

COMMONWEALTH CASINO COMMISSION  
(A GOVERNMENTAL FUND OF THE COMMONWEALTH OF  
THE NORTHERN MARIANA ISLANDS)

STATEMENT OF REVENUES AND EXPENDITURES  
AND  
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2017

## INDEPENDENT AUDITORS' REPORT

Mr. Edward C. Deleon Guerrero  
Executive Director  
Commonwealth Casino Commission

### **Report on the Statement of Revenues and Expenditures**

We have audited the accompanying statement of revenues and expenditures of the Commonwealth Casino Commission (CCC), a governmental fund of the Commonwealth of the Northern Mariana Islands (CNMI), for the year ended September 30, 2017, and the related notes to the statement of revenues and expenditures.

### ***Management's Responsibility for the Statement of Revenues and Expenditures***

Management is responsible for the preparation and fair presentation of this statement of revenues and expenditures 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 statement of revenues and expenditures that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this statement of revenues and expenditures based on our audit. 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 statement of revenues and expenditures is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of revenues and expenditures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of revenues and expenditures, 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 statement of revenues and expenditures 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 statement of revenues and expenditures.

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

## ***Opinion***

In our opinion, the statement of revenues and expenditures referred to above presents fairly, in all material respects, the results of operations of the Commonwealth Casino Commission for the year ended September 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis-of-Matter***

As discussed in Note 2, the statement of revenues and expenditures presents only the results of operations of CCC. It is not intended to present the results of operations of the CNMI in conformity with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to this matter.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of CCC'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 CCC'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 CCC's internal control over financial reporting and compliance.

*Deloitte & Touche LLC*

December 14, 2018

COMMONWEALTH CASINO COMMISSION  
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Statement of Revenues and Expenditures  
Year Ended September 30, 2017

Revenues:	
Regulatory fee	\$ 3,000,000
Interest	3,188
Other fees	<u>313,006</u>
Total revenues	<u>3,316,194</u>
Expenditures:	
Salaries and wages	1,549,914
Travel	418,468
Employee benefits	348,740
Board compensation	325,000
Supplies	49,564
Rent	39,900
Furniture and fixtures	24,444
Communications	20,381
Utilities	14,735
Computer system	14,000
Printing	6,799
Machinery and equipment	6,493
Food items	3,095
Advertising	2,977
Fuel and lubrication	2,842
Repairs and maintenance	2,640
Dues and subscriptions	2,448
Professional services	2,050
Insurance	1,582
Miscellaneous	<u>608</u>
Total expenditures	<u>2,836,680</u>
Excess of revenues over expenditures	<u>\$ 479,514</u>

See accompanying notes to statement of revenues and expenditures.

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Notes to Statement of Revenues and Expenditures  
September 30, 2017

(1) Organization and Purpose

The Commonwealth Casino Commission (CCC) is a governmental fund of the Commonwealth of the Northern Mariana Islands (CNMI). On March 21, 2014, Public Law (PL) 18-38, which was further amended by PLs 18-43, 18-56 and 19-24, was enacted to create CCC within the Executive Branch of the CNMI Government. CCC is responsible to regulate casino gaming by the exclusive casino licensee and is governed by a five-member Board of Commissioners, three of which are appointed by the Governor of the CNMI, and the remaining two are appointed by the Mayors of Rota and Tinian and Aguiguan. CCC is headed by an Executive Director who is responsible for the overall administration of CCC and the supervision of the casino licensee and others.

(2) Summary of Significant Accounting Policies

The accounting policies of CCC conform to accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. CCC's significant accounting policies are described below:

Measurement Focus and Basis of Accounting

The accompanying statement of revenues and expenditures 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, revenues are considered available if they are collected within ninety days of the end of the current fiscal period. The accompanying statement of revenues and expenditures relates solely to the operations of CCC and does not extend to the results of operations of the CNMI.

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. CCC is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. CCC's recorded DC contributions for the year ended September 30, 2017 were \$24,636 which is equal to the required contributions for the 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.

New Accounting Standards

During the year ended September 30, 2017, CCC implemented the following pronouncements:

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Notes to Statement of Revenues and Expenditures  
September 30, 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

The implementation of these statements did not have a material effect on the accompanying statement of revenues and expenditures.

During the year ended September 30, 2017, CCC did not implement the following pronouncements as management believes that the non-implementation of these statements has no impact on the statement of revenues and expenditures as the statement of revenue and expenditures are prepared at the fund level to which the following statements do not apply.

- 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*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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Notes to Statement of Revenues and Expenditures  
September 30, 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

In November 2016, GASB issued 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. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the statement of revenues and expenditures.

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 statement of revenues and expenditures.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the statement of revenues and expenditures.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the statement of revenues and expenditures.

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Notes to Statement of Revenues and Expenditures  
September 30, 2017

(2) Summary of Significant Accounting Policies, Continued

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 statement of revenues and expenditures.

(3) Commitment

CCC leases office space in Saipan. The lease provides for monthly rental of \$3,200 beginning April 1, 2016, which further increased to \$8,000 from February 1, 2018 until March 31, 2019. Total applicable future minimum lease payments for subsequent years ending September 30 are as follows:

Year ending September 30,

2018	\$ 76,800
2019	<u>48,000</u>
	<u>\$ 124,800</u>

(4) Risk Management

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