receivables as of September 30, 2019, for the discretely presented component units, including allowances for uncollectible accounts are as follows:

	CPA	CDA	MPLT	NMC	PSS	MVA	Total
Receivables:							
Loans	$ -	$ 45,422,337	$ -	$ -	$ -	$ -	$ 45,422,337
Notes	-	-	16,530,038	-	-	-	16,530,038
Federal agencies	2,802,737	-	-	1,803,285	2,340,787	-	6,946,809
General	9,282,186	-	307,434	1,641,146	-	-	11,230,766
Interest and dividends	-	2,205,544	-	-	-	-	2,205,544
Other	10,292	3,436,963	101,891	-	1,059,627	3,628	4,612,401
Gross receivables	12,095,215	51,064,844	16,939,363	3,444,431	3,400,414	3,628	86,947,895
Less allowance for uncollectibles	(6,356,350)	(34,036,021)	(2,322,058)	(727,422)	(112,738)	-	(43,554,589)
Net receivables	$ 5,738,865	$ 17,028,823	$ 14,617,305	$ 2,717,009	$ 3,287,676	$ 3,628	$ 43,393,306

Loan and notes receivable recorded by the discretely presented component units consist of the following:

(3) Receivables and Tax Abatements, Continued

A. Receivables, Continued

Discretely Presented Component Units, Continued

CDA:

Economic development loans for commercial purposes due within various periods not to exceed thirty (30) years. The interest rates charged are based on the economic purpose of the loan. Production development loans bear interest at 7% to 9% per annum, marine and agriculture loans bear interest at 4.5% per annum, commercial development loans bear interest at 7% to 9% per annum, and microloans bear interest at 7% to 12% per annum. In October 2007, CDA initiated a "Debt Relief Program", which provides for reduction of interest to two percent and extension of term up to thirty years with a mandated three-year callable provision where warranted and justified.	$ 32,102,983
NMHC housing loans for the specific purpose of providing residents of the Northern Mariana Islands with approved low-cost housing. The loans have terms from ten to thirty-three years in duration at interest rates of 4.5% to 12% per annum.	13,319,354
	$ 45,422,337

MPLT:

Notes receivable (Home Loan Program) from various individuals obtained through a settlement agreement with NMHC dated December 31, 2007, interest at 2% per annum (5.5% to 8.5% prior to January 1, 2009) and terms from ten to thirty years.	$ 5,254,456
Note receivable from Adelantun Publickun Luta Enteramente, Incorporated (APLE 501, Inc.), interest at 5% per annum, due on October 18, 2017, with monthly principal and interest payments in the amount of $1,225, collateralized by a loan portfolio. Proceeds were used to fund an independently administered individual or parent-student loan program. MPLT has ceased future loan commitments and disbursements to APLE 501, Inc.	48,058
Note receivable from the CNMI Government, interest at 7.5% per annum, due on September 1, 2024.	8,848,237
Note receivable from CHCC, interest at 5% per annum, due on October 31, 2023. Collateralized by CHCC's real properties for operational and bridge capital pursuant to CNMI Public Law 17-76.	2,379,287
	$ 16,530,038

(3) Receivables and Tax Abatements, Continued

B. Tax Abatements

As of September 30, 2019, the CNMI provided tax abatements through the following program:

Qualifying Certificate (QC) Program

The QC Program was created under Public Law 12-32 and amended under Public Law 12-50 and Public Law 12-80 as an economic incentive tool to encourage investment in activities that would strengthen the island economy, enrich its growth, and enhance the quality of life in the CNMI. Qualified individuals and companies may be granted the following tax abatements:

- Up to 100% abatement of taxes of whatever nature, except taxes under NMTIT, paid or to be paid to the Government of the CNMI for a period of twenty-five (25) years;
- Up to 100% rebate of taxes of whatever nature, paid to the Government of the CNMI for a period of twenty-five (25) years.

During the year ended September 30, 2019, information relevant to the disclosure of the QC program includes total estimated gross receipts tax revenue reduced by $208,055.

(4) Interfund Receivables and Payables

Receivables and payables between funds reflected as due to/from other funds in the governmental funds balance sheet at September 30, 2019, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Other governmental	$ 132,466
General	DPL	15,047
General	Grants Assistance	1,647,196
Grants Assistance	General	2,490,137
Saipan Amusement	General	2,627,724
Other governmental	General	25,799,161
		$ 32,711,731

These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made and are scheduled to be collected in the subsequent year.

(4) Interfund Receivables and Payables, Continued

Balances reflected as due from fiduciary funds of the primary government as of September 30, 2019, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	NMIRF	$ 1,659,022
Other governmental	NMIRF	864,788
		$ 2,523,810

Balances reflected as due to fiduciary funds of the primary government as of September 30, 2019, are summarized as follows:

Receivable Fund	Payable Fund	Amount
NMISF	General Fund	$ 17,693,829

The amount recorded as due from the component units of the primary government of $1,832,726 does not equal to the corresponding due to primary government of the discretely presented component units of $2,350,000 due to CPA recording public auditor fee of $2,350,000 for which the primary government recorded a corresponding allowance. The remaining difference of $1,832,726 relates to the amount of health and life insurance, which was not recorded by the component units.

Balances reflected as due to component units of the primary government as of September 30, 2019, are summarized as follows:

Due From	Due To	Amount
MPLT	DPL	$ 4,451,471
MPLT	General	8,848,237
CUC	General	4,957,876
MVA	General	6,149,517
PSS	General	4,949,038
NMC	General	3,093,652
CHCC	General	80,400
		$ 32,530,191

The amount recorded as due from primary government of the discretely presented component units of $14,192,207 does not equal the corresponding due to component units of the primary government of $32,530,191 by $18,337,984. The difference of $4,451,471 and $8,848,237 with MPLT are due to unrecorded receivable from DPL and due to amounts recorded as notes receivable by MPLT, respectively. The difference of $4,957,876 and $80,400 is due to lack of financial information from CUC and CHCC, respectively.

(5) Other Assets

As of September 30, 2019, the CNMI holds 11% of the shares of the Pacific Islands Development Bank (PIDB) and the United Micronesia Development Association, Inc. (UMDA) in the amount of $1,000,000 and $1,500,000, respectively. Other assets have been recorded at cost. These equity interests do not meet the definition of investments as the assets are held primarily for economic development and are presented as other assets in the accompanying financial statements.

(6) Restricted Assets

Primary Government

Restricted assets of $7,594,677 recorded in the General Fund represents cash and cash equivalents of $1,061,699 for State Small Business Credit Initiative to strengthen programs that support private financing to small business and small manufacturers and is funded by the U.S. Department of Treasury; $1,054,402 restricted for various Federal programs and projects; $2,316,741 for the purpose of funding ongoing vocational educational curricula and program development by the CNMI and is funded by the U.S. Department of Homeland Security; $2,523,754 restricted for future debt service requirements and $638,081 restricted for group health and life insurance payments.

Restricted assets of $11,327,652 recorded in DPL represent security deposits received from lessees.

Restricted assets of $1,572,428 recorded in the Other Governmental Funds represent cash and cash equivalents of $6,986 for other purposes and investments of $1,565,442 for the purpose of compensating for injury increasing disability in accordance with §(f) of Section 9308 of Public Law 10-19.

Fiduciary Funds

Restricted assets of $2,022,536 as of September 30, 2019, represent deposits of foreign investors required by law to operate a business in the CNMI.

Discretely Presented Component Units

CPA:

Investments in U.S. Treasury obligations restricted for construction and debt service purposes represent the unused proceeds of the Airport Revenue Bonds and the Seaport Revenue Bonds. These investments are summarized as follows:

(6) Restricted Assets, Continued

Discretely Presented Component Units, Continued

CPA, Continued:

Fund	Airport Revenue Bonds	Seaport Revenue Bonds	Total
Bond Reserve Fund	$ 1,665,020	$ 3,492,296	$ 5,157,316
Supplemental Reserve Fund	-	7,975,806	7,975,806
Construction Fund	-	7,420	7,420
Reimbursement Fund	-	6,003	6,003
Bond Fund	554,160	1,190,825	1,744,985
Maintenance and Operation	2,155,757	3,657,852	5,813,609
Optional Redemption Fund	12,509	-	12,509
Revenue Fund	748	838	1,586
Insurance and Condemnation Proceeds Fund - Yutu	12,403,516	-	12,403,516
Insurance and Condemnation Proceeds Fund - Mangkhut	1,700,015	-	1,700,015
Stonecastle Fund	10,010,292	10,010,292	20,020,584
	$ 28,502,017	$ 26,341,332	$ 54,843,349

CDA:

Restricted assets of CDA's Development Banking Division of $13,131,023 represent the proceeds of Covenant funding and liquidated revenue bonds derived from pledged Covenant funding to be used for capital development purposes.

Restricted assets of CDA's Development Corporation Division of $5,051,459 represent funds for the State Small Business Credit Initiative loan program maintained by CDA as the disbursing agent deposited with commercial lending institutions held in the name of CDA.

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

Escrow and savings accounts maintained as a guarantee for any deficiency in foreclosure proceeds related to U.S. Department of Agriculture Rural Development loans	$ 1,364,310
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development	230,625
Savings account maintained as a guarantee of housing loans made by a CNMI savings and loan	181
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	722,949
Other depository accounts reserved for various purposes	946,448
	$ 3,264,513

(7) Capital Assets and Depreciation

Capital asset activities for the year ended September 30, 2019, are as follows:

Primary Government

	Balance October 1, 2018	Additions	Reclassifications	Balance September 30, 2019
Assets not being depreciated:				
Land	$ 30,064,154	$ -	$ -	$ 30,064,154
Construction in progress	10,401,582	5,221,253	(1,267,240)	14,355,595
	40,465,736	5,221,253	(1,267,240)	44,419,749
Depreciable assets:				
Buildings and other improvements	132,840,299	-	539,344	133,379,643
Machinery and equipment	46,985,567	6,918,297	-	53,903,864
Infrastructure	164,548,586	-	727,896	165,276,482
	344,374,452	6,918,297	1,267,240	352,559,989
Accumulated depreciation:				
Buildings and other improvements	(69,910,417)	(4,644,874)	-	(74,555,291)
Machinery and equipment	(36,690,707)	(4,210,166)	-	(40,900,873)
Infrastructure	(126,160,580)	(6,973,554)	-	(133,134,134)
Total accumulated depreciation	(232,761,704)	(15,828,594)	-	(248,590,298)
Depreciable assets, net	111,612,748	(8,910,297)	1,267,240	103,969,691
	$ 152,078,484	$ (3,689,044)	$ -	$ 148,389,440

Depreciation expense was charged to functions/programs of the primary government as follows:

Public Works	$ 9,323,815
Public Safety and Law Enforcement	2,621,611
Community and Social Services	2,132,585
General Government	707,429
Judicial Branch	346,466
Lands and Natural Resources	696,688
Total depreciation expense - governmental activities	$ 15,828,594

Discretely Presented Component Units

	Estimated Useful Lives	Balance at October 1, 2018	Additions	Retirements	Reclassifications	Balance at September 30, 2019
Assets not being depreciated:						
Land		$ 45,851,185	$ -	$ -	$ -	$ 45,851,185
Construction in progress		77,597,239	10,539,878	-	(34,303,975)	53,833,142
		123,448,424	10,539,878	-	(34,303,975)	99,684,327
Depreciable assets:						
Runway and improvements	20 years	114,277,326	4,947,250	-	-	119,224,576
Terminal facilities	20 years	115,396,401	3,690,626	(157,029)	-	118,929,998
Harbor facilities	20 years	64,327,013	193,000	-	-	64,520,013
Other improvements	3 - 20 years	29,031,658	2,709,546	-	-	31,741,204
Fire and rescue	2 - 8 years	12,900,994	23,430,628	-	-	36,331,622
Terminal equipment	2 - 10 years	9,322,356	29,513	(29,325)	-	9,322,544
Housing projects	30 years	7,612,509	-	-	-	7,612,509
Office furniture and fixtures	2 - 10 years	5,330,641	782,686	(673,174)	-	5,440,153
Other equipment	3 - 5 years	7,747,014	72,002	(238,695)	-	7,580,321
Infrastructure	30 years	2,823,491	-	-	-	2,823,491
General transportation	3 - 5 years	10,457,616	216,107	(245,688)	-	10,428,035
Ground maintenance and shop equipment	2 - 5 years	1,707,368	19,299	-	-	1,726,667
Buildings	5 - 50 years	69,958,623	1,464,745	(2,666,310)	-	68,757,058
		450,893,010	37,555,402	(4,010,221)	-	484,438,191
Less accumulated depreciation		(295,972,412)	(15,797,429)	4,156,391	-	(307,613,450)
Depreciable assets net		154,920,598	21,757,973	146,170	-	176,824,741
		$ 278,369,022	$ 32,297,851	$ 146,170	$ (34,303,975)	$ 276,509,068

(8) Loan Payable Under Settlement Agreement

On February 28, 1995, the CNMI entered into a loan agreement with NMIRF, a Fiduciary Fund Type - Pension (and Other Employee Benefits) Trust Fund, for the construction of a Judicial Complex on the island of Saipan, in an amount not to exceed $15,000,000. All revenue collected by the courts is deposited into the Judicial Building Fund, a Governmental Fund Type within the CNMI General Fund, to finance debt service on the loan.

The loan was initially for a period of fifteen years, due February 28, 2010, with interest at 7.5% per annum, principal and interest payable in monthly installments of $137,198. On July 15, 1999, the loan agreement was amended to extend the term of the loan to twenty years and to increase interest to 7.75% per annum. Pursuant to the amendment, principal and interest are payable in monthly installments of $120,000. On October 1, 2013, the loan was transferred from NMIRF to NMISF pursuant to Section 8 of the Settlement for Civil Case No. 09-00023. The loan is due on March 1, 2015. At September 30, 2019, principal outstanding and payable is $2,019,860.

(9) Tax Rebates Payable

The CNMI makes significant estimates in determining tax rebates payable. A Rebate Trust Fund was established to account for amounts paid to the CNMI, with respect to taxes imposed, which are rebateable to taxpayers. P.L. 9-22, enacted in January 1995, repealed and re-enacted the CNMI tax code and removed the requirement of a Rebate Trust Fund. P.L. 9-57, enacted in October 1995, reestablished the Rebate Trust Fund. The reestablishment was not retroactive, and thus tax year liabilities are paid from subsequent year collections of the General Fund.

The rebate percentage is either 90%, 70% or 50%, based on the specified tax brackets for taxes paid. Tax rebate liabilities amounted to $58,664,463 as of September 30, 2019. Cash to fund this liability is to be provided by the General Fund. Any changes in the estimate will be accounted for in a prospective manner.

(10) Recovery Rebates Payable

The Congress of the United States passed the Economic Stimulus Act of 2008, which was approved and became law on February 13, 2008 as U.S. Public Law 110-185 (the Act). Among other things, the Act provides economic stimulus through recovery rebates to individuals meeting certain criteria. The Act provides that the U.S. Department of Treasury will make payment to the CNMI in an amount equal to the aggregate amount of the credits allowable by reason of the provision to the CNMI's residents against their CNMI income tax to cover advance and final payments. In 2008, the CNMI received total funds of $16,100,000 pursuant to the Act. The recovery rebates payable of $393,837 recorded in the General Fund represents the remaining undisbursed funds as of September 30, 2019.

(11) General Obligation Bonds Payable

Refunding of Debt

In April 2007, the CNMI issued $100,490,000 of Series 2007A and Series 2007B General Obligation bonds to primarily refund the outstanding debt obligations of the Series 2000A and Series 2003A General Obligation bonds, and to pay certain expenses related to the issuance of the bonds. The primary purpose of the refunding was to refinance at lower interest rates. The refunding resulted in a cash flow savings of $7,801,220 and did not extend the length of original bonds.

The refunding resulted in the advance defeasance of approximately 95% of the Series 2000A and Series 2003A General Obligation bonds by placing deposits in an irrevocable trust and escrow account for the purchase of U.S. government securities to pay the principal and interest on the defeased bonds as they are due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the accompanying financial statements.

Although the advance refunding resulted in the recognition of an accounting loss of $8.2 million for the year ended September 30, 2007, the CNMI in effect reduced its aggregate debt service payments by $7.8 million over the next twenty-six years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $7.475 million. The excess of the reacquisition price over the net carrying amount of the old debt of $8,181,944 was recorded as deferred outflow from cost of refunding debt and is being amortized over the remaining life of the debt or twenty-six years. At September 30, 2019, deferred outflows from cost of refunding debt amounted to $4,336,168.

$57,800,000 Bond Issue

In April 2007, CDA, acting for and on behalf of the CNMI, issued general obligation refunding bonds, Series 2007A in the aggregate principal amount of $57,800,000 with interest rate at 5% per annum to refund $52,435,000 of the 2000 Series A general obligation bonds. Installments of principal are to be paid to the Bond Trustee annually commencing June 1, 2009 through June 1, 2030. Interest is payable semi-annually beginning December 1, 2007 through June 1, 2030.

Amount outstanding and payable as of September 30, 2019, consist of the following:

Series 2007A general obligations refunding bonds	$ 31,525,000
Unamortized premium on bond issuance	52,492
	$ 31,577,492

$42,690,000 Bond Issue

In April 2007, CDA, acting for and on behalf of the CNMI, issued general obligations refunding bonds, Series 2007B in the aggregate principal amount of $42,690,000 with interest rate at 5% per annum to refund $37,400,000 of the 2003 Series A general obligation bonds. Installments of principal are to be paid to the Bond Trustee annually commencing October 1, 2011 through October 1, 2033. Interest is payable semi-annually beginning October 1, 2007 through October 1, 2033.

(11) General Obligation Bonds Payable, Continued

$42,690,000 Bond Issue, Continued

Amount outstanding and payable as of September 30, 2019, consist of the following:

Series 2007B general obligations refunding bonds	$ 34,750,000
Unamortized premium on bond issuance	35,985
	$ 34,785,985

The annual debt service requirements to maturity for general obligation bonds payable is as follows:

Year ending September 30,	Principal	Interest	Total
2020	$ 5,235,000	$ 3,272,375	$ 8,507,375
2021	3,970,000	3,008,250	6,978,250
2022	4,075,000	2,810,000	6,885,000
2023	4,285,000	2,603,875	6,888,875
2024	4,495,000	2,387,375	6,882,375
2025 - 2029	26,305,000	8,271,625	34,576,625
2030 - 2034	17,910,000	2,045,500	19,955,500
	$ 66,275,000	$ 24,399,000	$ 90,674,000

Changes in general obligation bonds payable of the primary government for the year ended September 30, 2019, are as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Loans and bonds payable:					
2007 Series A Bonds	$ 34,930,000	$ -	$ (3,405,000)	$ 31,525,000	$ 3,580,000
2007 Series B Bonds	36,305,000	-	(1,555,000)	34,750,000	1,655,000
	71,235,000	-	(4,960,000)	66,275,000	5,235,000
Deferred amounts:					
Unamortized premium on bonds issued	94,797	-	(6,320)	88,477	6,320
	$ 71,329,797	$ -	$ (4,966,320)	$ 66,363,477	$ 5,241,320

Events of Default and Remedies of Bondholders

The outstanding general obligation bonds payable contains a provision that defines events of default as:

(a) Default of the CNMI in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) Default of the CNMI in the due and punctual payment of the interest on any Bond when and as the same become due and payable; or

(11) General Obligation Bonds Payable, Continued

Events of Default and Remedies of Bondholders, Continued

(c) Default of the CNMI in the observance of any of the other agreements, conditions or covenants on its part in this Indenture or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after the CNMI shall have been given notice in writing of such default by the Trustee; provided that such default shall not constitute an event of default hereunder if the CNMI shall commence to cure such default within said 30-day period and thereafter diligently and in good faith proceed to cure such default within a reasonable period of time.

In each and every such case during the continuance of such Event of Default, the Trustee may, and upon the written requests of the Bondholders of not less than twenty-five percent (25%) in aggregate amount of Bonds Outstanding, shall, by notice in writing to the CNMI, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

If, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the CNMI shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and the reasonable fees and expenses of the Trustee and the Paying Agent, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Bondholders of at least twenty-five percent (25%) in aggregate amount of Bonds Outstanding, by written notice to the CNMI and to the Trustee may, on behalf of the Bondholders, rescind and annul such declaration and its consequences. No such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Discretely Presented Component Units

CPA $20,050,000 Bond Issue

On March 26, 1998, CPA issued $20,050,000 of tax-exempt airport revenue bonds which, in part, were used for a current refunding of $8,250,000 of 1987 Series B tax-exempt airport revenue bonds. The refunding was undertaken to consolidate existing bonds with new bonds issued for the purpose of financing various airport projects and to reduce total future debt service payments. 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. The transaction also resulted in an economic gain of $688,620 and an increase of $7,616,151 in future debt service payments.

Installments are paid to the Bond Trustee annually on March 15 through 2028. Interest is payable semi-annually, at 6.25% per annum, on March 15 and September 15 of each year.

(11) General Obligation Bonds Payable, Continued

Discretely Presented Component Units, Continued

CPA $20,050,000 Bond Issue, Continued

Revenue bonds payable as of September 30, 2019, consists of the following:

1998 Senior Series A tax-exempt airport revenue bonds	$ 9,450,000

The 1998 Senior 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.

CPA $33,775,000 Bond Issue

On March 26, 1998, CPA issued $33,775,000 of Senior Series A tax-exempt seaport revenue bonds which, in part, were used 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 payments. The reacquisition price exceeded the net carrying amount of the old debt by $1,345,593. This amount is recorded as a deferred outflow from cost of refunding debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt. At September 30, 2019, deferred outflows from cost of refunding debt amounted to $527,114. The transaction also resulted in an economic gain of $1,724,777 and a decrease of $6,983,345 in future debt service payments.

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

Revenue bonds payable as of September 30, 2019, consist of the following:

1998 Senior Series A tax-exempt seaport revenue bonds	$ 17,110,000

Additionally, CPA has resolved to hold $8,000,000 in the Seaport supplemental reserve fund. The supplemental reserve fund was established pursuant to the First Supplemental Indenture dated March 1, 2000 for the purpose of providing funding and maintenance for the 1998 Senior Series A Seaport Bonds. At September 30, 2019, total deposits in the Seaport supplemental reserve fund amounted to $7,975,806.

The 1998 Senior 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 Senior 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.

(11) General Obligation Bonds Payable, Continued

Discretely Presented Component Units, Continued

CPA $7,225,000 Bond Issue

On September 21, 2005, CPA issued $7,225,000 of Senior Series A tax-exempt seaport revenue bonds for the purpose of financing (including reimbursing itself for) the purchase, acquisition, construction, reconstruction, repair, renovation, improvement or expansion of CPA's seaports. Pursuant to Section 2.04(A)(9) of the 1998 Senior Series A Seaport Revenue Bonds Indenture Agreement dated March 1, 1998 and as supplemented by a First Supplemental Indenture dated March 1, 2000, CPA entered into a Second Supplemental Indenture for the issuance of the 2005 Senior Series A bonds. Interest on the bonds is payable semi-annually at 5.5% per annum on March 15 and September 15 of each year.

Revenue bonds payable as of September 30, 2019, consist of the following:

2005 Senior Series A tax-exempt seaport revenue bonds	$ 4,765,000
Discount on bonds	(71,694)
	$ 4,693,306

CPA Bond Issues

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, 2019. Section 6.11 of the Airport and Seaport Bond Indenture Agreements (Indenture) states that CPA shall impose, levy, enforce and collect such dockage, entry and wharfage fees, tariffs, lease rentals, licensing fees and other fees and charges in an aggregate amount with respect to each fiscal year to produce gross revenues of 125% of debt service requirements. Management of CPA has determined that gross revenues consist of total operating revenues, other grant revenue and contributions, interest income and passenger facility charges to meet the Indenture requirements. For fiscal year 2019, management of CPA determined that 100% of passenger facility charges would be considered as gross revenues for these purposes.

Annual debt service requirements to maturity for principal and interest for bonds payable are as follows:

Year ending September 30,	Principal	Interest	Total
2020	$ 2,565,000	$ 1,900,328	$ 4,465,328
2021	2,730,000	1,731,797	4,461,797
2022	2,900,000	1,552,568	4,452,568
2023	3,080,000	1,362,174	4,442,174
2024	3,270,000	1,159,991	4,429,991
2025 - 2029	15,755,000	2,420,247	18,175,247
2030 - 2031	1,025,000	57,062	1,082,062
	$ 31,325,000	$ 10,184,167	$ 41,509,167

(11) General Obligation Bonds Payable, Continued

Discretely Presented Component Units, Continued

Changes in revenue bonds payable of the discretely presented component units for the year ended September 30, 2019, are as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Bonds payable:					
CPA	$ 33,740,000	$ -	$ (2,415,000)	$ 31,325,000	$ 2,565,000
Deferred amounts:					
CPA:					
Discount	(71,694)	-	-	(71,694)	-
	$ 33,668,306	$ -	$ (2,415,000)	$ 31,253,306	$ 2,565,000

Events of Default and Remedies of Bondholders

The outstanding revenue bonds related to government-type activities contains a provision that defines events of default as:

(a) default of by CPA in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceeding for redemption, by declaration of otherwise; default by CPA in the redemption from any Mandatory Sinking Account of any Term Bonds in the amounts at time provided therefore; or default by CPA in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(b) default by CPA in the observance of any of the covenants, agreement or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to CPA by the Trustee, or to CPA and the Trustee by any Credit Provider or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; except that, if such default can be remedied but not within such sixty (60) day period and if CPA has taken all action reasonably possible to remedy such default within such sixty (60) day period, such default shall not become an Event of Default hereunder for so long as CPA shall diligently proceed to remedy same in accordance with and subject to any directions established by the Trustee; or

(c) an event of bankruptcy.

Upon the occurrence of an event of default, the Trustee may, and upon the written request of the owners of not less than a majority in aggregate principal amount of Bonds then outstanding shall, declare the principal of all Bonds then outstanding and the interest accrued thereon due and payable on a date specified in such declaration (not less than fiver nor more than nine days after such declaration), and such principal and interest shall thereupon become and be immediately due and payable on such specified date, and interest shall cease to accrue on the Bonds from and after such date.

(11) General Obligation Bonds Payable, Continued

Discretely Presented Component Units, Continued

Events of Default and Remedies of Bondholders, Continued

The entire principal amount of the Bonds and such accrued interest shall become due and payable on the date of acceleration set forth in such notice of declaration, and interest shall cease to accrue on the Bonds from and after such date, provided moneys are held by the Trustee as of such date sufficient to pay such principal and accrued interest to such date. If an event of default shall occur and be continuing, all revenues, gross revenue and any other funds then held or thereafter received by the Trustee or the Depository under any of the provisions of the indenture shall be under the control of and apply by the Trustee as dictated by the Indenture.

(12) Other Long-Term Liabilities

Claims and Judgments

On September 26, 2014, the District Court issued a court order to fund and implement Stipulated Order Number Two (SO2) (Dkt. no. 15) filed by the United States, CUC and the CNMI (jointly the Parties). The successful funding and implementation of the SO2 will result in timely and cost-efficient improvements to CUC's infrastructure, proper oil management and disposal and oil spill prevention, preparedness and response action. The District Court established an Engineering and Environmental Management Company (EEMC) in order to achieve expeditious compliance with SO2. The EEMC must implement the SO2 and be funded. The court order requires the CNMI to fund the SO2 as follows:

1. The CNMI must deposit $5,000,000 no later than December 31, 2014, into the Court Registry (the Registry) established by the District Court for the CNMI.

2. The CNMI must deposit the following amounts on or before the dates specified into the Registry or, if applicable, must file a notice with the Court of the U.S. Department of the Interior's (US DOI) Authorization to Proceed (ATP) for funding SO2 projects: (a) $2,800,000 no later than February 1, 2015; (b) $5,000,000 no later than February 1, 2016; (c) $5,000,000 no later than February 1, 2017; and (d) $5,000,000 no later than February 1, 2018. The notice must include a commitment from CNMI/CUC that the ATP will be fully available for the EEMC as specified in the ATP and that the grantee will not re-program the associated funds without mutual agreement of the Parties.

The funds must be used to reimburse EEMC for the approved expenses for SO2 projects and should not be utilized for CUC's day-to-day expenses. If CUC, the CNMI or the EEMC do not meet the requirements of the court order, the United States is authorized to seek emergency relief. The parties must file a notice of satisfaction to the District Court upon completion of the requirements of the court order and termination of the EEMC. If the District Court finds CUC and the CNMI satisfied the requirements of the court order and the EEMC has been terminated, any funds remaining in the Registry should be transferred to the CUC's restricted fund for Technical Manager for Oil account.

(12) Other Long-Term Liabilities, Continued

Claims and Judgments, Continued

On December 24, 2014, Public Law 18-71 was enacted to appropriate future MPLT interest distributions to meet the CNMI's obligations under the court order for the SO2. Public Law 18-71 authorized DPL to transfer $5,000,000 to MPLT and MPLT to loan $5,000,000 to the CNMI at an interest rate of 7% per annum. Public Law 18-71 authorized MPLT to withhold future interest income that would be remitted to the CNMI pursuant to Article XI § 6(d) of the Constitution beginning fiscal year 2016 and future fiscal years thereafter until the loan plus annual interest is fully paid.

On December 29, 2014, DPL transferred $5,000,000 to MPLT and MPLT entered into a $5,000,000 loan agreement with the CNMI to effectuate the requirements of Public Law 18-71. The loan bears interest at 7% per annum and has a five-year amortization period which will mature on September 30, 2020. The CNMI's future annual payments on the loan could not be determined. Accordingly, the loan was recorded as due to component units in the accompanying financial statements. The CNMI's total principal and interest payments during the year amounted to $1,011,199 and $70,784, respectively.

On December 30, 2014, the CNMI transferred $5,000,000 to the Registry to satisfy its obligation for SO2. On February 5, 2015, US DOI awarded the CNMI an ATP (Funding No. CNMI-CIP-2015-5 D15AP00012) for the CUC pipeline construction related to SO2 amounting to $2,648,082. On February 15, 2015, US DOI awarded the CNMI an additional funding of $151,958 to its original ATP for management and administration of the SO2 projects. Therefore, the CNMI met its 2015 obligations for SO2. On March 1, 2016, US DOI awarded $3,887,161 to the CNMI for Oil Pipeline Project (Funding No. CNMI-CIP-2016-2 D16AP00013). On March 8, 2016, US DOI awarded the CNMI additional funding of $382,225 to its original ATP to provide EEMC support for oil spill prevention, preparedness and response and to comply with the SO2. On March 17, 2016, US DOI awarded the CNMI additional funding of $730,614 to its original ATP for the "Tank 103 Cleanout, Inspect and Repair" project. The additional ATPs would satisfy the CNMI's 2016 SO2 obligation.

On March 17, 2017, US DOI awarded $777,000 to the CNMI for an ATP (Funding No. CNMI-CIP-2017-3 D17AP00016) for the development of a Facility Waste Management Plan for power plants 1 and 2 on Saipan, an SO2 project. On March 27, 2017, US DOI awarded the CNMI additional funding of $4,019,000 to its original ATP for the repairs of "Tank 103" and its secondary containment as required by the SO2. On March 29, 2017, US DOI awarded the CNMI additional funding of $204,000 to its original ATP to provide EEMC support for construction management and administration of the SO2 projects. The additional ATPs would satisfy the CNMI's 2017 SO2 obligation. On March 5, 2018, USDOI awarded $5,000,000 to the CNMI for an ATP (Funding No. CNMI-CIP-2018-3 D18AP00026) for the EEMC, CUC pipeline smart pigging, waste management and facility drainage projects. Accordingly, this ATP would satisfy the CNMI's 2018 SO2 obligation. As of September 30, 2019, the CNMI's claims and judgment liability related to SO2 amounted to $-0-.

(12) Other Long-Term Liabilities, Continued

Changes in other long-term liabilities of the primary government for the year ended September 30, 2019, are as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Claims and judgments	$ 4,100,550	$ 360,154	$ (255,500)	$ 4,205,204	$ 4,205,204
Compensated absences	9,118,657	6,123,784	(5,995,215)	9,247,226	4,446,254
Due to component units	1,011,199	10,000,000	(2,162,962)	8,848,237	-
Landfill closure	6,107,788	8,962,382	-	15,070,170	-
	$ 20,338,194	$ 25,446,320	$ (8,413,677)	$ 37,370,837	$ 8,651,458

Discretely Presented Component Units

Changes in other long-term liabilities of the discretely presented component units for the year ended September 30, 2019, are as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Compensated absences	$ 5,001,886	$ 750,395	$ (582,142)	$ 5,170,139	$ 1,774,546
Unearned revenues:					
CPA	998,169	24,616,158	-	25,614,327	21,971,335
CDA	609,080	419,847	-	1,028,927	20,378
NMC	1,438,638	240,373	-	1,679,011	1,679,011
	$ 8,047,773	$ 26,026,773	$ (582,142)	$ 33,492,404	$ 25,445,270

(13) Fund Balances

Classifications of fund balances comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following table enumerates the fund balance classifications:

	General	Grants Assistance	Saipan Amusement	Department Public of Lands	Other Governmental Funds	Total
Non-spendable						
Inventories	$ 232,387	$ -	$ -	$ -	$ -	$ 232,387
UMDA	1,500,000	-	-	-	-	1,500,000
PIDB	1,000,000	-	-	-	-	1,000,000
Restricted for:						
Capital projects	-	1,200,036	-	-	-	1,200,036
Federal programs and projects	-	1,504,838	-	-	-	1,504,838
Debt service reserve	2,523,754	-	-	-	-	2,523,754
Other purposes	-	-	-	-	4,127	4,127
Committed to:						
Public lands	-	-	-	5,620,461	-	5,620,461
Local senatorial districts	-	-	-	-	7,591,085	7,591,085
Workers' Compensation Commission	-	-	-	-	2,880,977	2,880,977
Private grants	-	-	-	-	1,314,388	1,314,388
Commonwealth Casino Commission	-	-	-	-	2,509,148	2,509,148
CNMI Group Health and Life Insurance Trust Fund	-	-	-	-	1,533,045	1,533,045
Capital projects	-	-	-	-	373,519	373,519
Public works and highway projects	-	-	-	-	550,785	550,785
Infrastructure	-	-	-	-	2,086,617	2,086,617
Other purposes	-	-	-	-	6,704,605	6,704,605
Unassigned	(134,233,664)	-	(831,864)	-	(8,272)	(135,073,800)
	$ (128,977,523)	$ 2,704,874	$ (831,864)	$ 5,620,461	$ 25,540,024	$ (95,944,028)

(14) Transfers In/Out

Operating Fund Transfers

Operating transfers in/out for each major governmental fund and nonmajor governmental funds in the aggregate, for the year ended September 30, 2019, are as follows:

Source/Recipient	Transfer Out	Transfer In
General Fund		
Grants Assistance Fund	$ 3,379,587	$ 1,170,952
Other Governmental Funds	2,074,939	62,494
Saipan Amusement Fund	11,534,522	714,870
	16,989,048	1,948,316
Grants Assistance Fund		
General Fund	1,170,952	3,379,587
Other Governmental Funds	1,622,119	-
	2,793,071	3,379,587
Saipan Amusement Fund		
General Fund	714,870	11,534,522
Other Governmental Funds	284,789	-
	999,659	11,534,522
Other Governmental Funds		
General Fund	62,494	2,074,939
Grants Assistance Fund	-	1,622,119
Saipan Amusement Fund	-	284,789
	62,494	3,981,847
	$ 20,844,272	$ 20,844,272

Transfers are used to 1) move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) record reductions in interfund loans for amounts that are not expected to be repaid.

The amount recorded as payments to component units from the primary government of $82,707,909 does not equal the corresponding contributions from the primary government of $58,947,707 by $23,760,202. The difference of $2,723,572 with MVA is due to expenditures incurred and paid by the CNMI related to Public Law 18-01 that were not recorded by MVA. The difference of $666,593 with NMC is due to $705,701 unreconciled differences less $39,108 Compact Impact funds that were recorded as federal revenue by NMC. The difference of $5,188,872 with PSS is due to timing differences. The remaining difference of $31,006,053 is due to lack of financial information from CUC, CHCC and NMISF.

(15) Commitments

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 unknown land acquisitions is presently not determinable.

Dedicated Revenues and Pledges

CNMI has pledged all Judicial Building Fund (a Governmental Fund Type - General Fund) revenues to repay a loan of $15,000,000 to NMIRF pursuant to an agreement entered into in February 1995. On October 1, 2013, the loan was transferred from NMIRF to NMISF pursuant to Section 8 of the Settlement of Civil Case No. 09-00023. Total principal and interest remaining on this loan is approximately $2,019,860 and $3,044, respectively. For the year ended September 30, 2019, principal and interest payments were $796,760 and $203,734, respectively, and total Judicial Building Fund revenues were $1,007,491.

Discretely Presented Component Units

CPA has pledged future gross revenues to repay $20,050,000 and $33,775,000 in 1998 Senior Series A and $7,225,000 of 2005 Senior Series A tax-exempt special revenue bonds. Proceeds from the bonds provided financing for capital assets. The bonds are payable from pledged gross revenues. The bonds are payable through fiscal years 2028, 2028 and 2031, respectively. The total principal and interest payable for the remainder of the life of these bonds is $41,509,167 at September 30, 2019. Pledged gross revenues received during the year ended September 30, 2019 were $22,302,144. Debt service payments during the year ended September 30, 2019 amounted to $4,473,804 representing 20% of pledged gross revenues.

Operating Lease

On August 18, 2003, NMC entered into an assignment of lease with a corporation (Assignor), whereby the Assignor assigns leases and leasehold estate and other rights on the La Fiesta property to NMC for a total payment of $4,000,000 payable in annual installments of $200,000 beginning October 29, 2004. On September 15, 2004, NMC and the CNMI entered into a Memorandum of Agreement for the transfer of the lease assignment. On January 7, 2005, NMC and the CNMI executed an Assignment of Contract Rights whereby NMC assigns and transfers to the CNMI all right, titles and interest to the assignment of leases dated August 18, 2003. Rental expense for this lease for the fiscal year ended September 30, 2019, is $200,000.

CNMI's future rentals under the lease are as follows:

September 30,	
2020	$ 200,000
2021	200,000
2022	200,000
2023	200,000
2024	200,000
2025	200,000
	$ 1,200,000

(16) Contingencies

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 disposal site was officially closed in 2003. The related costs will be funded through grant awards from the U.S. Department of the Interior.

State and federal laws and regulations require the CNMI to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although landfill closure and postclosure costs will be paid only near or after the date that the Marpi landfill stops accepting waste, the CNMI's governmental activities reports a portion of these closure and postclosure costs as an expense in each period based on landfill capacity used as of each balance sheet date. The $15,070,170 liability reported as landfill closure and postclosure costs at September 30, 2019 within the accompanying financial statements, represents the cumulative amount reported based on 55% capacity used. The Marpi landfill has an estimated lifespan of eighteen years. The CNMI will recognize the remaining estimated cost of closure and post closure care of $886,481 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2019. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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 $21,947,894 have been set forth in the CNMI's Single Audit Report for the year ended September 30, 2019. 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 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.

Tax Returns

The CNMI is unable to estimate unfiled or unprocessed tax returns related to tax years 2018 and prior. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements. CNMI management does not believe that this will have a material impact on the financial statements.

(16) Contingencies, Continued

General Fund Financial Position

The CNMI's General Fund has an unassigned fund deficit of $134,233,664 at September 30, 2019. In addition, at September 30, 2019, the primary government's current liabilities exceed current assets by $99,283,365, and total liabilities and deferred inflows of resources exceed total assets and deferred outflows of resources by $504,681,276. On September 30, 2013, the District Court approved a Settlement Agreement between a retiree (individually and on behalf of similarly-situated persons) and the CNMI, NMIRF and others. The Settlement Agreement includes the creation of NMISF to accept the transfer of NMIRF assets, receive annual contributions and payments by the CNMI and to carry out the consent judgment entered by the District Court. As part of the Settlement Agreement, the CNMI agrees to make minimum annual payments to NMISF to allow for the payment of 75% of Class Members' full benefits annually during NMISF's expected life and as determined by an actuary appointed by a Trustee and approved by the District Court.

Sick Leave

The CNMI records expenditures for sick leave when the leave is actually taken. Sick leave is compensated absence during working hours arising from employee illness or injury. Sick leave accumulates at the rate of thirteen working days for each year of service, without limit. 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, 2019, is $30,117,554.

CHCC

Public Law 16-51 established CHCC as a public corporation with certain limitations on liability provided by the CNMI Government Liability Act (GLA) and immunity from seizure of its property to pay judgment debts. Public Law 15-22 amended the GLA, which provides that employees who have been personally sued for actions taken within the scope of their employment may have the government substituted as the defendant and the employee dismissed from the suit. In the event of loss due to employee malpractice action, the CNMI will be self-insured for the amount of judgment rendered against it.

DPL

The CNMI Constitution requires that all revenues received by DPL in excess of the amount necessary to meet reasonable expenses of administration and management, land surveying, homestead development, and any other expenses reasonably necessary for the accomplishment of its functions, must be transferred to MPLT. Management of DPL has determined that the following transactions may have violated DPL's constitutional mandate:

- DPL transferred $2,500,000 to the CNMI during the year ended September 30, 2010;
- Between March 2009 and November 2010, DPL reimbursed the CNMI $1,395,459 for land compensation payments made by the CNMI; and

(16) Contingencies, Continued

DPL, Continued

- Between June 2010 and September 2014, DPL disbursed $2,002,146 directly to the Northern Mariana Islands Retirement Fund which may have duplicated payments made by the CNMI and has not recorded the amount as a receivable.

The effects of potential noncompliance with the CNMI Constitution could not be determined by DPL management and are not reflected in the accompanying financial statements.

Budgetary Compliance

For the year ended September 30, 2019, expenditures of the General Fund exceeded budget at the program area level (i.e., the legal level of budgetary control) as follows:

Program Area	Excess
Executive branch:	
Other Offices of the Governor and Lt. Governor	$ 913,582
Department of Commerce	$ 260,584
Department of Community and Cultural Affairs	$ 1,692
Department of Corrections	$ 725,478
Department of Finance	$ 1,548,882
Department of Fire and Emergency Medical Services	$ 1,077,971
Department of Lands and Natural Resources	$ 13,819
Department of Public Safety	$ 5,741,427
Department of Public Works	$ 430,861
Second Senatorial District - Tinian and Aguiguan	$ 353,865
First Senatorial District - Rota	$ 830,777
Judicial branch	$ 223,969
Office of the Attorney General	$ 149,343
Office of the Public Auditor	$ 610,493
Boards and commissions	$ 140,630
Employee benefits (payment to GHLITF)	$ 3,381,389
Health (Medicaid local expenditures and medical referrals)	$ 14,734,395
Disaster expenditures	$ 19,027,432
Debt service	$ 15,696

(17) 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. 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. Total claims amounted to $360,154, $1,530,006 and $11,872,781 for the years ended September 30, 2019, 2018 and 2017, respectively. Changes in the balance of claims liabilities during the past year are as follows:

(17) Risk Management, Continued

	Year ended September 30,
Unpaid claims at beginning of year	$ 4,100,550
Incurred claims	360,154
Claim payments	(255,500)
Unpaid claims at end of year	$ 4,205,204

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 fund represents the net amount available after the costs of land acquisitions. Land condemnation proceedings are still in process. At September 30, 2019, the CNMI recorded claims and judgments liability of $1,396,662 related to land condemnation proceedings.

(18) Pension and Other Postemployment Benefits Trust Fund

The CNMI contributed to NMIRF's defined benefit plan (DB Plan), a cost-sharing, multiple-employer plan established and administered by the CNMI. On September 30, 2013, the DB Plan was transferred to NMISF and the CNMI now contributes to NMISF. The CNMI also contributes to a defined contribution plan (DC Plan).

GASB Statement No. 75 requires employers to record other postemployment benefits (OPEB) expense for their contractually required contributions to the OPEB plan. The CNMI has complied with GASB 75 by recording OPEB expense based on the statutorial determined contribution rate of NMISF. The CNMI's OPEB liability is incorporated into the Due to Pension (and Other Employee Benefit) Trust Fund liability amount. It is the understanding of the management of the CNMI that the statutorial determined contribution rate of NMISF incorporates both the pension liability and the OPEB liability. GASB 75 also requires detailed disclosure of information related to the OPEB plan and CNMI management was unable to obtain this information from NMIRF and NMISF's financial reports. CNMI management is unable to obtain the required disclosures and is of the opinion that such information must be obtained from NMIRF and NMISF. It is the position of the management of the CNMI that NMIRF and NMISF are solely responsible for disclosure of OPEB information.

Defined Benefit Plan (DB Plan)

Plan Description: 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 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, 17-79, 17-82 and 18-02.

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

Plan Membership. As of October 1, 2018, the valuation date, number of participants consisted of the following:

Class I members	64
Class II members	6
	70
Terminated vested	33
In Pay Status (Retirees, Survivors, Minor Children)	2,847
Total members	2,950

Class II members are all persons who were plan members prior to effective date of Public Law 6-17 and who did not choose to become Class I members.

Pension Benefits: Membership service is earned for actual compensated government employment after becoming a plan member. One and half year of service is earned for each month of employment.

Normal retirement eligibility for Class I benefit is age 62 and 10 years of contributing membership after May 7, 1989. Eligibility for Class II benefit is age 60 or 25 years of membership service. Payment is in the form of life annuity with a cost of living increase each year for the first $30,000 of benefits equal to that which is used by the United States of America Social Security System commencing on January 1 of each year subsequent to the anniversary of retirement after attainment of age 55.

Benefit for Class I members is equal to the sum of the following, but not less than $6,000 nor greater than 85% of average annual salary.

- The sum of 2.5% of average annual salary for each of the first 25 years of service with a maximum of 50% of average annual salary.
- 2.5% of average annual salary for each year of service in excess of 25 years.

Benefit for Class II members is equal to the sum of the following, but not less than $6,000 nor the greater than 85% of average annual salary.

- The sum of 2% of average annual salary for each of the first 10 years of service and 2.5% of average annual salary for each year of service in excess of 10 years.
- Twenty dollars for each year of service reduced by 1/100th of 1% for each dollar that average annual salary exceeds $6,000.

The minimum amount of service retirement annuity payable by the plan is $6,000 per year. The maximum retirement annuity is 85% of average annual salary, which is average of the three highest annual salaries.

Class II members receive the greater of the benefit determined using the Class II formula or the benefit determined using the Class I formula as if all service had been rendered as a Class I member.

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

Pension Benefits, Continued:

Early retirement eligibility for Class I early retirement is age 52 and 10 years of membership service or 25 years of membership service. At least 10 years of membership service must be earned after May 7, 1989. Class II members are no eligible for early retirement. Amount of benefit is the same as normal retirement benefit, except reduced by an actuarially determined amount of 3% for each month the member is under 62 years of age.

Termination eligibility for Class I termination benefit is 10 years of contributing membership service. Eligibility for Class II termination benefit is 3 years of vesting service. Amount of benefit is the same as normal retirement benefit, except the annuity commences at age 62 for Class I members and age 60 for Class II members.

Disability retirement eligibility includes members who are less than age 62, who are totally and permanently disabled and, in the case of non-occupational causes, who accumulate at least 5 years of member service. Amount of benefit is equal to 50% of the member's salary in effect as of the date of disability or 66.67% member's salary in effect if individual became a member prior to December 5, 2003. At age 62, the member will receive a normal retirement benefit calculated assuming service had continued to age 62 at the same salary received at the time of disability and the Class I formula is used. Disability benefits will be reduced by the U.S. Social Security System, Workers' Compensation or other disability insurance payments.

Survivor's benefits eligibility includes members who were active employees with at least 18 months of service for Class I and at least 3 years of service for Class II, or members who were receiving retirement or disability benefits. The following shall be payable:

- A surviving spouse will receive 50% of the member's normal retirement benefit, or benefit being paid at death, but not less than $6,000 per year.
- Each surviving minor child (with a maximum of three children) will receive the greater of $1,080 and 16.67% of the member's normal retirement benefit or the benefit being paid at death.

The surviving spouse benefit will commence immediately if there are minor children, otherwise at the spouse's attainment of age 35, and continues until remarriage or death. Payment will be in the form of a life annuity with a cost of living increase each year equal to that which is used by the U.S. Social Security System, commencing, January 1 subsequent to the anniversary of the spouse's annuity date after attainment of age 55. The children's benefit commences immediately and continues until the respective child's attainment of age 18 (age 22 if a full-time student) unless the child is disabled.

Lump sum death benefit eligibility includes members who were active employees or members who were receiving retirement or disability benefits. A lump sum of $1,000 plus, if there is no surviving spouse or children, a refund, reduced by pension payments already received, of one-third of the accumulated employee contributions with interest.

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

Contributions: DB Plan members are required to contribute 6.5% and 9% of their annual covered salary for Class I and Class II members, respectively. On June 14, 2007, Public Law No. 15-70 was enacted to amend the NMIRF Act to improve the DB Plan's fiscal solvency. Public Law No. 15-70 provides for increasing employee contributions to the DB Plan by 1% per year beginning in fiscal year 2008 until reaching 10.5% for Class I members and 11% for Class II members. The actuarial contribution rate for fiscal year ended September 30, 2019 has yet to be determined. 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, 2019 is 72.7215% of covered payroll. Public Law No. 15-126, authorizes the CNMI Government to remit only 18% of covered payroll and accrue the remaining as liability to NMIRF for fiscal year 2009. The employer contribution remittance was further reduced by Public Law No. 16-2 to 11% of covered payroll. On June 29, 2009, the CNMI was ordered to pay employer contribution of 16% beginning August 2009. Effective November 2009, the employer contribution was increased to 20%. On November 10, 2010, the CNMI was ordered to remit the employer contribution rate of 30% effective October 1, 2010.

On August 30, 2012, Public Law 17-79 was enacted to amend Title I of the Commonwealth Code to include the intent of the CNMI to participate in the retirement insurance system established by Title II of the U.S. Federal Insurance Contributions Act (FICA) and for participation to be extended to elected officials, employees, political subdivisions and instrumentalities of the CNMI. On September 11, 2012, Public Law 17-82 *CNMI Pension Reform Recovery Act of 2012* was enacted. Unless specifically exempted or authorized by federal law, Public Law 17-82 provides for mandatory membership of CNMI Government employees and elected officials in the U.S. Social Security system and authorizes employees, who elect to, to buy quarters of service in the U.S. Social Security system from contributions made to the DB plan. In addition, Public Law 17-82 provides active and inactive DB Plan members the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the DC Plan and to participate in the U.S. Social Security system without termination of employment or penalty. Further, Public Law 17-82 allows the CNMI Government to continue remitting its 4% employer contribution to the DC Plan unless the employee ceases to contribute its employee share.

On March 11, 2013, Public Law 18-02 was enacted to amend certain provisions in Public Law 17-82. Public Law 18-02 requires class members who elect to terminate membership in the DB Plan to receive employee contributions with regular interest without penalty and without separating from government service. Further, Public Law 18-02 allows the CNMI Government to continue to withhold and remit the employee's portion to the employee's DB account with respect to employees who do not terminate membership in the DB Plan. All but fifty-two active employees voluntarily terminated membership in the DB Plan.

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

Contributions, Continued:

On August 7, 2013, the District Court issued an order for the preliminary approval of Civil Case No. 09-00023, Class Action Settlement (the Settlement), between a retiree (individually and on behalf of similarly-situated persons) and the CNMI, NMIRF and others. The Settlement includes the creation of NMISF to accept the transfer of NMIRF assets, receive annual contributions and payments from the CNMI and to carry out the consent judgment entered by the District Court. On September 30, 2013, the District Court approved the Settlement.

As part of the Settlement, the CNMI agrees to make minimum annual payments to NMISF to allow for the payment of 75% of Class Members' full benefits annually during the NMISF's expected life and as determined by an independent actuary appointed by the NMISF Trustee and approved by the District Court.

The Parties project that the minimum annual payments necessary to enable the Settlement Fund to pay 75% of Class Members' Full Benefits each year will likely be at least:

2020	$ 43,000,000
2021	$ 42,000,000
2022	$ 41,000,000
2023	$ 40,000,000
2024	$ 39,000,000

For the years ended September 30, 2019, 2018 and 2017, the CNMI recorded payments to NMISF of $44,000,000 and $14,150,418, $45,000,000 and $14,407,656, and $33,000,000 and $14,740,001, respectively, which relates to the fiscal year 2019 annual payment pursuant to Section 4 of the Settlement and payment of 25% of the class members full benefits, respectively.

The CNMI has agreed to continue to make annual payments in these minimum amounts unless the District Court determines after a hearing that a different amount is required to enable payment to Class Members of 75% of their Full Benefits.

After fiscal year 2024, the CNMI has agreed to make minimum annual payments to the Settlement Fund sufficient to enable the Settlement Fund to pay 75% of Class Members' Full Benefits each year for the Settlement Fund's expected life as determined by an independent actuary appointed by the Trustee and approved by the District Court.

Section 4.2 of the Settlement requires that if 17% of the CNMI's total annual revenue, as agreed by the Settlement Fund Trustee, Counsel, and the CNMI or as determined by the District Court, is greater than the minimum annual payments, the CNMI must pay the difference to the Settlement Fund within 60 days. Accordingly, during fiscal year 2019, the CNMI recorded a liability to the Settlement Fund of $17,693,829, which relates to fiscal years 2016 and 2017 differences of 17% agreed revenue over annual payments. The CNMI and NMISF still have yet to determine the amount of excess, if any, for fiscal years 2018 and 2019.

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

Contributions, Continued:

In addition, Section 5 of the Settlement requires class members who are employed by the CNMI or an autonomous agency and who did not terminate from the DB Plan pursuant to Public Law 17-82, as amended by Public Law 18-02, to continue to pay employee contributions as required by the laws of the CNMI existing as of August 6, 2013. Required contributions are remitted to NMISF and the CNMI and autonomous agencies make supplemental payments to NMISF in the amount of the employer contributions at the same contribution rates they were paying as of June 26, 2013. Accordingly, NMIRF has no obligations or duties to pay retirement benefits to class members. For the year ended September 30, 2019, the CNMI recorded contributions to NMISF of $537,483.

Section 8.1 of the Settlement assigns the CNMI the rights to collect deficient employer contributions and related costs as of August 6, 2013 from autonomous agencies. At September 30, 2019, the CNMI has not determined the amount of receivables from autonomous agencies.

In fiscal year 2019, actuarial determination for the amount of liability was made for measurement date of September 30, 2018 by actuarial valuation as of October 1, 2018. The components of the net pension liability of the plan as of September 30, 2019 is as follows:

Total pension liability	$ 645,784,891
Fiduciary net position	(116,501,735)
Net pension liability	$ 529,283,156
Fiduciary net position as a percentage of the total pension liability	18.04%

Actuarial Assumptions

The total pension liability was determined for measurement date of September 30, 2018 by an actuarial valuation as of October 1, 2018, using the following actuarial assumptions:

Actuarial Cost Method:	Entry Age Normal as a percentage of salary
Investment Income:	3.6% for all future years
Salary Increase:	No future salary increases
Mortality:	1971 Group Annuity Mortality Table for Males with ages set forward 3 years for Males

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

Actuarial Assumptions, Continued:

Turnover Rates:

Age	Rate
20	1.303%
35	1.078%
30	0.858%
35	0.683%
40	0.508%
45	0.333%
50	0.158%
55+	0.000%

Disability:

Age	Disability
25	0.020%
30	0.023%
35	0.035%
40	0.060%
45	0.112%
50	0.310%
55	0.334%
60	0.441%

Retirement Age:	100% at age 62, if eligible, or 25 years of vesting service.
Marriage Assumption:	84% of participants are assumed to be married.
Spouse Age:	Male members are assumed to be 5 years older than female spouses.
Survivor Benefit – Minor Child:	Married participants are assumed to have two minor children aged 13 on benefit commencement date.
Cost of Living Adjustment:	2% per year.

Long-Term Expected Rate of Return

The long-term expected rate of return on the Fund's investments of 3.6% was determined using investment expectations provided by the investment consultant for the NMISF.

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

Discount Rate

The discount rate used to measure the total pension liability was 3.6% at the current and prior measurement date. The discount rate was determined using the current assumed long-term rate of return to the extent that the plan assets along with expected future investments and expected future contributions are insufficient to finance all payments. The plan is project to be depleted in about 20 years, after that the plan sponsor (the CNMI) is expected to pay the benefits on a pay-as-you-go basis. For years on or after 20 years, the discount rate is based on 20-year tax-exempt AA or higher Municipal Bonds.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Fund as of September 30, 2018, calculated using the discount rate of 3.6%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (2.6%) or 1.00% higher (4.6%) from the current rate.

1% Decrease 2.6%	Current Single Discount Rate Assumption 3.6%	1% Increase 4.6%
$ 602,051,583	$ 529,283,156	$ 468,392,046

Schedule of Changes in Net Pension Liability

Based on the September 30, 2018 measurement date, the changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 10/01/18	$ 669,421,871	$ 94,660,646	$ 574,761,225
Changes for the year:			
Service cost	286,604	-	286,604
Interest	23,080,159	-	23,080,159
Difference between expected and actual experience	10,691,799	-	10,691,799
Employers' contributions	-	78,953,755	(78,953,755)
Members' contributions	-	596,345	(596,345)
Net investment income	-	1,273,146	(1,273,146)
Benefit payments, including refunds of members' contributions	(57,695,542)	(57,695,542)	-
Administrative expense	-	(1,286,615)	1,286,615
Net changes	(23,636,980)	21,841,089	(45,478,069)
Balance at 09/30/19	$ 645,784,891	$ 116,501,735	$ 529,283,156

Pension Liability. At September 30, 2019, the CNMI reported a liability of $529,283,156 for its full share of the net pension liability.

Pension Expense. For the year ended September 30, 2019, the CNMI recognized pension expense of $16,280,368.

Deferred Outflows and Inflows of Resources. At September 30, 2019, the CNMI reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

Schedule of Changes in Net Pension Liability, Continued

Deferred Outflows and Inflows of Resources, Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 1,026,287	$ -
Contributions subsequent to measurement date	58,869,053	-
	$ 59,895,340	$ -

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2019 will be recognized in pension expense as follows:

Year ending September 30,	
2020	$ 175,322
2021	175,322
2022	175,324
2023	500,319
	$ 1,026,287

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. Public Law 17-82 requires the CNMI to contribute to each member's individual account an amount equal to 4% unless the employee ceases to contribute its employee share. The CNMI's recorded DC contributions for the years ended September 30, 2019, 2018 and 2017 were $754,177, $814,292 and $656,465, respectively, equal to the required contributions for each year.

Members of the DC Plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

The contribution requirements of plan members and the CNMI are established and may be amended by the Board of Trustees of NMIRF.

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

(19) Restatement

Subsequent to the issuance of the CNMI's 2018 financial statements, CNMI management determined that certain account balances of CPA and CDA were understated by $3,448,447 and $8,876,824, respectively. Accordingly, account balances of the discretely presented component units have been restated from amounts previously reported.

(20) Subsequent Event

Economic uncertainties have arisen as a result of the COVID-19 coronavirus pandemic, which are likely to negatively impact the CNMI's financial results. To prevent the spread of the COVID-19 coronavirus, the CNMI temporarily suspended commercial air travel to the CNMI effective April 6, 2020. Although this suspension is temporary, there is considerable uncertainty on its duration, which negatively impacted businesses in the CNMI and resulted in employee furloughs both in private and public sectors. Other financial impacts could occur though such potential impact is unknown at this time.

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund
Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary	
	Original	Final	Basis)	Variance
Revenues:				
Taxes	$ 234,488,761	$ 208,260,238	$ 189,880,711	$ (18,379,527)
Charges for sales and services	3,080,134	3,080,134	1,988,226	(1,091,908)
Licenses and fees	13,115,375	13,115,375	12,154,017	(961,358)
Contributions from component units	-	-	2,265,082	2,265,082
Other	6,654,837	6,654,837	3,847,191	(2,807,646)
Total revenues	257,339,107	231,110,584	210,135,227	(20,975,357)
Expenditures - budgetary basis by function:				
Executive branch:				
Office of the Governor	3,270,491	2,405,036	2,251,915	153,121
Office of the Lt. Governor	990,815	792,947	763,764	29,183
Other Offices of the Governor and Lt. Governor	7,932,066	7,317,977	8,231,559	(913,582)
Department of Commerce	1,956,537	1,815,735	2,076,319	(260,584)
Department of Community and Cultural Affairs	3,782,833	3,207,672	3,209,364	(1,692)
Department of Corrections	5,815,297	5,225,215	5,950,693	(725,478)
Department of Finance	8,524,839	8,140,544	9,689,426	(1,548,882)
Department of Fire and Emergency Medical Services	5,845,030	5,502,570	6,580,541	(1,077,971)
Department of Labor	1,631,728	1,068,445	846,030	222,415
Department of Lands and Natural Resources	3,886,288	3,392,943	3,406,762	(13,819)
Department of Public Safety	8,211,344	7,773,751	13,515,178	(5,741,427)
Department of Public Works	3,650,171	2,989,655	3,420,516	(430,861)
Second Senatorial District - Tinian and Aguiguan	9,742,510	8,292,213	8,646,078	(353,865)
First Senatorial District - Rota	9,485,905	8,095,749	8,926,526	(830,777)
Legislative branch	7,200,608	6,117,693	5,865,032	252,661
Judicial branch	6,825,389	5,788,188	6,012,157	(223,969)
Independent programs	3,287,859	2,833,325	2,513,500	319,825
Office of the Attorney General	2,897,808	2,737,390	2,886,733	(149,343)
Third Senatorial District - Saipan and the Northern Islands	3,828,861	3,264,233	3,126,753	137,480
Office of the Public Auditor	1,600,599	1,421,552	2,032,045	(610,493)
Boards and commissions	1,889,928	1,974,502	2,115,132	(140,630)
Education (payment to PSS, NMC and Board of Education)	48,456,576	41,049,698	34,860,935	6,188,763
Tourism (payment to MVA)	16,252,075	16,252,076	7,686,950	8,565,126
Pension contributions (payment to NMISF and NMIRF)	50,938,596	50,468,125	44,148,262	6,319,863
Employee benefits (payment to GHLITF)	13,317,510	8,977,663	12,359,052	(3,381,389)
Health (Medicaid local expenditures and medical referrals)	7,868,414	6,758,124	21,492,519	(14,734,395)
Health (payment to CHCC)	4,185,412	3,545,647	768,733	2,776,914
Disaster expenditures	-	-	19,027,432	(19,027,432)
Debt service	9,548,750	9,548,750	9,564,446	(15,696)
Unallocated adjustments, net	161,702	-	(2,554,364)	2,554,364
Total expenditures	252,985,941	226,757,418	249,419,988	(22,662,570)
Excess (deficiency) of revenues over (under) expenditures	4,353,166	4,353,166	(39,284,761)	(43,637,927)
Other financing sources (uses):				
Operating transfers in	800,000	800,000	484,891	(315,109)
Operating transfers out	(9,274,597)	(9,274,597)	(5,469,755)	3,804,842
Total other financing sources (uses), net	(8,474,597)	(8,474,597)	(4,984,864)	3,489,733
Other changes:				
Encumbrances	4,121,431	4,121,431	4,305,967	184,536
Net change in deficit	$ -	$ -	$ (39,963,658) *	$ (39,963,658)

* See note 2.

See Accompanying Notes to Required Supplementary Information - Budgetary Reporting and Independent Auditors' Report.

(1) Budgetary Information

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.

Accounting principles used in developing data on a budgetary basis differ from those used in preparing the basic 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 unassigned deficit of the Governmental Fund Balance Sheet within the other changes in unassigned deficit section of that statement.

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 re-appropriated and honored during the subsequent fiscal year.

On September 19, 2018, the CNMI passed Public Law 20-67 as the Appropriations and Budget Authority Act of 2019 (the Act). The Act allocates local funds for the operations and activities of the Government of the CNMI, its agencies, its instrumentalities, independent agencies and political subdivisions and provides authority for government corporations for Fiscal Year 2019 commencing October 1, 2018 and ending September 30, 2019. On October 15, 2018, the CNMI passed Public Law 20-78 to amend Public Law 20-67 appropriate the funds that were line item vetoed under Governors Communications relating to the Act.

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

(2) Explanation of Differences

Total revenues of $208,498,345 reported under GAAP basis does not equal total revenues of $207,870,145 reported under the budgetary basis due to $628,200 of contract workers funds received from the U.S. Department of Homeland Security (USDHS) pursuant to US Public Law 110-229 for the purpose of funding ongoing vocational educational curricula and program development by the CNMI. The amount was included as other revenue in the governmental funds but was not included in the budgetary schedule. CNMI management has taken the position that these funds are not considered general fund revenues to be reported under the budgetary basis but are treated as pass-through funds from the USDHS. Of this amount, $250,000 was transferred to NMC and $378,000 was transferred to the Northern Marianas Trade Institute. Amounts were also not reported as expenditures for budgetary purposes.

The amount reported as operating transfers in of $1,489,708 under GAAP basis does not equal the amount reported as operating transfers in of $484,891 under the budgetary basis due to $1,004,817 of Compact Impact funds reported as operating transfers in the governmental fund financial statements but were reported as a reduction of expenditures for budgetary purposes.

The amount reported as operating transfers out of $8,849,342 under GAAP basis does not equal the amount reported as operating transfers out of $5,469,755 under the budgetary basis due to $3,379,587 of federal grants local match reported as transfers out in the governmental fund financial statements but were reported as expenditures for budgetary purposes.

The following reconciles budget to GAAP differences:

Net change in fund balance - budgetary basis	$ (39,963,658)
Less accrual of pension expenditures	16,280,368
Add contract workers fund not recognized under budgetary basis	2,335,109
Net change in fund balance - General Fund	$ (53,908,917)

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Required Supplemental Information
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

	2018 Valuation	2017 Valuation
NMISF (Plan) total net pension liability	$ 529,283,156	$ 574,761,225
The CNMI's proportionate share of the net pension liability	$ 529,283,156	$ 574,761,225
The CNMI's proportion of the net pension liability	100%	100%
The CNMI's covered employee payroll**	$ 3,602,480	$ 3,270,686
The CNMI's proportionate share of the net pension liability as a percentage of its covered employee payroll	14692.19%	17573.11%
Plan fiduciary net position as a percentage of the total pension liability	18.04%	14.14%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Required Supplemental Information
Schedule of Pension Contributions
Last 10 Fiscal Years*

	2018 Valuation	2017 Valuation
Actuarially determined contribution	$ 45,000,000	$ 33,000,000
Contribution in relation to the actuarially determined contribution	78,953,755	68,303,052
Contribution excess	$ (33,953,755)	$ (35,303,052)
The CNMI's covered-employee payroll**	$ 3,602,480	$ 3,270,686
Contribution as a percentage of covered-employee payroll	2191.65%	2088.34%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See accompanying Independent Auditors' Report.

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Expenditures by Account
Governmental Funds
Year Ended September 30, 2019

	General	Grants Assistance	Saipan Amusement	Department of Public Lands	Other Governmental Funds	Total
Salaries and wages	$ 73,618,334	$ 12,215,539	$ 536,052	$ 2,184,366	$ 4,362,334	$ 92,916,625
Professional services	10,265,440	108,751,827	564,599	437,196	2,526,371	122,545,433
Payments to Settlement Fund	44,000,000	-	29,187,939	-	-	73,187,939
Education:						
Payments to Public School System	36,619,017	224,874	3,850,000	-	250,000	40,943,891
Payments to Northern Marianas College	5,827,937	39,108	857,143	-	-	6,724,188
Employee benefits	15,526,630	4,178,680	146,821	485,032	903,619	21,240,782
Food items	910,032	32,302,793	2,197	-	237,904	33,452,926
Utilities	3,877,008	650,428	17,101	387,599	118,672	5,050,808
Capital outlay:						
Road improvements	58,827	-	1,072,505	-	2,206,544	3,337,876
Vehicles	2,378,372	1,224,619	771,732	-	719,386	5,094,109
Furniture and fixtures	225,811	190,176	257,110	12,704	223,743	909,544
Office equipment	1,317,872	560,076	-	310	-	1,878,258
Construction in progress	31,436	339,030	13,727	-	597,562	981,755
Machinery and equipment	614,163	502,340	5,370	4,675	50,685	1,177,233
Building improvements	294,090	113,756	69,269	-	36,850	513,965
Other	358,566	845,068	18,262	202,351	247,872	1,672,119
Payments to Marianas Visitors Authority	11,949,481	-	-	-	-	11,949,481
Payments to Marianas Public Land Trust	-	-	-	4,451,471	-	4,451,471
Contributions/donations	2,063,263	2,024,762	2,887,411	-	1,595,879	8,571,315
Claims and judgments	701,620	-	-	-	-	701,620
Interest	3,831,773	-	-	-	-	3,831,773
Travel	7,241,647	2,124,545	387,548	173,590	317,540	10,244,870
Principal repayment	5,956,646	-	-	-	-	5,956,646
Rentals	5,964,458	4,849,270	105,762	169,329	594,066	11,682,885
Scholarships/grants	1,836,439	9,665,718	1,472,832	-	1,614,350	14,589,339
Supplies	2,413,264	14,271,551	63,264	47,227	289,805	17,085,111
Payments to Commonwealth Utilities Corporation	-	-	105,000	-	-	105,000
Payments to Commonwealth Healthcare Corporation	691,553	883,333	-	-	-	1,574,886
Repairs and maintenance	3,448,725	16,453,103	104,914	36,910	458,303	20,501,955
Communications	1,155,492	454,855	20,242	18,768	88,467	1,737,824
Fuel and lubrication	1,729,943	931,267	47,240	25,854	181,756	2,916,060
Indirect costs	-	2,303,264	-	-	-	2,303,264
Advertising	58,357	149,394	7,345	12,285	9,862	237,243
Printing	296,294	243,429	17,794	8,373	35,916	601,806
Dues and subscriptions	224,467	59,515	2,680	569	8,720	295,951
Miscellaneous services	312,425	200,319	1,850	9,420	231,610	755,624
Official representation	181,611	-	10,336	-	14,986	206,933
Insurance	11,521	682,986	-	41,233	16,858	752,598
Freight	243,910	-	9,818	3,422	8,748	265,898
Books and library materials	22,428	37,209	-	-	185	59,822
Licenses and fees	51,543	9,682	-	3,474	2,749	67,448
Other	3,466,154	6,434,161	47,560	31,793	1,799,764	11,779,432
	$ 249,776,549	$ 223,916,677	$ 42,661,423	$ 8,747,951	$ 19,751,106	$ 544,853,706

See Accompanying Independent Auditors' Report.

The General Fund is the CNMI's primary operating fund and is used to account for all financial transactions not accounted for in any other fund.

NMTIT Rebate Trust

This fund was created to account for at least 75% 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.

Commonwealth Museum Fund

This fund was created by Public Law No. 10-5 to account 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.

Human Resources Development Trust Fund

This fund was created by 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.

Micronesian Garment Manufacturing Fund

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

Debt Service Fund

This fund accounts for the accumulation of resources, principally transfers from the General Fund for the payment of long-term debt principal and interest.

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, 2019, the project was completed. Revenues generated by the court will be used to finance the debt service on the loan payable under Settlement Agreement.

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 fund represents the net amount available after the costs of land acquisitions. Land condemnation proceedings are still in process.

Miscellaneous General Fund

The miscellaneous general 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
- Department of Corrections Revolving Fund
- Miscellaneous Expendable Trust Fund
- Agriculture Revolving Fund
- Public Utilities Commission Fund
- Soil and Water Conservation Fund
- Governor’s Education Initiative Fund

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Balance Sheet Accounts
General Fund
September 30, 2019

	General	NMTIT Rebate Trust	Commonwealth Museum	Human Resources Development Trust	Micronesian Garment Manufacturing	Debt Service	Judicial Building	Tinian Land Condemnation	Miscellaneous	Eliminations	Total
Assets											
Cash and cash equivalents	$ 16,248,779	$ 104,157	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,352,936
Time certificates of deposit	112,643	-	-	-	-	-	-	-	-	-	112,643
Restricted cash and cash equivalents	5,070,923	-	-	-	-	2,523,754	-	-	-	-	7,594,677
Receivables, net:											
Federal agencies	-	6,875,038	-	-	-	-	-	-	-	-	6,875,038
Taxes	7,395,606	-	-	-	-	-	-	-	-	-	7,395,606
General	4,144,214	-	-	-	-	-	-	-	-	-	4,144,214
Due from other funds	1	-	-	-	-	-	-	-	-	1,794,708	1,794,709
Due to/from General Funds	(50,527,043)	51,685,268	(1,265,120)	(182,346)	456,655	-	(1,849,884)	1,399,650	282,820	-	-
Due from fiduciary funds	1,659,022	-	-	-	-	-	-	-	-	-	1,659,022
Advances	1,189,075	-	-	-	-	-	-	-	-	-	1,189,075
Inventories	232,387	-	-	-	-	-	-	-	-	-	232,387
Other assets	2,500,000	-	-	-	-	-	-	-	-	-	2,500,000
	$(11,974,393)	$58,664,463	$ (1,265,120)	$ (182,346)	$ 456,655	$ 2,523,754	$ (1,849,884)	$ 1,399,650	$ 282,820	$ 1,794,708	$ 49,850,307
Liabilities and Fund Balances (Deficit)											
Liabilities:											
Accounts payable	$ 32,901,179	$ -	$ 9,292	$ 80	$ -	$ -	$ -	$ -	$ 82,646	$ -	$ 32,993,197
Tax rebates payable	-	58,664,463	-	-	-	-	-	-	-	-	58,664,463
Recovery rebates payable	393,837	-	-	-	-	-	-	-	-	-	393,837
Other liabilities and accruals	3,779,787	-	22,313	59,598	-	-	-	-	-	-	3,861,698
Claims and judgments payable	2,805,554	-	-	-	-	-	-	1,399,650	-	-	4,205,204
Loan payable under Settlement Agreement	2,019,860	-	-	-	-	-	-	-	-	-	2,019,860
Due to other funds	29,122,314	-	-	-	-	-	-	-	-	1,794,708	30,917,022
Due to fiduciary funds	17,693,829	-	-	-	-	-	-	-	-	-	17,693,829
Due to component units	28,078,720	-	-	-	-	-	-	-	-	-	28,078,720
Total liabilities	116,795,080	58,664,463	31,605	59,678	-	-	-	1,399,650	82,646	1,794,708	178,827,830
Fund balances (deficit):											
Non-spendable	2,732,387	-	-	-	-	-	-	-	-	-	2,732,387
Restricted	-	-	-	-	-	2,523,754	-	-	-	-	2,523,754
Unassigned	(131,501,860)	-	(1,296,725)	(242,024)	456,655	-	(1,849,884)	-	200,174	-	(134,233,664)
Total fund balances (deficit)	(128,769,473)	-	(1,296,725)	(242,024)	456,655	2,523,754	(1,849,884)	-	200,174	-	(128,977,523)
	$(11,974,393)	$58,664,463	$ (1,265,120)	$ (182,346)	$ 456,655	$ 2,523,754	$ (1,849,884)	$ 1,399,650	$ 282,820	$ 1,794,708	$ 49,850,307

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
General Fund
For the Year Ended September 30, 2019

	General	Commonwealth Museum	Human Resources Development Trust	Micronesian Garment Manufacturing	Debt Service	Judicial Building	Miscellaneous	Eliminations	Total
Revenues:									
Taxes	$ 189,880,711	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 189,880,711
Licenses and fees	11,146,526	-	-	-	-	1,007,491	-	-	12,154,017
Contributions from component units	2,265,082	-	-	-	-	-	-	-	2,265,082
Charges for sales and services	1,975,288	-	-	-	-	-	12,938	-	1,988,226
Interest and dividends	23,113	-	-	-	5,599	-	472	-	29,184
Other	4,144,661	2,620	-	-	-	-	298,926	-	4,446,207
Total revenues	209,435,381	2,620	-	-	5,599	1,007,491	312,336	-	210,763,427
Expenditures:									
Current:									
Public safety and law enforcement	57,344,799	-	-	-	-	-	-	-	57,344,799
General government	14,067,804	-	-	-	-	-	-	-	14,067,804
Other elected officials	11,982,489	-	-	-	-	-	-	-	11,982,489
Legislative branch	5,819,161	-	-	-	-	-	-	-	5,819,161
Health	18,460,825	-	-	-	-	-	-	-	18,460,825
Judicial branch	6,081,820	-	-	-	-	-	17,330	-	6,099,150
Lands and natural resources	6,678,619	-	-	-	-	-	-	-	6,678,619
Community and social services	6,938,461	280,129	-	-	-	-	-	-	7,218,590
Education	3,298,848	-	-	-	-	-	-	-	3,298,848
Economic development	1,593,586	-	-	-	-	-	-	-	1,593,586
Payments to:									
Public School System	31,676,885	-	-	-	-	-	-	-	31,676,885
Marianas Visitors Authority	7,912,823	-	-	-	-	-	-	-	7,912,823
Commonwealth Healthcare Corporation	704,544	-	-	-	-	-	-	-	704,544
Northern Marianas College	7,927,937	-	-	-	-	-	-	-	7,927,937
CNMI Group Health and Life Insurance Trust Fund	12,296,401	-	-	-	-	-	-	-	12,296,401
Settlement Fund	43,627,540	-	-	-	-	-	-	-	43,627,540
Debt service:									
Interest and fiscal charges	9,130	-	-	-	3,539,296	192,225	-	-	3,740,651
Principal retirement	-	-	-	-	4,960,000	-	-	-	4,960,000
Capital outlay:									
Public works	4,365,897	-	-	-	-	-	-	-	4,365,897
Total expenditures	240,787,569	280,129	-	-	8,499,296	192,225	17,330	-	249,776,549
Excess (deficiency) of revenues over (under) expenditures	(31,352,188)	(277,509)	-	-	(8,493,697)	815,266	295,006	-	(39,013,122)
Other financing sources (uses):									
Operating transfers in	2,093,253	-	-	-	8,554,822	-	-	(8,554,822)	2,093,253
Operating transfers out	(25,543,870)	-	-	-	-	-	-	8,554,822	(16,989,048)
Total other financing sources (uses), net	(23,450,617)	-	-	-	8,554,822	-	-	-	(14,895,795)
Net change in fund balances (deficit)	(54,802,805)	(277,509)	-	-	61,125	815,266	295,006	-	(53,908,917)
Fund balances (deficit) at beginning of year	(73,966,668)	(1,019,216)	(242,024)	456,655	2,462,629	(2,665,150)	(94,832)	-	(75,068,606)
Fund balances (deficit) at end of year	$ (128,769,473)	$ (1,296,725)	$ (242,024)	$ 456,655	$ 2,523,754	$ (1,849,884)	$ 200,174	$ -	$ (128,977,523)

See Accompanying Independent Auditors' Report.

The Grants Assistance Fund is used to account for all transactions related to grants received from various U.S. departments.

Federal Grants Fund

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

DOI Capital Projects Fund

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

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet
Grants Assistance Fund
September 30, 2019

Assets	Federal Grants	DOI Capital Projects	Total
Receivables, net:			
Federal agencies	$ 9,290,253	$ 79,064	$ 9,369,317
Other	-	12,831	12,831
Due from other funds	784,673	1,705,464	2,490,137
Inventories	571,956	-	571,956
	$ 10,646,882	$ 1,797,359	$ 12,444,241
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 6,506,628	$ 249,889	$ 6,756,517
Other liabilities and accruals	416,265	347,433	763,698
Due to other funds	1,647,196	-	1,647,196
Unearned revenues	571,956	-	571,956
Total liabilities	9,142,045	597,322	9,739,367
Fund balances:			
Restricted	1,504,837	1,200,037	2,704,874
	$ 10,646,882	$ 1,797,359	$ 12,444,241

See Accompanying Independent Auditors' Report.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Grants Assistance Fund
For the Year Ended September 30, 2019

	Federal Grants	DOI Capital Projects	Total
Revenues:			
Federal contributions	$ 218,213,712	$ 2,815,917	$ 221,029,629
Licenses and fees	241,481	-	241,481
Other	255,232	-	255,232
Total revenues	218,710,425	2,815,917	221,526,342
Expenditures:			
Current:			
Health	56,028,457	-	56,028,457
Community and social services	42,310,621	-	42,310,621
General government	4,818,080	81,961	4,900,041
Lands and natural resources	8,911,961	-	8,911,961
Public safety and law enforcement	106,732,691	-	106,732,691
Utilities	-	21,600	21,600
Economic development	370,076	85,612	455,688
Payments to:			
Public School System	224,874	-	224,874
Northern Marianas College	39,108	-	39,108
Commonwealth Healthcare Corporation	928,627	-	928,627
Capital outlay:			
Public works	19,185	1,284,987	1,304,172
Utilities - Capital Projects	-	2,058,837	2,058,837
Total expenditures	220,383,680	3,532,997	223,916,677
Deficiency of revenues under expenditures	(1,673,255)	(717,080)	(2,390,335)
Other financing sources (uses):			
Operating transfers in	3,379,587	-	3,379,587
Operating transfers out	(1,489,708)	(1,303,363)	(2,793,071)
Total other financing sources (uses), net	1,889,879	(1,303,363)	586,516
Net change in fund balances	216,624	(2,020,443)	(1,803,819)
Fund balances at beginning of year	1,288,213	3,220,480	4,508,693
Fund balances at end of year	$ 1,504,837	$ 1,200,037	$ 2,704,874

See Accompanying Independent Auditors' Report.

This fund was created to account for funds collected for casino licensing fees and to allocate these funds pursuant to Public Law 18-38, as amended by Public Law 18-43 and further amended by Public Law 18-56. This fund also includes nonrefundable application fees to be expended by the Commonwealth Lottery Commission (CLC), without appropriation, for the investigation of license applicants pursuant to 1 CMC § 2318 and any other costs associated with reviewing the applications and granting or denying applications for the exclusive license. The expenditure authority for CLC is the Chairman.

On February 22, 2006, Public Law 15-02 was enacted to repeal Executive Order 94-03 as codified, in Public Law 10-57, 12-33 and 12-71 to create the Department of Public Lands within the Executive Branch of the CNMI Government and to transfer the obligations and responsibilities of the Marianas Public Lands Authority to DPL. DPL is responsible for administration, use, leasing, development and disposition all those lands defined as public lands by N.M.I. Const. Art.XI.1 or any other provision of law, subject to the provisions of P.L. 15-02 and except as limited by transfers of freehold interest to individuals, entities, or other government agencies. DPL's authority does not extend to the issuance of land use permits and licenses, except as specifically provided for in P.L. 15-02 and does not limit in any respect the authority of other Commonwealth agencies to issue permits and licenses pursuant to their respective enabling legislation.

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

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. The fund also includes State Small Business Credit Initiative (SSBCI), a federal program administered by the U.S. Department of Treasury to strengthen programs that support private financing to small businesses and small manufacturers. Funds received under SSBCI are not considered federal assistance or a grant for the purposes of Subtitle V of Title 31 of the U.S. Code.

Commonwealth Arts Council Fund

This fund 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.

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

This fund was created by Public Law No. 5-32, as amended by Public Law No. 10-66 to account 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.

Commonwealth Alien Deportation Fund

This fund was created by Public Law No. 10-1 to account for the collection of nonresident workers' fees designated for the fund and for the expenditure of those funds in detecting and deporting illegal aliens.

Local Revenue Fund

This 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.

Saipan Trust Fund

This fund accounts for funds from the United States Government to develop the Saipan Marine and Fishing Complex.

See Accompanying Independent Auditors' Report.

Tobacco Settlement Trust Fund

This fund was created by Public Law No. 13-37 to account for all monies received from the Master Settlement Agreement. The monies must be used to implement programs and services to achieve the goals stated in Section 3 of Public Law 13-37.

Tobacco Control Fund

This fund was created by Public Law 13-38 to amend 4 CMC § 1402(A)(16) through (20) to restrict cigarette smoking and for other purposes.

Solid Waste Revolving Fund

This fund was created by Public Law 13-42 to provide financial support to the Commonwealth Solid Waste Management Systems and for other purposes.

Managaha Landing Fee Fund

This fund was created by Public Law 11-64 to account for revenues collected from commercial carriers who charge a fee to transport nonresident passengers to Managaha Island. Such fees are to be deposited into the Fund and will be expended exclusively on projects and for the construction, maintenance and operation of the Saipan Cultural and Performing Arts Center, the Saipan Youth Program, the Division of Public Lands, the Commonwealth Museum, and for the cultural heritage activities of the Indigenous and Carolinian Affairs Offices, in accordance with appropriations made by the Saipan and Northern Islands Legislative Delegation.

Qualifying Certificate Reserve Fund

This fund was created to account for the financial transactions of the Qualifying Certificate program.

MVA Trust Fund

This fund was created by Public Law 18-01 to account for revenues entitled to the Marianas Visitors Authority pursuant to Title 4 CMC § 1803. However, the Secretary of Finance may withhold up to 2.5 percent of the funds deposited for the purpose of funding revenue and tax personnel to enforce the provisions of Public Law 18-01 and other CNMI tax laws.

CNMI Scholarship Fund

This fund was created by Public Law 18-40 to account for all funds appropriated, donated or accruing to the benefit of the CNMI Scholarship Office and for the payments made therefrom as directed by the Board of Directors.

CNMI Workers' Compensation Commission (WCC) Fund

This fund was created by Public Law No. 6-33 which provides financial protection to both employers and employees for the catastrophic effects of work related injuries, illnesses or deaths. It is a social insurance plan that compensates employees for disabilities incurred from work related injuries regardless of fault. It is also a no-fault insurance program, solely paid for by the employer. The WCC ensures that private sector employers obtain and provide workers' compensation insurance coverage for their employees. The WCC also administers the CNMI government's workers' compensation self-insurance program. On November 9, 2012, Public Law 17-88 transferred administrative function of WCC from NMIRF to the CNMI Department of Commerce.

Judiciary Legal Services Fund

This fund was created by Public Law 18-36 to account for abandoned or unclaimed properties or monies held by the Commonwealth Judicial Branch. Monies in this fund must be used to pay for indigent legal services, pro se legal resources and payment of NMISF loan. The Chief Justice or a designee is the expenditure authority for this fund.

Commonwealth Casino Commission Fund

This fund was created by Public Law 19-24 to account for the financial transactions of the Commonwealth Casino Commission.

CNMI Group Health and Life Insurance Trust Fund (GHLITF)

GHLITF was created by Public Law No. 10-19 to ensure that CNMI Government employees are provided with medical and life insurance benefits, and that funds collected and disbursed for these purposes are administered in a fiscally sound and professionally accountable manner. GHLITF acts in a trustee capacity for health and life insurance coverage payments to the third-party providers. Contributions from employees and employers are based on rates agreed to by the Acting Administrator and the third-party providers.

Miscellaneous Special Revenue Funds

The miscellaneous special revenue fund combines the following:

- Zoning Board Revolving Fund
- Joeten-Kiyu Library Revolving Fund
- Animal Health Revolving Fund
- Fish and Game Revolving Fund
- Tobacco License Fee Fund
- Probation Services Fund
- Outer Cover Marina Fund

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.

Commonwealth Development Authority Fund

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

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 Fund

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

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 Fund

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

Private Capital Grants Fund

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

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2019

	Special Revenue Funds								
Assets	Private Grants	Commonwealth Arts Council	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Local Revenue	Saipan Trust	Tobacco Settlement Trust	Tobacco Control
Restricted cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,986	$ -	$ -
Restricted investments	-	-	-	-	-	-	-	-	-
Receivables, net:									
Federal	284,562	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,209,830	-
Due from other funds	1,194,825	16,236	48,292	239,723	-	8,284,955	16,479	-	3,290,999
Due from fiduciary funds	-	-	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-	-	-
	$ 1,479,387	$ 16,236	$ 48,292	$ 239,723	$ -	$ 8,284,955	$ 23,465	$ 1,209,830	$ 3,290,999
Liabilities and Fund Balances (Deficit)									
Liabilities:									
Accounts payable	$ 164,999	$ 12,003	$ -	$ -	$ 9,268	$ 693,870	$ -	$ 174,446	$ 454,153
Health and life insurance payable	-	-	-	-	-	-	-	-	-
Other liabilities and accruals	-	-	-	(361)	61	-	19,338	-	-
Due to other funds	-	-	-	-	-	-	-	178,038	-
Unearned revenues	-	-	47,497	-	-	-	-	-	-
Total liabilities	164,999	12,003	47,497	(361)	9,329	693,870	19,338	352,484	454,153
Fund balances (deficit):									
Restricted	-	-	-	-	-	-	4,127	-	-
Committed	1,314,388	3,176	795	240,084	-	7,591,085	-	857,346	2,836,846
Unassigned	-	1,057	-	-	(9,329)	-	-	-	-
Total fund balances (deficit)	1,314,388	4,233	795	240,084	(9,329)	7,591,085	4,127	857,346	2,836,846
	$ 1,479,387	$ 16,236	$ 48,292	$ 239,723	$ -	$ 8,284,955	$ 23,465	$ 1,209,830	$ 3,290,999

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet, Continued
Nonmajor Governmental Funds
September 30, 2019

Special Revenue Funds										
Solid Waste Revolving	Managaha Landing Fee	Qualifying Certificate Reserve	MVA Trust	CNMI Scholarship	CNMI Workers' Compensation Commission	Judiciary Legal Services	Commonwealth Casino Commission	CNMI Group Health and Life Insurance Trust	Miscellaneous	Total Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,986
-	-	-	-	-	1,565,442	-	-	-	-	1,565,442
-	-	-	-	-	-	-	-	-	-	284,562
-	-	-	-	-	-	-	-	56	-	56
-	-	-	-	-	-	-	-	-	-	1,209,830
1,475,637	39,580	49,548	108,495	1,228,858	1,315,936	48,349	2,509,508	754,013	1,233,987	21,855,420
-	-	-	-	-	-	-	-	864,788	-	864,788
-	-	-	-	-	-	-	-	1,832,726	-	1,832,726
$ 1,475,637	$ 39,580	$ 49,548	$ 108,495	$ 1,228,858	$ 2,881,378	$ 48,349	$ 2,509,508	$ 3,451,583	$ 1,233,987	$ 27,619,810
$ 1,182,850	$ -	$ -	$ 108,495	$ -	$ 401	$ -	$ 360	$ 6,404	$ 69,074	$ 2,876,323
-	-	-	-	-	-	-	-	1,912,134	-	1,912,134
58,003	-	-	-	-	-	-	-	-	-	77,041
-	-	-	-	-	-	-	-	-	-	178,038
-	-	-	-	-	-	-	-	-	-	47,497
1,240,853	-	-	108,495	-	401	-	360	1,918,538	69,074	5,091,033
-	-	-	-	-	-	-	-	-	-	4,127
234,784	39,580	49,548	-	1,228,858	2,880,977	48,349	2,509,148	1,533,045	1,164,913	22,532,922
-	-	-	-	-	-	-	-	-	-	(8,272)
234,784	39,580	49,548	-	1,228,858	2,880,977	48,349	2,509,148	1,533,045	1,164,913	22,528,777
$ 1,475,637	$ 39,580	$ 49,548	$ 108,495	$ 1,228,858	$ 2,881,378	$ 48,349	$ 2,509,508	$ 3,451,583	$ 1,233,987	$ 27,619,810

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet, Continued
Nonmajor Governmental Funds
September 30, 2019

	Capital Projects Funds							
Assets	Commonwealth Development Authority	Infrastructure Tax	Public Works Grants	American Memorial Park	Local Capital Projects	Private Capital Grants	Total Capital Projects Funds	Total Nonmajor Governmental Funds
Restricted cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,986
Restricted investments	-	-	-	-	-	-	-	1,565,442
Receivables, net:								
Federal	-	-	-	-	-	-	-	284,562
General	-	-	-	-	-	-	-	56
Other	-	-	-	-	-	-	-	1,209,830
Due from other funds	52,895	2,509,343	828,080	6,869	141,461	405,093	3,943,741	25,799,161
Due from fiduciary funds	-	-	-	-	-	-	-	864,788
Due from component units	-	-	-	-	-	-	-	1,832,726
	$ 52,895	$ 2,509,343	$ 828,080	$ 6,869	$ 141,461	$ 405,093	$ 3,943,741	$ 31,563,551
Liabilities and Fund Balances (Deficit)								
Liabilities:								
Accounts payable	$ -	$ 422,726	$ 254,510	$ -	$ 152,821	$ 31,574	$ 861,631	$ 3,737,954
Health and life insurance payable	-	-	-	-	-	-	-	1,912,134
Other liabilities and accruals	-	-	56,997	6,869	-	-	63,866	140,907
Due to other funds	-	-	-	-	(45,572)	-	(45,572)	132,466
Unearned revenues	52,569	-	-	-	-	-	52,569	100,066
Total liabilities	52,569	422,726	311,507	6,869	107,249	31,574	932,494	6,023,527
Fund balances (deficit):								
Restricted	-	-	-	-	-	-	-	4,127
Committed	326	2,086,617	516,573	-	34,212	373,519	3,011,247	25,544,169
Unassigned	-	-	-	-	-	-	-	(8,272)
Total fund balances (deficit)	326	2,086,617	516,573	-	34,212	373,519	3,011,247	25,540,024
	$ 52,895	$ 2,509,343	$ 828,080	$ 6,869	$ 141,461	$ 405,093	$ 3,943,741	$ 31,563,551

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
For the Year Ended September 30, 2019

	Special Revenue Funds								
	Private Grants	Commonwealth Arts Council	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Local Revenue	Saipan Trust	Tobacco Settlement Trust	Tobacco Control
Revenues:									
Federal contributions	$ 1,609,610	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Taxes	-	-	-	-	-	-	-	-	3,692,754
Licenses and fees	1,500	-	-	-	-	3,641,854	-	-	-
Contributions from component units	-	-	-	-	-	-	-	-	-
Interest and dividends	-	-	58	-	-	-	-	317	-
Charges for sales and services	-	-	-	-	-	(1)	-	-	-
Other	945,714	45,900	-	-	-	100,091	-	561,502	-
Total revenues	2,556,824	45,900	58	-	-	3,741,944	-	561,819	3,692,754
Expenditures by function:									
Current:									
Education	-	-	-	-	-	2,445,915	-	-	-
Economic development	1,034,313	-	-	-	-	201,413	-	-	-
Public safety and law enforcement	188,784	-	-	209,916	-	-	-	-	-
Community and social services	136,466	44,843	-	-	-	55,054	-	-	-
Health	14,358	-	-	-	-	-	-	340	694,619
Lands and natural resources	-	-	-	-	-	10,000	-	-	-
General government	1,134,192	-	-	-	-	217,732	-	31,095	-
Other elected officials	-	-	-	-	-	36,066	-	21,334	-
Payment to Marianas Visitors Authority	-	-	-	-	-	-	-	-	-
Payment to Commonwealth Healthcare Corporation	-	-	-	-	-	-	-	-	161,289
Capital outlay:									
Public works	-	-	-	-	-	76,904	-	-	-
Total expenditures	2,508,113	44,843	-	209,916	-	3,043,084	-	52,769	855,908
Excess (deficiency) of revenues over (under) expenditures	48,711	1,057	58	(209,916)	-	698,860	-	509,050	2,836,846
Other financing sources:									
Operating transfers in	-	-	-	450,000	-	-	-	-	-
Operating transfers out	(62,494)	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	(62,494)	-	-	450,000	-	-	-	-	-
Net change in fund balances (deficit)	(13,783)	1,057	58	240,084	-	698,860	-	509,050	2,836,846
Fund balances (deficit) at beginning of year	1,328,171	3,176	737	-	(9,329)	6,892,225	4,127	348,296	-
Fund balances (deficit) at end of year	$ 1,314,388	$ 4,233	$ 795	$ 240,084	$ (9,329)	$ 7,591,085	$ 4,127	$ 857,346	$ 2,836,846

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit), Continued Nonmajor Governmental Funds For the Year Ended September 30, 2019

Special Revenue Funds										
Solid Waste Revolving	Managaha Landing Fee	Qualifying Certificate Reserve	MVA Trust	CNMI Scholarship	CNMI Workers' Compensation Commission	Judiciary Legal Services	Commonwealth Casino Commission	CNMI Group Health and Life Insurance Trust	Miscellaneous	Total Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,609,610
2,686,377	-	-	203,105	-	-	-	-	-	-	6,582,236
859,275	-	-	-	-	-	-	93,560	-	69,296	4,665,485
-	-	-	-	-	-	-	-	-	-	-
2,846	-	-	-	-	38,197	-	4,641	-	-	46,059
-	-	-	-	-	-	-	-	-	288,796	288,795
-	-	-	12,151	140,196	130,998	14,702	160	-	72,335	2,023,749
3,548,498	-	-	215,256	140,196	169,195	14,702	98,361	-	430,427	15,215,934
-	-	-	-	-	-	-	-	-	-	2,445,915
-	-	-	-	-	-	-	-	-	-	1,235,726
-	-	-	-	-	9,999	-	-	-	56,872	465,571
-	-	-	-	-	-	-	-	-	70,944	307,307
-	-	-	-	-	-	-	-	-	-	709,317
-	-	-	-	-	-	-	-	-	69,134	79,134
-	-	-	-	146,007	-	490	2,673,436	-	-	4,202,952
-	-	-	-	-	-	-	-	-	-	57,400
-	-	-	1,538,959	-	-	-	-	-	-	1,538,959
-	-	-	-	-	-	-	-	-	-	161,289
3,297,517	-	-	-	-	-	-	-	-	-	3,374,421
3,297,517	-	-	1,538,959	146,007	9,999	490	2,673,436	-	196,950	14,577,991
250,981	-	-	(1,323,703)	(5,811)	159,196	14,212	(2,575,075)	-	233,477	637,943
-	-	-	1,323,703	759,844	-	-	-	-	-	2,533,547
-	-	-	-	-	-	-	-	-	-	(62,494)
-	-	-	1,323,703	759,844	-	-	-	-	-	2,471,053
250,981	-	-	-	754,033	159,196	14,212	(2,575,075)	-	233,477	3,108,996
(16,197)	39,580	49,548	-	474,825	2,721,781	34,137	5,084,223	1,533,045	931,436	19,419,781
$ 234,784	$ 39,580	$ 49,548	$ -	$ 1,228,858	$ 2,880,977	$ 48,349	$ 2,509,148	$ 1,533,045	$ 1,164,913	$ 22,528,777

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit), Continued
Nonmajor Governmental Funds
For the Year Ended September 30, 2019

	Capital Projects Funds							
	Commonwealth Development Authority	Infrastructure Tax	Public Works Grants	American Memorial Park	Local Capital Projects	Private Capital Grants	Total Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:								
Federal contributions	$ -	$ -	$ 2,615,794	$ -	$ -	$ -	$ 2,615,794	$ 4,225,404
Taxes	-	426,916	-	-	-	-	426,916	7,009,152
Licenses and fees	-	45,448	-	-	-	-	45,448	4,710,933
Contributions from component units	-	-	-	-	325,154	-	325,154	325,154
Interest and dividends	-	578	-	-	-	-	578	46,637
Charges for sales and services	-	-	-	-	-	-	-	288,795
Other	-	174,115	-	-	-	-	174,115	2,197,864
Total revenues	-	647,057	2,615,794	-	325,154	-	3,588,005	18,803,939
Expenditures by function:								
Current:								
Education	-	-	-	-	-	-	-	2,445,915
Economic development	-	-	-	-	1,375,393	-	1,375,393	2,611,119
Public safety and law enforcement	-	101,217	-	-	-	-	101,217	566,788
Community and social services	-	478,715	-	-	-	-	478,715	786,022
Health	-	-	-	-	-	-	-	709,317
Lands and natural resources	-	-	-	-	-	-	-	79,134
General government	-	-	-	-	-	-	-	4,202,952
Other elected officials	-	-	-	-	-	-	-	57,400
Payment to Marianas Visitors Authority	-	-	-	-	-	-	-	1,538,959
Payment to Commonwealth Healthcare Corporation	-	-	-	-	-	-	-	161,289
Capital outlay:								
Public works	-	153,958	2,844,920	-	218,912	-	3,217,790	6,592,211
Total expenditures	-	733,890	2,844,920	-	1,594,305	-	5,173,115	19,751,106
Excess (deficiency) of revenues over (under) expenditures	-	(86,833)	(229,126)	-	(1,269,151)	-	(1,585,110)	(947,167)
Other financing sources (uses):								
Operating transfers in	-	-	-	-	1,303,363	-	1,303,363	3,836,910
Operating transfers out	-	-	-	-	-	-	-	(62,494)
Total other financing sources (uses), net	-	-	-	-	1,303,363	-	1,303,363	3,774,416
Net change in fund balances (deficit)	-	(86,833)	(229,126)	-	34,212	-	(281,747)	2,827,249
Fund balances (deficit) at beginning of year	326	2,173,450	745,699	-	-	373,519	3,292,994	22,712,775
Fund balances (deficit) at end of year	$ 326	$ 2,086,617	$ 516,573	$ -	$ 34,212	$ 373,519	$ 3,011,247	$ 25,540,024

See Accompanying Independent Auditors' Report.

Pension and Other Employee Benefits Trust Funds

Pension and other employee benefit trust funds are used to account for a Public Employee Retirement System, health and life benefits and workers' compensation benefits. These funds use the accrual basis of accounting and have a capital maintenance measurement focus. The basic financial statements reflect the balances and activity of the pension and other employee benefit trust fund of the Government, which are described below.

Northern Mariana Islands Retirement Fund (NMIRF)

NMIRF was initially established through CNMI Public Law (P.L.) 1-43, as amended by P.L. 6-17, to provide retirement security and other benefits to government employees, their spouses and dependents. NMIRF was governed by a seven-member Board of Trustees who appointed an Administrator who administered NMIRF in a manner that furthered its purposes. On September 30, 2013, District Court approved a Settlement Agreement between retirees, the CNMI, the NMIRF and others for Civil Case No. 09-00023. The Board of Trustees has not been renewed by the Governor and NMIRF is administered by the CNMI Secretary of Finance who serves as the Acting Administrator.

Defined Contribution Plan (DCP)

DCP was created by Public Law 15-13 to provide an individual account retirement system for any person employed by the CNMI or its autonomous agencies. Participating employers include the CNMI, NMIRF, CGECU, CDA, CHCC, CPA, CUC, MPLT, MVA, NMC, NMHC and PSS. The NMIRF Acting Administrator is responsible for the general administration and operation of DCP. DCP, by its nature, is fully funded on a current basis from employer and member contributions. DCP is a voluntary multi-employer pension plan and is the single retirement program for all new employees whose employment commenced on or after January 1, 2007.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Fiduciary Net Position
Fiduciary Funds - Pension Trusts
September 30, 2019

	Northern Mariana Islands Retirement Fund	Defined Contribution Plan	Total
Assets			
Cash and cash equivalents	$ 3,914,606	$ -	$ 3,914,606
Receivables, net:			
Notes	1,911,385	-	1,911,385
Agency	-	794,900	794,900
Other	7,951	-	7,951
Total receivables, net	1,919,336	794,900	2,714,236
Defined contribution plan investments	-	41,043,713	41,043,713
Foreclosed real estate	209,095	-	209,095
Total assets	6,043,037	41,838,613	47,881,650
Liabilities and Fiduciary Net Position			
Accounts payable and accrued expenses	217,758	-	217,758
Due to primary government	2,523,810	-	2,523,810
Total liabilities	2,741,568	-	2,741,568
Fiduciary net position:			
Held in trust for pension benefits	$ 3,301,469	$ 41,838,613	$ 45,140,082

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Pension Trusts
Year Ended September 30, 2019

	Northern Mariana Islands Retirement Fund	Defined Contribution Plan	Total
Additions:			
Employee contributions	$ 68,490	$ 7,664,969	$ 7,733,459
Employer contributions	-	2,900,940	2,900,940
	68,490	10,565,909	10,634,399
Investment income:			
Net change in the fair value of investments	-	1,054,635	1,054,635
Interest and dividend income	-	233,648	233,648
Total investment income	-	1,288,283	1,288,283
Less management and custodial fees	-	(351,334)	(351,334)
Net investment income	-	936,949	936,949
Interest and fees on loans	160,356	-	160,356
Transfers and rollovers	-	50,065	50,065
Other	14,631	-	14,631
Total additions	243,477	11,552,923	11,796,400
Deductions:			
Benefits and refund payments:			
Withdrawal and refunds	494	7,140,161	7,140,655
Retirement benefits	256,522	-	256,522
Forfeitures	-	128,291	128,291
Health and life insurance premiums	62,692	-	62,692
Survivor benefits	6,000	-	6,000
Total benefits and refund payments	325,708	7,268,452	7,594,160
Administrative expenses:			
Salaries and wages	79,038	-	79,038
Employee benefits	6,730	-	6,730
Professional fees	60,000	-	60,000
Total administrative expenses	145,768	-	145,768
Total deductions	471,476	7,268,452	7,739,928
Change in net position held in trust for employees' pension benefits	(227,999)	4,284,471	4,056,472
Fiduciary net position held in trust:			
Beginning of year	3,529,468	37,554,142	41,083,610
End of year	$ 3,301,469	$ 41,838,613	$ 45,140,082

See Accompanying Independent Auditors' Report.

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).

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency
September 30, 2019

Assets	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019
Cash and cash equivalents	$ 1,634,202	$ 135,100	$ -	$ 1,769,302
Restricted assets	1,962,939	59,597	-	2,022,536
Total assets	$ 3,597,141	$ 194,697	$ -	$ 3,791,838
Liabilities				
Deposits payable	$ 3,597,141	$ 194,697	$ -	$ 3,791,838
Total liabilities	$ 3,597,141	$ 194,697	$ -	$ 3,791,838

See Accompanying Independent Auditors' Report.