

*Financial Statements, Required Supplementary
Information, and Supplementary Information*

Commonwealth of the Northern Mariana Islands

*Year Ended September 30, 2021
with Report of Independent Auditors*



Commonwealth of the Northern Mariana Islands

Financial Statements, Required Supplementary Information,
and Supplementary Information

Year Ended September 30, 2021

Table of Contents

I. Report of Independent Auditors.....	1
II. Management’s Discussion & Analysis	7
III. Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	17
Governmental Fund Financial Statements:	
Balance Sheet	18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit).....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities	21
Discretely Presented Component Unit Financial Statements:	
Statement of Net Position	22
Statement of Revenues, Expenses, and Changes in Net Position	24
Notes to the Basic Financial Statements.....	25
IV. Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Deficit	
- Budget and Actual - General Fund	98
Notes to Required Supplementary Information - Budgetary Reporting.....	99
Schedule of Proportional Share of the Net Pension Liability	101
Schedule of Pension Contributions	102
V. Supplementary Information:	
Combining Schedule of Expenditures by Account - Governmental Funds.....	103
Major Governmental Fund - General Fund	104
Major Governmental Fund:	
Combining Schedule of Balance Sheet Accounts - General Fund.....	106
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit)- General Fund.....	107
Major Governmental Fund - Grants Assistance Fund.....	108

Commonwealth of the Northern Mariana Islands

Financial Statements, Required Supplementary Information,
and Supplementary Information

Table of Contents, continued

V. Supplementary Information, continued:

Major Governmental Fund:

Combining Balance Sheet - Grants Assistance Fund..... 109

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

- Grants Assistance Fund 110

Major Governmental Fund - ARPA Fund 111

Major Governmental Fund - Saipan Amusement Fund 112

Major Governmental Fund - Department of Public Lands 113

Nonmajor Governmental Funds - Special Revenue Funds 114

Nonmajor Governmental Funds - Capital Projects Funds..... 118

Nonmajor Governmental Funds:

Combining Balance Sheet - Special Revenue Funds 119

Combining Balance Sheet - Capital Projects Funds..... 121

Combining Statement of Revenues, Expenditures, and Changes

in Fund Balances (Deficit) - Special Revenue Funds..... 122

Combining Statement of Revenues, Expenditures, and Changes

in Fund Balances (Deficit) - Capital Projects Funds 124



Report of Independent Auditors

Honorable Arnold I. Palacios
Governor
Commonwealth of the Northern Mariana Islands:

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the aggregate discretely presented component units, the Department of Public Lands 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, 2021, and the related notes to the financial statements. We were also engaged to audit the accompanying financial statements of the governmental activities and each of the remaining major funds. These financial statements 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 Department of Public Lands Fund (DPL), which is both a major fund and .8%, 2.2%, and .5%, respectively of the assets, fund balance and revenues of the Governmental Funds. In addition, we did not audit the financial statements of the Commonwealth Economic Development Authority (CEDA), the Commonwealth Ports Authority (CPA), the Commonwealth Utilities Corporation (CUC), the Marianas Public Land Trust (MPLT), the Marianas Visitors Authority (MVA), and the Northern Marianas College (NMC), which represent 88%, 90% and 68%, 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 DPL, CEDA, CPA, CUC, MPLT, MVA and NMC, 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. Because of the matters described in the "Basis for Disclaimer of Opinions" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the governmental activities, the General Fund, the Grants Assistance Governmental Fund, the ARPA Governmental Fund and the Saipan Amusement Governmental Fund.

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.

Except for the matters described in the “Basis for Disclaimer of Opinions” paragraph, 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	Disclaimer
Aggregate Discretely Presented Component Units	Adverse
General Fund	Disclaimer
Grants Assistance Governmental Fund	Disclaimer
American Rescue Plan Act (ARPA) Governmental Fund	Disclaimer
Saipan Amusement Governmental Fund	Disclaimer
Department of Public Lands Governmental Fund	Unmodified
Aggregate Remaining Fund Information	Adverse

Basis for Disclaimer of Opinions on the Governmental Activities, the General Fund, the Grants Assistance Governmental Fund, the ARPA Governmental Fund and the Saipan Amusement Governmental Fund

As discussed in note 1 to the financial statements, the CNMI has not recorded changes on related net pension asset or liability, deferred inflows of resources and deferred outflows of resources as of and for the year ended September 30, 2021 as required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires an employer to recognize its proportionate share of the collective pension expense, as well as the net pension asset or liability, deferred outflows of resources and deferred inflows of resources measured as of a date no earlier than the end of the employer’s prior fiscal year, consistently applied from period to period. The amount by which this 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.

Management has not adopted 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 was unable to provide sufficient appropriate audit evidence for the balance and financial activity of advances, general receivables, other liabilities and accruals, other revenues and expenditures/expenses of the governmental activities, the General Fund, the Grants Assistance Governmental Fund, the ARPA Governmental Fund, the Saipan Amusement Governmental Fund, and Other Governmental Funds. Amounts due from and due to other funds did not reconcile by approximately \$62 million. The CNMI was unable to substantiate the general ledger transactions of these balances and activities due to inadequacies in accounting records and, as of the report date, was still in the process of determining the balance and financial activity of advances, general receivables, other liabilities and accruals, other revenues and expenditures/expenses. We were unable to satisfy ourselves through alternative auditing procedures concerning advances, general receivables, other liabilities and accruals, other revenues and expenditures/expenses. As a result of these matters, we were unable to determine whether further audit adjustments may have been necessary in respect to the recorded or unrecorded advances, general receivables, other liabilities and accruals, other revenues, expenditures/ expenses.

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

The CNMI's component units' column does not include the financial statements of the Commonwealth Healthcare Corporation (CHCC) and the Northern Marianas Housing Corporation (NMHC). Accounting principles generally accepted in the United States of America require the financial statements of CHCC and NMHC 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. The amount by which this departure would affect the assets and deferred outflows, liabilities and deferred inflows, net position, revenues, and expenses of the aggregately discretely presented component units has not been determined.

The CNMI's aggregate remaining fund information does not include the financial statement of the Northern Mariana Islands Retirement Fund (NMIRF), a fiduciary component unit. Accounting principles generally accepted in the United States of America require the financial statements of the NMIRF 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.

Disclaimer of Opinions

Because of the significance of the matters described in the “Basis for Disclaimer of Opinions” paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, the General Fund, the Grants Assistance Governmental Fund, the ARPA Governmental Fund and the Saipan Amusement Governmental Fund. Accordingly, we do not express an opinion on these financial statements.

Adverse Opinions

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinions” 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, 2021, 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 financial position of the Department of Public Lands Governmental Fund of the CNMI as of September 30, 2021, and the 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

Correction of Errors

As discussed in note 20 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 19 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 7 through 14 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 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.

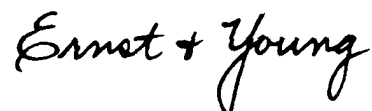
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CNMI's basic financial statements. The Supplementary Information, as set forth in the foregoing table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 engagement to audit 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. Because of the significance of the matters described in the "Basis for Disclaimer of Opinions" paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2024 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 engagement to perform an audit in accordance with *Government Auditing Standards* in considering the CNMI's internal control over financial reporting and compliance.

The logo for Ernst + Young, written in a black, cursive script font.

August 15, 2024



Office of the Secretary
Department of Finance



P.O. Box 5234 CHR, Saipan MP 9695

TEL (670) 664-1100 FAX (670) 664-1115

Management's Discussion and Analysis (MD&A)
Year Ended September 30, 2021

Our discussion and analysis of the Commonwealth of the Northern Mariana Islands (CNMI) financial performance provides an overview of the CNMI's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the CNMI's financial statements, which follow this section. Fiscal year 2020 information has been included where appropriate for comparative purposes.

FINANCIAL HIGHLIGHTS

For the fiscal year ended September 30, 2021, the CNMI's financial performance and position are summarized as follows:

- The CNMI's net position decreased by 20.9%, or \$100.1 million, resulting in a deficit net position of \$580.1 million as of September 30, 2021.
- Total expenses for governmental activities amounted to approximately \$847.8 million, inclusive of payments to autonomous agencies. These expenditures were funded in part by program revenues totaling \$575.6 million and general revenues amounting to \$172.1 million. The deficiency of total revenues (\$747.6 million) under total expenses (\$847.8 million) contributed to an increase of the CNMI's deficit net position by \$100.1 million.
- As of September 30, 2021, the General Fund reported an unassigned fund deficit of \$209.4 million, marking a 55% increase from the prior year's deficit of \$134.9 million.
- For budgetary reporting purposes, General Fund revenues aligned with projections at \$143.1 million. Actual expenditures exceeded final projected estimates by 45%, or \$64.7 million. These figures exclude transfers to and from other funds and the receipt or use of long-term debt proceeds.

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 includes 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.



Office of the Secretary
Department of Finance



P.O. Box 5234 CHR, Saipan MP 9695

TEL (670) 664-1100 FAX (670) 664-1115

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.



**Office of the Secretary
Department of Finance**



P.O. Box 5234 CHRB, Saipan MP 9695

TEL (670) 664-1100 FAX (670) 664-1115

A FINANCIAL ANALYSIS OF THE CNMI AS A WHOLE

Net Position

The CNMI's governmental activities deficit net position increased from \$480.0 million to a deficit net position of \$580.1 million, an increase of 20.9% between fiscal years 2020 and 2021.

A summary of net position (condensed) of fiscal year 2021 is presented below with comparable balances of fiscal year 2020:

	<u>Government Activities</u>		
	Audited	Audited	
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current assets:	\$ 509,279,984	\$ 98,757,354	\$ 410,522,630
Capital assets, net	154,947,673	145,866,390	9,081,283
Other noncurrent assets	2,500,000	2,500,000	---
Deferred outflows from cost of refunding debt	3,716,713	4,026,441	(309,728)
Deferred outflows of resources from pension	<u>54,417,420</u>	<u>56,831,391</u>	<u>(2,413,971)</u>
 Total assets and deferred outflows	 <u>\$ 724,861,790</u>	 <u>\$ 307,981,576</u>	 <u>\$ 416,880,214</u>
 Long-term debt outstanding	 \$ 80,586,044	 \$ 85,405,389	 \$(4,819,345)
Obligations under Settlement Agreement	414,433,676	470,414,103	(55,980,427)
Other liabilities	<u>809,959,988</u>	<u>232,148,284</u>	<u>577,811,704</u>
 Total liabilities	 <u>1,304,979,708</u>	 <u>787,967,776</u>	 <u>517,011,932</u>
 Net position:			
Net investment in capital assets	78,078,342	64,487,442	13,590,900
Restricted	3,209,630	8,327,843	(5,118,213)
Unrestricted	<u>(661,405,890)</u>	<u>(552,801,485)</u>	<u>(108,604,405)</u>
 Total net position	 <u>\$(580,117,918)</u>	 <u>\$(479,986,200)</u>	 <u>\$(100,131,718)</u>

Significant results from the prior year in the Statement of Net Position include decreases in long-term debt from payments toward debt services.



Office of the Secretary
Department of Finance



P.O. Box 5234 CHR, Saipan MP 9695

TEL (670) 664-1100 FAX (670) 664-1115

Changes in Net Position

For the year ended September 30, 2021, net position of the primary government changed as follows, with comparable amounts for fiscal year 2020:

	<u>Government Activities</u>		<u>Change</u>
	<u>Audited</u> <u>2021</u>	<u>Audited</u> <u>2020</u>	
Revenues:			
Program revenues	\$575,581,804	\$324,541,345	\$251,040,459
Taxes and other general revenues	<u>172,057,395</u>	<u>197,434,022</u>	(25,376,627)
Total revenues	<u>747,639,199</u>	<u>521,975,367</u>	<u>225,663,832</u>
Expenses:			
Health	118,855,150	78,059,771	40,795,379
Public safety and law enforcement	92,366,946	82,372,466	9,994,480
General government	63,079,466	33,234,880	42,534,506
Public welfare	130,091,254	120,658,332	9,432,922
Community and social services	76,739,109	48,528,262	28,210,847
Other elected officials	5,312,142	8,988,320	(3,676,178)
Utilities	3,531,838	9,704,640	(6,172,802)
Utilities - Capital Projects	1,536,507	---	1,536,507
Lands and natural resources	20,904,429	12,706,073	8,198,356
Public works	16,989,471	21,010,200	(4,020,729)
Legislative branch	8,545,580	6,049,146	2,496,434
Judicial branch	9,627,013	5,471,966	4,155,047
Education	2,398,263	7,648,493	(5,250,230)
Interest and fiscal charges	12,003,025	3,888,271	8,114,754
Principal retirement	1,193,617	14,553	5,688,682
Economic development	186,532,058	10,693,792	175,838,266
Payments to CNMI Group Health and Life Insurance Trust Fund	---	47,787	(47,787)
Payments to autonomous agencies	59,187,955	48,024,823	64,729,588
Rebate Trust Fund	38,814,766	---	38,814,766
Other revenue	62,328	---	62,328
Pension Expense	---	<u>178,516</u>	(178,516)
Total expenses	<u>847,770,917</u>	<u>497,280,291</u>	<u>350,490,626</u>
Change in net position	(100,131,718)	24,695,076	(124,826,794)
Net position, beginning of year	<u>(479,986,200)</u>	<u>(504,681,276)</u>	<u>24,695,076</u>
Net position, end of year	<u>\$(580,117,918)</u>	<u>\$(479,986,200)</u>	<u>\$(100,131,718)</u>

The CNMI's primary governmental activities' increase in deficit net position to \$580.1 million represents a \$100.1 million increase from the prior year. The results indicate that the CNMI's financial condition, as a whole, declined during the year. Significant changes from 2021 in the Statement of Activities include a increase in program and general revenues by \$225.7 million and increased expenditures in economic development (\$175.8 million), general government (\$42.5 million), community and social services (\$28.2 million), and health (\$40.8 million).



**Office of the Secretary
Department of Finance**



P.O. Box 5234 CHR, Saipan MP 9695

TEL (670) 664-1100 FAX (670) 664-1115

Statement of 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:

	<u>Government Activities</u>		<u>Change</u>
	<u>Audited 2021</u>	<u>Audited 2020</u>	
Health	\$(116,750,204)	\$(15,390,263)	\$(101,359,941)
Public safety and law enforcement	(88,747,414)	(41,269,436)	(47,477,978)
General government	78,752,835	(13,492,383)	92,245,218
Public welfare	(130,091,254)	---	(130,091,254)
Community and social services	(51,149,603)	(5,153,107)	(45,996,496)
Other elected officials	(2,883,533)	(8,988,320)	6,104,787
Utilities	(1,226,507)	(6,875,537)	5,649,030
Lands and natural resources	(19,633,463)	(5,478,818)	(14,154,645)
Public works	(8,182,151)	(6,689,896)	(1,492,255)
Legislative branch	(7,860,322)	(6,049,146)	(1,811,176)
Judicial branch	(9,131,375)	(5,471,966)	(3,659,409)
Education	(2,344,412)	(7,648,493)	5,304,081
Interest and fiscal charges	(6,941,130)	(3,888,271)	(3,052,859)
Principal retirement	3,619,408	(14,553)	3,633,961
Economic development	170,595,563	951,985	169,643,578
Life Insurance Trust Fund	---	(47,787)	47,787
Payments to autonomous agencies	(41,338,457)	(47,054,439)	5,715,982
Rebate Trust Fund	(38,814,766)	---	(38,814,766)
Pension expense	(62,328)	(178,516)	116,188
Total	\$(272,189,113)	\$(172,738,946)	\$(99,450,167)



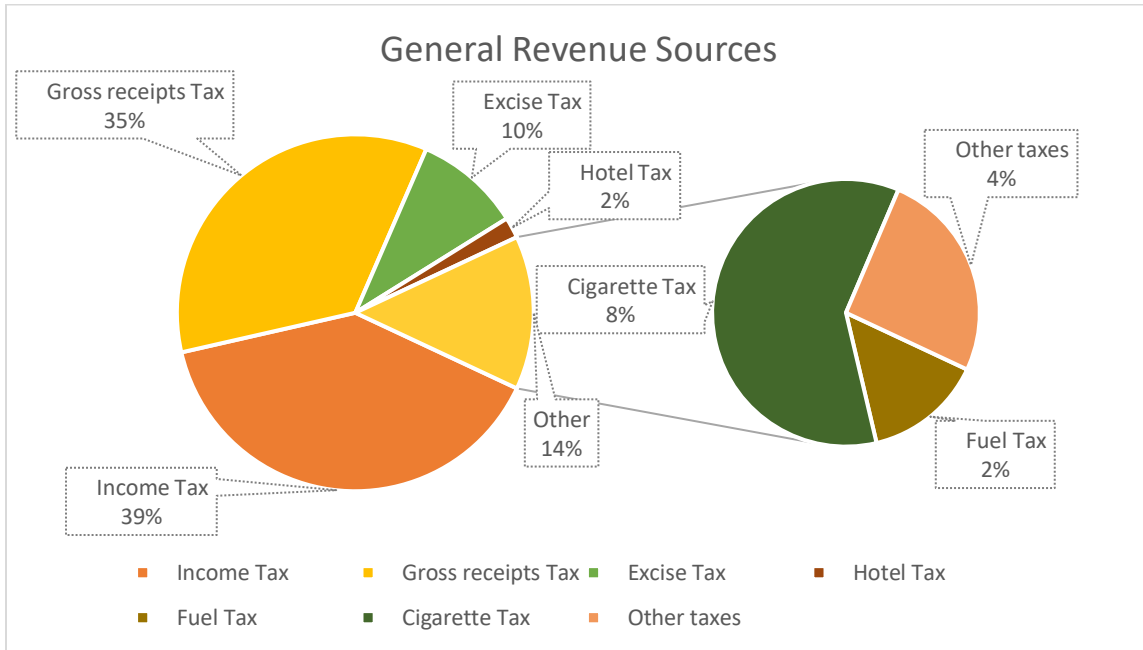
**Office of the Secretary
Department of Finance**



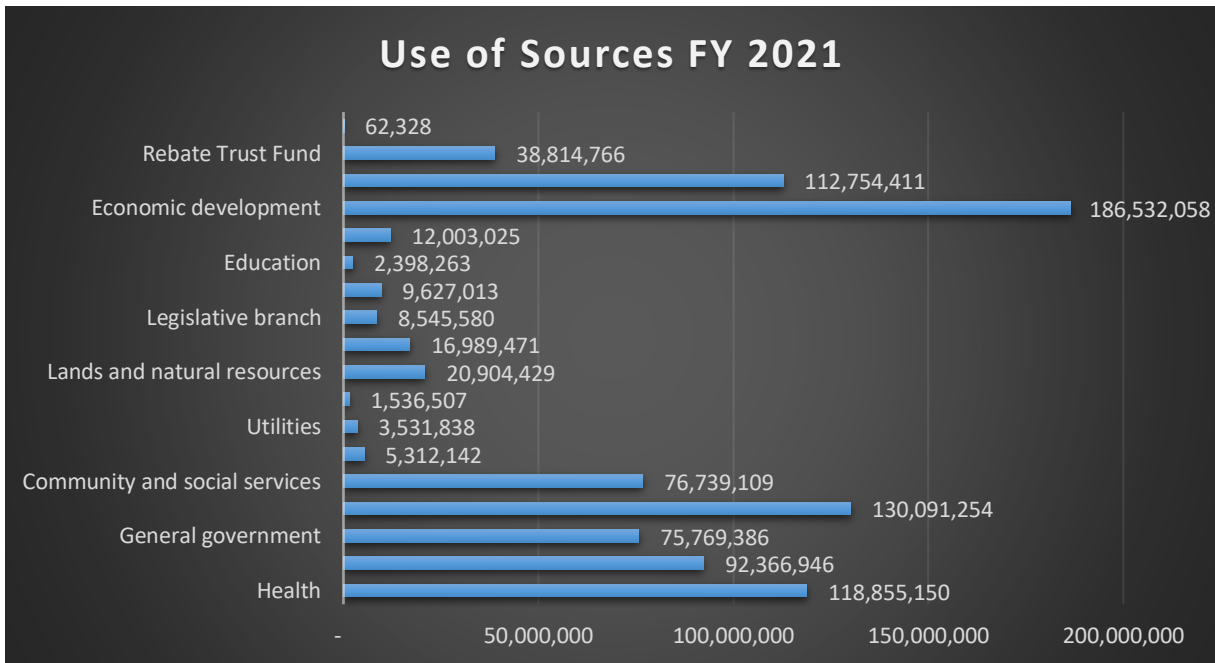
P.O. Box 5234 CHR, Saipan MP 9695

TEL (670) 664-1100 FAX (670) 664-1115

For the year ended September 30, 2021, the CNMI's governmental activities were funded from general revenues of \$172.1 million. The following chart illustrates the areas of revenue sources:



For the year ended September 30, 2021, the CNMI's activities by function are as follows:



For the year ended September 30, 2021, total expenses for governmental activities amounted to \$847.8 million. Of these total expenses, taxpayers funded \$172.1 million from general revenues, \$568.5 million from grants and other contributions, and \$7.1 million from charges for services.



**Office of the Secretary
Department of Finance**



P.O. Box 5234 CHR, Saipan MP 9695

TEL (670) 664-1100 FAX (670) 664-1115

A FINANCIAL ANALYSIS OF THE CNMI'S FUNDS

In fiscal year 2021, the CNMI concluded with a combined fund deficit of \$273.3 million. Key highlights for individual funds include:

- The General Fund's total fund deficit increased by \$74.5 million, or 57%, to a deficit of \$204.1 million for the year ended September 30, 2021. This increase was largely driven by a decrease in the unassigned general fund.
- The Grants Assistance Fund saw a significant increase in its deficit balance, rising by \$76.0 million compared to the prior year, ending fiscal year 2021 with a deficit fund balance of \$70.3 million. This movement is primarily attributed to expenditures related to economic development, public welfare, and health.
- The Saipan Amusement Fund, which includes revenues from casino license fees and electronic gaming fees, reported a net deficit of \$6.0 million. Accounting for operating transfers, the fund ended the year with a deficit of \$16.7 million, reflecting significant year-over-year changes.
- The Department of Public Lands maintained a stable fund balance of \$6.0 million throughout fiscal year 2021, consistent with the balance reported in fiscal year 2020.

These figures underscore the financial dynamics and outcomes across various funds within the CNMI during fiscal year 2021.

General Fund Budgetary Highlights

Final revenue estimates for the General Fund remained constant at \$143.1 million. Actual revenues were slightly over the estimate at \$146.7 million. General Fund actual expenditures of \$208.7 million exceeded appropriations by \$64.7 million, \$37.9 million or 59% was derived from the COVID-19 threat prevention and mitigation efforts to safeguard our community from the spread of the deadly disease, while \$7.1 million or 11% was from medical referral costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2021, the CNMI had just over \$154.9 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). Refer to note 7 to the financial statements for detailed information on the CNMI's capital assets and changes therein.

	<u>Government Activities</u>		<u>Change</u>
	<u>Audited</u> <u>2021</u>	<u>Audited</u> <u>2020</u>	
Infrastructure, net	\$ 30,400,788	\$ 30,400,788	\$ ---
Buildings and improvements, net	56,629,766	56,629,766	---
Machinery and equipment, net	22,343,947	13,262,664	9,081,283
Land	30,064,154	30,064,154	---
Construction in progress	<u>15,509,018</u>	<u>15,509,018</u>	---
Total	<u>\$154,947,673</u>	<u>\$145,866,390</u>	<u>\$9,081,283</u>

Long-Term Debt

At year end, the CNMI had \$80.6 million in long-term debt outstanding, which represents a net decrease of \$4.8 million or 5.6% from the prior year. The CNMI's changes in long-term debt outstanding are as follows:



**Office of the Secretary
Department of Finance**



P.O. Box 5234 CHRБ, Saipan MP 9695

TEL (670) 664-1100 FAX (670) 664-1115

	Government Activities		Change
	Audited	Audited	
	<u>2021</u>	<u>2020</u>	
Bonds payable	<u>\$80,580,044</u>	<u>\$85,405,389</u>	<u>\$(4,825,345)</u>

As of September 30, 2021, 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, 2021. However, the CNMI has estimated the aggregate assessed valuation of real property to be \$1,596,236,822 based on the 1995 CNMI Mid-Decade Census. 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

According to CNMI Department of Finance FY2021 Year End Report (SFL 2022-057 dated 12/31/2021), with the development of new COVID-19 variants, there exists much uncertainty for the years ahead. Governments across the world have focused on vaccination as the primary means of combating the pandemic. While the global rate of fully vaccinated individuals currently stands at 50%, the CNMI has achieved a vaccination rate of 97.5% of eligible residents² as of January 13, 2022. This gives the CNMI an opportunity to return to normalcy at a faster rate through successful immunization of the population. This includes the potential of resuming full domestic commercial activity and the resumption of tourism arrivals to the Commonwealth. The travel bubble achieved through collaboration between the Administration, Marianas Visitors Authority, and the South Korean government has allowed for a partial resumption of tourism from South Korea to the CNMI, while maintaining strict adherence to our domestic COVID-19 mitigation guidelines. Expansion of the travel bubble program to other foreign market partners like Japan, China, Hong Kong, and Taiwan are necessary options for the CNMI to pursue and to restore necessary government revenue. Should there be a larger scale resumption in tourism activities, there will be a subsequent increase in spending throughout the local economy.

Federal programs, such as ARPA, have provided economic stability and supported commercial activity while aiding in the fight against the spread and impacts of COVID-19. This injection of federal resources has further mitigated the shortfall of available resources and allowed for the continued administration of government services. These programs will not be indefinite however, and efforts to pursue larger scale resumptions in tourism and economic activity will be required to meet government obligations.

Despite the continued uncertainties for the CNMI economy, legislation geared toward generating revenue and encouraging economic diversification can aid in fostering resilience of government resources, and the Department of Finance is interested in working with stakeholders to develop these policies in the months ahead.

CONTACTING THE CNMI'S FINANCIAL OFFICERS

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of 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 CHRБ, Saipan, MP 96950 or phone (670) 664-1100

Commonwealth of the Northern Marianas Islands

Statement of Net Position

September 30, 2021

	<u>Primary Government</u>	<u>Component Units</u>
Assets and deferred outflows		
Current assets:		
Cash and cash equivalents	\$ 191,076,143	\$ 120,962,831
Time certificates of deposit	---	8,452,120
Receivables, net of allowance for uncollectibles	36,563,613	30,983,705
Due from primary government	---	2,637,403
Due from component units	1,723,834	---
Due from fiduciary funds	2,482,929	---
Due from other funds	---	---
Inventories	804,343	24,571,235
Advances	6,614,376	---
Other current assets	---	2,387,108
Restricted assets:		
Restricted cash and cash equivalents	268,001,373	24,374,020
Time certificates of deposit	---	2,500,000
Restricted investments	<u>2,013,373</u>	<u>70,507,820</u>
Total current assets	<u>509,279,984</u>	<u>287,376,242</u>
Noncurrent assets:		
Other assets	2,500,000	---
Investments	---	121,659,210
Due from primary government	---	6,000,000
Receivables:		
Finance lease receivable, net of current portion	---	657,999
Notes, net of allowance for uncollectibles	---	21,036,893
Foreclosed real estate	---	1,506,443
Nondepreciable capital assets	45,573,172	101,749,887
Depreciable capital assets, net of accumulated depreciation	<u>109,374,501</u>	<u>278,927,985</u>
Total noncurrent assets	<u>157,447,673</u>	<u>531,538,417</u>
Deferred outflows from cost of refunding debt	3,716,713	397,392
Deferred outflows from unbilled fuel cost recovery	---	6,752,827
Deferred outflows of resources from pension	<u>54,417,420</u>	<u>---</u>
Total assets and deferred outflows	<u>\$ 724,861,790</u>	<u>\$ 826,064,878</u>

See accompanying notes.

Commonwealth of the Northern Marianas Islands

Statement of Net Position, continued

	<u>Primary Government</u>	<u>Component Units</u>
Liabilities and deferred inflows		
Current liabilities:		
Current portion of bonds payable	\$ 4,999,324	\$ 2,900,000
Current portion of notes payable	---	108,059
Claims and judgments payable	2,525,311	---
Current portion of compensated absences	---	3,613,366
Loan payable under Settlement Agreement	1,303,939	---
Accounts payable	63,792,374	28,746,347
Tax rebates payable	58,365,648	---
Recovery rebates payable	1,628,107	---
Health and life insurance payable	1,684,802	---
Security deposits	1,301,515	---
Other liabilities and accruals	107,963,930	21,744,062
Due to NMI settlement fund	25,336,979	---
Due to component units	43,471,264	---
Due to primary government	---	12,007,669
Unearned revenues	477,735,447	4,212,058
	<u>790,108,640</u>	<u>73,331,561</u>
Total current liabilities		
Noncurrent liabilities:		
Net pension liability	414,433,676	---
Bonds payable, net of current portion	75,586,720	23,058,306
Notes payable, net of current portion	---	1,092,961
Dividends payable, net of current portion	---	1,080,000
Compensated absences, net of current portion	8,308,301	4,264,975
Due to fiduciary funds	---	3,467,425
Accrued interest payable	1,361,391	---
Obligations under estimated environmental remediation costs, non-current portion	---	1,062,500
Obligations under lease, non-current portion	---	770,687
Unearned revenues, net of current portion	---	24,653,642
Landfill closure and post closure costs	15,180,980	---
	<u>514,871,068</u>	<u>59,450,496</u>
Total noncurrent liabilities		
Deferred inflows of resources	---	252,348
	<u>1,304,979,708</u>	<u>133,034,405</u>
Total liabilities and deferred inflows of resources		
Commitments and contingencies		
Net position		
Net investment in capital assets	78,078,342	353,915,938
Restricted for:		
Expendable:		
Capital projects	628,059	---
Retirement of indebtedness	2,577,379	---
Other purposes	4,192	303,884,092
Unrestricted	(661,405,890)	35,230,443
	<u>580,117,918</u>	<u>693,030,473</u>
Total net position		

See accompanying notes.

Commonwealth of the Northern Marianas Islands

Statement of Activities

Year ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government:						
Governmental activities:						
Health	\$ 118,855,150	\$ 97,027	\$ 2,007,919	\$ ---	\$(116,750,204)	\$ ---
Public safety and law enforcement	92,366,946	358,461	3,261,071	---	(88,747,414)	---
General government	63,079,466	4,313,587	137,072,477	446,237	78,752,835	---
Public welfare	130,091,254	---	---	---	(130,091,254)	---
Community and social services	76,739,109	---	25,589,506	---	(51,149,603)	---
Other elected officials	5,312,142	---	2,428,609	---	(2,883,533)	---
Utilities	3,531,838	---	2,305,331	---	(1,226,507)	---
Utilities - Capital Projects	1,536,507	---	---	1,536,507	---	---
Lands and natural resources	20,904,429	155,943	1,115,023	---	(19,633,463)	---
Public works	16,989,471	1,826,521	3,494,243	3,486,556	(8,182,151)	---
Legislative branch	8,545,580	---	685,258	---	(7,860,322)	---
Judicial branch	9,627,013	46,002	449,636	---	(9,131,375)	---
Education	2,398,263	---	53,851	---	(2,344,412)	---
Interest and fiscal charges	12,003,025	---	5,061,895	---	(6,941,130)	---
Principal retirement	1,193,617	---	4,813,025	---	3,619,408	---
Economic development	186,532,058	327,927	2,490,831	354,308,863	170,595,563	---
Education:						
Payments to Public School System	25,267,329	---	---	---	(25,267,329)	---
Payments to Northern Marianas College	8,520,187	---	25,210	---	(8,494,977)	---
Payments to Marianas Visitors Authority	10,544,736	---	---	---	(10,544,736)	---
Payments to Commonwealth Utilities Corporation	---	---	5,220,498	---	5,220,498	---
Payments to Commonwealth Healthcare Corporation	6,335,891	---	1,862,010	---	(4,473,881)	---
Payments to CNMI Group Health and Life	8,517,933	---	10,740,063	---	2,222,130	---
Commonwealth Economic Development Authority	1,879	---	1,717	---	(162)	---
Rebate Trust Fund	38,814,766	---	---	---	(38,814,766)	---
Others unassigned	62,328	---	---	---	(62,328)	---
Total primary government	\$ 847,770,917	\$ 7,125,468	\$ 208,678,173	\$ 359,778,163	(272,189,113)	---
Component units:						
Commonwealth Economic Development Authority	\$ 1,717,346	\$ ---	\$ 934,866	\$ ---	---	(782,480)
Commonwealth Ports Authority	31,101,441	8,720,657	10,733,674	5,894,099	---	(5,753,011)
Commonwealth Utilities Corporation	85,158,083	68,579,427	---	14,082,887	---	(2,495,769)
Marianas Public Land Trust	2,660,333	25,155,359	---	---	---	22,495,026
Marianas Visitors Authority	4,708,681	34,875	2,547,918	---	---	(2,125,888)
Northern Marianas College	17,745,879	3,837,111	16,863,176	---	---	2,954,408
Public School System	98,248,001	13,067	78,184,509	---	---	(20,050,425)
Total component units	\$ 241,339,764	\$ 106,340,496	\$ 109,264,143	\$ 19,976,986	---	(5,758,139)
General revenues:						
Taxes:						
Income					58,259,552	---
Gross receipts					51,783,082	---
Excise					14,203,671	---
Hotel					2,792,261	---
Fuel					2,953,644	---
Cigarette					12,363,800	---
Other taxes					5,257,016	---
Unrestricted investment earnings and dividends					584,257	6,190,804
Contributions from primary government					---	30,580,837
Other revenues					23,860,112	30,314,922
Total general revenues					172,057,395	67,086,563
Transfers in from fiduciary funds						
Total general revenues and transfers in					172,057,395	67,086,563
Change in net position						
Net position - beginning, as previously reported					(479,986,200)	650,073,928
Prior period adjustment (note 20)					---	(18,371,879)
Net position - beginning, as restated					(479,986,200)	631,702,049
Net position - ending					\$(580,117,918)	\$ 693,030,473

See accompanying notes.

Commonwealth of the Northern Marianas Islands

Balance Sheet
Governmental Funds

September 30, 2021

	General	Grants Assistance	ARPA Fund	Saipan Amusement Fund	Department of Public Lands Fund	Other Governmental Funds	Total
Assets							
Cash and cash equivalents	\$ 183,877,893	\$ ---	\$ ---	\$ ---	\$ 7,198,250	\$ ---	\$ 191,076,143
Restricted cash and cash equivalents	265,340,547	1,245,856	---	---	1,316,316	98,654	268,001,373
Restricted investments	---	---	---	---	---	2,013,373	2,013,373
Receivables, net:							
Federal Agencies	9,100,571	12,145,317	---	---	---	286,433	21,532,321
Taxes	4,364,937	---	---	---	---	---	4,364,937
General	9,270,926	---	---	---	943,967	---	10,214,893
Other	---	12,831	---	---	---	438,631	451,462
Due from other funds	102,303,752	8,727,455	458,412,820	---	---	33,977,797	603,421,824
Due from fiduciary funds	1,618,141	---	---	---	---	864,788	2,482,929
Due from component units	---	---	---	---	---	1,723,834	1,723,834
Advances	6,614,376	---	---	---	---	---	6,614,376
Inventories	232,387	571,956	---	---	---	---	804,343
Other assets	2,500,000	---	---	---	---	---	2,500,000
	<u>\$ 585,223,530</u>	<u>\$ 22,703,415</u>	<u>\$ 458,412,820</u>	<u>\$ ---</u>	<u>\$ 9,458,533</u>	<u>\$ 39,403,510</u>	<u>\$ 1,115,201,808</u>
Liabilities and Fund Balances (Deficit)							
Liabilities:							
Accounts payable	\$ 51,988,695	\$ 6,384,722	\$ 2,501,366	\$ 1,644,030	\$ 30,637	\$ 1,242,924	\$ 63,792,374
Health and life insurance payable	---	---	---	---	---	1,684,802	1,684,802
Tax rebates payable	58,365,648	---	---	---	---	---	58,365,648
Recovery rebates payable	1,628,107	---	---	---	---	---	1,628,107
Other liabilities and accruals	104,658,171	2,961,595	---	---	201,797	142,367	107,963,930
Security deposits	---	---	---	---	1,301,515	---	1,301,515
Claims and judgments payable	2,525,311	---	---	---	---	---	2,525,311
Loan payable under Settlement Agreement	1,303,939	---	---	---	---	---	1,303,939
Due to other funds	501,118,072	62,707,746	---	15,023,937	44,059	24,528,010	603,421,824
Due to NMI settlement fund	25,336,979	---	---	---	---	---	25,336,979
Due to component units	42,387,445	---	---	---	1,083,819	---	43,471,264
Unearned revenues	---	20,911,101	455,911,454	---	812,824	100,068	477,735,447
Total liabilities	<u>789,312,367</u>	<u>92,965,164</u>	<u>458,412,820</u>	<u>16,667,967</u>	<u>3,474,651</u>	<u>27,698,171</u>	<u>1,388,531,140</u>
Fund balances (deficit):							
Non-spendable	2,732,387	---	---	---	---	---	2,732,387
Restricted	2,577,379	628,059	---	---	---	4,192	3,209,630
Committed	---	---	---	---	5,983,882	7,930,641	13,914,523
Unassigned:							
General fund	(209,398,603)	---	---	---	---	3,770,506	(205,628,097)
Special revenue funds	---	(70,889,808)	---	(16,667,967)	---	---	(87,557,775)
Total fund balances (deficit)	<u>(204,088,837)</u>	<u>(70,261,749)</u>	<u>---</u>	<u>(16,667,967)</u>	<u>5,983,882</u>	<u>11,705,339</u>	<u>(273,329,332)</u>
	<u>\$ 585,223,530</u>	<u>\$ 22,703,415</u>	<u>\$ 458,412,820</u>	<u>\$ ---</u>	<u>\$ 9,458,533</u>	<u>\$ 39,403,510</u>	<u>\$ 1,115,201,808</u>

See accompanying notes.

Commonwealth of the Northern Marianas Islands
 Reconciliation of Governmental Funds Balance Sheet
 to the Statement of Net Position

September 30, 2021

Total fund balances - governmental funds \$(273,329,332)

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 3,716,713

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 15,509,018

 Depreciable capital assets and infrastructure, net of \$261,705,952 of accumulated depreciation 109,374,501

 Capital assets, net of accumulated depreciation 154,947,673

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 (414,433,676)

 Bonds payable (80,586,044)

 Accrued interest payable (1,361,391)

 Compensated absences payable (8,308,301)

 Landfill closure and post-closure costs (15,180,980)

Long-term liabilities (519,870,392)

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 54,417,420

Net position of governmental activities \$(580,117,918)

See accompanying notes.

Commonwealth of the Northern Mariana Islands

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Governmental Funds

Year Ended September 30, 2021

	General Fund	Grants Assistance Fund	ARPA Fund	Saipan Amusement Fund	Department of Public Lands	Other Governmental Funds	Total
Revenues:							
Taxes	\$ 144,835,454	\$ ---	\$ ---	\$ 999,980	\$ ---	\$ 1,777,592	\$ 147,613,026
Federal contributions	---	487,243,692	66,780,274	---	---	2,895,883	556,919,849
Licenses and fees	10,109,991	114,908	---	548,823	3,312,805	4,672,904	18,759,431
Charges for sales and services	1,224,058	---	---	---	496,217	329,703	2,049,978
Contributions from component units	1,542,440	---	---	---	---	119,128	1,661,568
Interest and dividends	69,672	---	---	---	146,265	368,320	584,257
Other revenues	17,631,542	315,852	699,602	---	14,978	1,389,116	20,051,090
Total revenues	175,413,157	487,674,452	67,479,876	1,548,803	3,970,265	11,552,646	747,639,199
Expenditures:							
Current:							
Public safety and law enforcement	18,002,578	69,810,469	3,261,071	102,430	---	1,190,398	92,366,946
General government	24,537,928	35,511,400	8,141,453	1,659,119	---	5,919,486	75,769,386
Utilities	1,226,507	---	2,305,331	---	---	---	3,531,838
Utilities - capital projects	---	1,536,507	---	---	---	---	1,536,507
Rebate trust fund	38,814,766	---	---	---	---	---	38,814,766
Public welfare	---	130,091,254	---	---	---	---	130,091,254
Others unassigned	---	---	---	---	---	62,328	62,328
Other elected officials	2,814,139	---	2,428,609	---	---	69,394	5,312,142
Legislative branch	5,711,431	1,844,126	685,258	304,765	---	---	8,545,580
Health	15,044,274	78,625,485	2,007,919	72,700	---	23,104,772	118,855,150
Judicial branch	4,750,469	---	449,636	4,424,493	---	2,415	9,627,013
Lands and natural resources	2,288,528	13,166,478	1,115,023	---	3,972,668	361,732	20,904,429
Community and social services	3,235,068	47,490,640	25,589,506	237,714	---	186,181	76,739,109
Education	806,393	---	53,851	667,142	---	870,877	2,398,263
Economic development	1,281,210	184,384,770	98,478	---	---	767,600	186,532,058
Payments to:							
Public School System	25,057,329	---	---	210,000	---	---	25,267,329
Marianas Visitors Authority	8,682,726	---	1,862,010	---	---	---	10,544,736
Commonwealth Healthcare Corporation	1,094,121	---	5,220,498	21,272	---	---	6,335,891
Northern Marianas College	7,744,977	750,000	25,210	---	---	---	8,520,187
CNMI Group Health and Life Insurance Trust Fund	11,344,326	---	10,740,063	---	---	---	22,084,389
Commonwealth Economic Development Authority	162	---	1,717	---	---	---	1,879
Settlement Fund	40,000,000	---	---	---	---	---	40,000,000
Debt service:							
Interest and fiscal charges	12,003,025	---	---	---	---	---	12,003,025
Principal retirement	5,703,235	---	---	---	---	---	5,703,235
Capital outlay:							
Public works	6,480,661	1,831,770	3,494,243	704,870	---	4,477,927	16,989,471
Total expenditures	236,623,853	565,042,899	67,479,876	8,404,505	3,972,668	37,013,110	918,536,911
Excess (deficiency) of revenues over (under) expenditures	(61,210,696)	(77,368,447)	---	(6,855,702)	(2,403)	(25,460,464)	(170,897,712)
Other financing sources (uses):							
Operating transfers in	4,604,754	4,726,066	---	843,965	---	13,817,536	23,992,321
Operating transfers out	(17,895,176)	(3,365,654)	---	---	---	(2,731,491)	(23,992,321)
Total other financing sources (uses), net	(13,290,422)	1,360,412	---	843,965	---	11,086,045	---
Net change in fund balances (deficit)	(74,501,118)	(76,008,035)	---	(6,011,737)	(2,403)	(14,374,419)	(170,897,712)
Fund balances (deficit) at beginning of year	(129,587,719)	5,746,286	---	(10,656,230)	5,986,285	26,079,758	(102,431,620)
Fund balances (deficit) at end of year	\$ (204,088,837)	\$ (70,261,749)	\$ ---	\$ (16,667,967)	\$ 5,983,882	\$ 11,705,339	\$ (273,329,332)

See accompanying notes.

Commonwealth of the Northern Mariana Islands

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

September 30, 2021

Total net change in fund balances - governmental funds \$(170,897,712)

Amounts reported for governmental activities in the statement of net position 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	\$ 9,081,283	
Depreciation expense	<u>---</u>	9,081,283

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	4,819,345	
Amortization of deferred amount on refunding	<u>(309,727)</u>	4,509,618

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 compensated absences payable	3,608,637	
Net pension activity	<u>53,566,456</u>	<u>57,175,093</u>

Change in net position of governmental activities \$(100,131,718)

Commonwealth of the Northern Mariana Islands

Statement of Net Position
Component Units

September 30, 2021

	Commonwealth Economic Development Authority	Commonwealth Ports Authority	Commonwealth Utilities Corporation	Marianas Public Land Trust	Marianas Visitors Authority	Northern Marianas College	Public School System	Total
Assets and deferred outflows								
Current assets:								
Cash and cash equivalents	\$ 4,699,450	\$ 28,038,772	\$ 45,983,449	\$ 3,279,568	\$ 8,841,704	\$ 18,690,266	\$ 11,429,622	\$ 120,962,831
Time certificates of deposit	7,750,000	---	---	---	---	702,120	---	8,452,120
Receivables, net:								
Finance lease receivable, net	59,286	---	---	---	---	---	---	59,286
Notes	132,735	---	161,285	2,772,518	---	---	---	3,066,538
Federal agencies	---	3,105,870	7,680,916	---	---	1,396,925	3,762,727	15,946,438
General	52,920	566,940	7,784,567	---	---	928,160	---	9,332,587
Interest and dividends	1,145,156	---	---	323,165	---	---	---	1,468,321
Other	55,694	1,638	---	1,050,191	3,012	---	---	1,110,535
Due from primary government	---	---	---	---	1,419,354	1,126,049	92,000	2,637,403
Inventories	---	---	24,222,910	---	---	348,325	---	24,571,235
Other assets	9,069	566,805	1,511,204	7,424	184,473	---	108,133	2,387,108
Restricted assets:								
Cash and cash equivalents	11,631,909	---	12,742,111	---	---	---	---	24,374,020
Time certificates of deposits	2,500,000	---	---	---	---	---	---	2,500,000
Investments	---	70,507,820	---	---	---	---	---	70,507,820
Total current assets	<u>28,036,219</u>	<u>102,787,845</u>	<u>100,086,442</u>	<u>7,432,866</u>	<u>10,448,543</u>	<u>23,191,845</u>	<u>15,392,482</u>	<u>287,376,242</u>
Noncurrent assets:								
Due from primary government	6,000,000	---	---	---	---	---	---	6,000,000
Investments	---	---	---	110,812,030	---	10,847,180	---	121,659,210
Receivables:								
Finance lease receivable, net of current portion	657,999	---	---	---	---	---	---	657,999
Notes, net	7,644,726	---	---	13,392,167	---	---	---	21,036,893
Other	---	---	---	---	---	---	---	---
Due from primary government	---	---	---	---	---	---	---	---
Nondepreciable capital assets	184,348	48,000,349	15,650,964	153,000	---	1,113,376	36,647,850	101,749,887
Depreciable capital assets, net of accumulated depreciation	626,018	126,481,147	105,291,139	84,630	44,397	3,369,149	43,031,505	278,927,985
Foreclosed real estate	1,506,443	---	---	---	---	---	---	1,506,443
Total noncurrent assets	<u>16,619,534</u>	<u>174,481,496</u>	<u>120,942,103</u>	<u>124,441,827</u>	<u>44,397</u>	<u>15,329,705</u>	<u>79,679,355</u>	<u>531,538,417</u>
Deferred outflows of resources:								
Cost of refunding debt	---	397,392	---	---	---	---	---	397,392
Unbilled fuel cost recovery	---	---	6,752,827	---	---	---	---	6,752,827
Total assets and deferred outflows	<u>\$ 44,655,753</u>	<u>\$ 277,666,733</u>	<u>\$ 227,781,372</u>	<u>\$ 131,874,693</u>	<u>\$ 10,492,940</u>	<u>\$ 38,521,550</u>	<u>\$ 95,071,837</u>	<u>\$ 826,064,878</u>

Liabilities and deferred inflows

See accompanying notes.

Commonwealth of the Northern Mariana Islands

Statement of Net Position, continued
Component Units

September 30, 2021

	Commonwealth Economic Development Authority	Commonwealth Ports Authority	Commonwealth Utilities Corporation	Marianas Public Land Trust	Marianas Visitors Authority	Northern Marianas College	Public School System	Total
Liabilities and deferred inflows								
Current liabilities:								
Current portion of bonds payable	\$ ---	\$ 2,900,000	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 2,900,000
Current portion of notes payable	---	---	---	---	---	---	108,059	108,059
Accounts payable	6,668,525	5,796,355	12,934,951	88,587	417,802	1,051,046	7,221,932	34,179,198
Current portion of compensated absences	---	309,536	1,604,922	---	20,337	472,821	1,205,750	3,613,366
Due to primary government	---	2,696,480	9,311,189	---	---	---	---	12,007,669
Other liabilities and accruals	---	1,173,381	12,718,613	1,013,161	158,922	1,247,134	---	16,311,211
Unearned revenues	15,094	3,529,281	---	---	---	667,683	---	4,212,058
Total current liabilities	6,683,619	16,405,033	36,569,675	1,101,748	597,061	3,438,684	8,535,741	73,331,561
Noncurrent liabilities:								
Bonds payable, net of current portion	---	23,058,306	---	---	---	---	---	23,058,306
Notes payable, net of current portion	---	---	---	---	---	---	1,092,961	1,092,961
Dividends payable	---	---	1,080,000	---	---	---	---	1,080,000
Compensated absences, net of current portion	---	461,143	---	---	117,104	214,115	3,472,613	4,264,975
Due to fiduciary funds	---	---	3,467,425	---	---	---	---	3,467,425
Obligations under estimated environmental remediation costs	---	---	1,062,500	---	---	---	---	1,062,500
Obligations under lease, noncurrent portion	---	---	770,687	---	---	---	---	770,687
Unearned revenues, net of current portion	575,557	20,029,372	4,048,713	---	---	---	---	24,653,642
Total noncurrent liabilities	575,557	43,548,821	10,429,325	---	117,104	214,115	4,565,574	59,450,496
Deferred inflows of resources	---	---	66,102	---	7,000	179,246	---	252,348
Total liabilities and deferred inflows of resources	7,259,176	59,953,854	47,065,102	1,101,748	721,165	3,832,045	13,101,315	133,034,405
Net position								
Net investment in capital assets	810,366	148,920,582	120,942,103	237,630	44,397	4,482,525	78,478,335	353,915,938
Restricted	36,586,211	70,507,820	45,000,000	130,535,315	9,727,378	10,847,180	680,188	303,884,092
Unrestricted	---	(1,715,523)	14,774,167	---	---	19,359,800	2,811,999	35,230,443
Total net position	\$ 37,396,577	\$ 217,712,879	\$ 180,716,270	\$ 130,772,945	\$ 9,771,775	\$ 34,689,505	\$ 81,970,522	\$ 693,030,473

See accompanying notes.

Commonwealth of the Northern Mariana Islands

Statement of Revenues, Expenses, and Changes in Net Position
Component Units

Year ended September 30, 2021

	Commonwealth Economic Development Authority	Commonwealth Ports Authority	Commonwealth Utilities Corporation	Marianas Public Land Trust	Marianas Visitors Authority	Northern Marianas College	Public School System	Total
Expenses	\$ 1,717,346	\$ 31,101,441	\$ 85,158,083	\$ 2,660,333	\$ 4,708,681	\$ 17,745,879	\$ 98,248,001	\$ 241,339,764
Program revenues:								
Charges for services	934,866	8,720,657	68,579,427	25,155,359	34,875	3,837,111	13,067	107,275,362
Operating grants and contributions	---	10,733,674	---	---	2,547,918	16,863,176	78,184,509	108,329,277
Capital grants and contributions	---	5,894,099	14,082,887	---	---	---	---	19,976,986
	934,866	25,348,430	82,662,314	25,155,359	2,582,793	20,700,287	78,197,576	235,581,625
Recovery of (provision for) uncollectible receivables	---	---	9,517,245	---	---	---	---	9,517,245
Total program revenues	934,866	25,348,430	92,179,559	25,155,359	2,582,793	20,700,287	78,197,576	245,098,870
Net program revenues (expenses)	(782,480)	(5,753,011)	7,021,476	22,495,026	(2,125,888)	2,954,408	(20,050,425)	3,759,106
General revenues:								
Dividend income	900,000	---	---	---	---	---	---	900,000
Contributions from the primary government	---	---	---	---	2,717,149	3,075,875	24,787,813	30,580,837
Unrestricted investment earnings	---	31,079	4,705,378	---	---	1,454,347	---	6,190,804
Other revenues, net	550	11,133,897	8,556,249	---	15,115	---	191,866	19,897,677
Net general revenues (expenses)	900,550	11,164,976	13,261,627	---	2,732,264	4,530,222	24,979,679	57,569,318
Change in net position	118,070	5,411,965	20,283,103	22,495,026	606,376	7,484,630	4,929,254	61,328,424
Net position at beginning of year, as previously reported	55,586,066	212,058,709	160,739,692	108,277,919	9,165,399	27,204,875	77,041,268	650,073,928
Prior period adjustment (note 20)	(18,307,559)	242,205	(306,525)	---	---	---	---	(18,371,879)
Net position - beginning, as restated	37,278,507	212,300,914	160,433,167	108,277,919	9,165,399	27,204,875	77,041,268	631,702,049
Net position - ending	\$ 37,396,577	\$ 217,712,879	\$ 180,716,270	\$ 130,772,945	\$ 9,771,775	\$ 34,689,505	\$ 81,970,522	\$ 693,030,473

See accompanying notes.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements

September 30, 2021

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

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:

- The Commonwealth Economic Development Authority (CEDA) 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. CEDA is governed by a seven-member Board of Directors appointed by the Governor. The CNMI has the ability to impose its will on CEDA.
- 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 Utilities Corporation (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 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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

- 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.
- 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.

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

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

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

Commonwealth Utilities Corporation
P.O. Box 501220
Saipan, MP 96950-1220

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

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

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

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

Public School System
P.O. Box 501370
Saipan, MP 96950-1250

Omitted Component Units

The CNMI has omitted 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 unit is considered material to the discretely presented component units' reporting column.

The CNMI has omitted NMHC from the basic financial statements due to the lack of available financial information. NMHC is responsible for assisting in the development and administration of low-cost residential housing in the Northern Mariana Islands. NMHC is governed by a Corporate Director who governs the operations of NMHC in a manner that furthers its purposes. A five-member Board of Directors are appointed by the Governor with the advice and consent of the Senate, acts in an advisory role to the Corporate Director. The CNMI provides financial support to NMHC through legislative appropriations. The omission of the above component unit is considered material to the discretely presented component units' reporting column.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

Omitted Component Units, continued

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 omission of this component unit is considered material to the aggregate remaining fund information.

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, CEDA, CPA, CUC, MPLT, MVA, NMC, PSS, the Commonwealth Healthcare Corporation (CHCC), the Northern Marianas Housing Corporation (NMHC) and the Commonwealth Government Employees Credit Union (CGECU). 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 single-employer pension plan and is the single retirement program for all new employees whose employment commenced on or after January 1, 2007.

The CNMI has omitted 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.

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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 \$3,209,963 of restricted net position, of which \$4,192 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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

D. Measurement Focus and Basis of Accounting, continued

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.

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:

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

D. Measurement Focus and Basis of Accounting, continued

- 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 including all activities of U.S. unemployment programs created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. 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.
- ARPA Fund, a Governmental Fund Type - Special Revenue Fund. This fund accounts for certain activities of U.S. federal assistance grants created under the American Rescue Plan Act (ARPA) of 2021.
- 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.

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, 2021, 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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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.

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 accounts.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

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:

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

M. Fund Equity/Net Position, continued

- 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.
- 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, 2021.

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, 2021, is \$8,308,301.

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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 \$812,824 and \$100,068, respectively, and grant monies for grants assistance and grant monies for ARPA fund of \$20,911,101 and \$455,911,454, respectively, which pertains to revenues of the subsequent fiscal year.

Amounts received in advance from federal agencies relating to expenditure-driven grants are also reported as “unearned revenues” in the statement of net position and the governmental funds balance sheet. Revenues are recognized when all applicable program eligibility requirements associated with the federal grant are met by the CNMI as the recipient.

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

R. Bond Premiums, Discounts and Issuance Costs, continued

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.

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

U. Interfund Transactions, continued

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. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revised and established new financial reporting requirements for most governments that provided their employees with pension benefits through plans that are administered through trusts. The provisions in Statement No. 68 were effective for fiscal years beginning after June 15, 2014. Management acknowledges the requirement to recognize within the government-wide financial statements net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense measured as of a date no earlier than the end of the CNMI's prior fiscal year, consistently applied from period to period. However, the CNMI did not record the changes on pension accounts as of and for the year ended September 30, 2021 as no measurement was performed applicable to the current fiscal year.

W. 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 the Northern Mariana Islands Settlement Fund (NMISF). The NMISF was created as a result of a settlement agreement (the Settlement Agreement), approved by the U.S. District Court on September 30, 2013. The Settlement Agreement required the Northern Mariana Islands Retirement Fund (NMIRF) to transfer certain net assets of the NMIRF's Defined Benefit Plan to the Settlement Fund. The primary purpose of the Settlement Agreement is 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. During 2021, the CNMI made 25% payment of the class members full benefits to NMISF of \$13,566,456. 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, 2021 as the amounts are not available.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

X. New Accounting Standards

During the year ended September 30, 2021, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No.'s 84, 89, 90, 91, 92 and 93 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. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

During the year ended September 30, 2021, the CNMI implemented the following pronouncements:

- GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Implementation of this statement did not have a material effect on the financial statements.
- GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

X. New Accounting Standards, continued

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The implementation of this statement did not have a material effect on the accompanying financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying 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. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

X. New Accounting Standards, continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

X. New Accounting Standards, continued

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

X. New Accounting Standards, continued

This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Y. 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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Z. Encumbrances

The CNMI utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2021, the CNMI has significant encumbrances summarized as follows:

<u>Grants General</u>	<u>Coronavirus Assistance</u>	<u>Saipan Relief</u>	<u>Amusement</u>	<u>DPL</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$60,317,379	\$10,039,220	\$ 83,831	\$ ---	\$ 1,017	\$ 2,551	\$70,443,998

AA. 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, 2021 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.

As of September 30, 2021, the carrying amount of the primary government's total unrestricted cash and cash equivalents and time certificates of deposit were \$191,076,143 and the corresponding bank balances were \$196,904,742, 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, 2021 amounted to \$268,001,373 and the corresponding bank balances were \$345,630,334. Of the bank balance amounts, \$344,385,390 is maintained in financial institutions subject to FDIC insurance.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

2. Deposits and Investments

Cash and Cash Equivalents and Time Certificates of Deposit, continued

The remaining amount of \$1,244,944 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, 2021. As of September 30, 2021, 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, 2021, is presently not determinable. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2021, the carrying amount of the discretely presented component units' restricted and unrestricted cash and cash equivalents and time certificates of deposit were \$156,288,971 and the corresponding bank balances were \$156,608,153. Of the bank balance amounts, \$130,372,071 is maintained in financial institutions subject to FDIC insurance and \$21,892,410 represents amounts maintained in a non-FDIC insured bank. The remaining amount of \$3,141,552 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, 2021, bank deposits in the amount of \$1,202,120 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.

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, 2021.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

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, 2021, are as follows:

Stock mutual fund	\$1,569,908
Mutual bond funds	<u>443,465</u>
	<u>\$2,013,373</u>

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, 2021:

<u>Investment Type</u>	<u>NAV</u>	<u>Investment Maturities (In Years)</u>				<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Mutual bond funds	\$ <u>443,465</u>	\$ <u>443,465</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	N/A

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Fair Value Measurement of Investments, continued:

B. 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, 2021. As of September 30, 2021, investments at fair value consist of investments in U.S. Government money market placements and mutual funds amounting to \$70,507,820. All CPA investments are categorized as Level 1.

CEDA:

A Memorandum of Agreement (MOA) was established between CEDA 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 CEDA and CUC as required by the MOA.

On May 7, 2009, CUC and CEDA, 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 CEDA 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 CEDA 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, CEDA 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 CEDA beginning October 1, 2012 but were not received. The Agreement cancels and discharges the indebtedness of CUC to CEDA 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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Fair Value Measurement of Investments, continued:

B. Discretely Presented Component Units, continued

CEDA, continued:

CUC issued to CEDA 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. CEDA 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, 2021, CEDA 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.

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:

<u>Year ending September 30,</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total</u>
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	<u>298,795</u>	<u>1,501,205</u>	<u>1,800,000</u>
	<u>\$11,309,651</u>	<u>\$15,690,349</u>	<u>\$27,000,000</u>

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Fair Value Measurement of Investments, continued:

B. Discretely Presented Component Units, continued

CEDA, continued:

On August 17, 2016, CEDA entered into an agreement with CUC for the total amount of unpaid dividend payments owed by CUC to CEDA 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 CEDA of \$270,000 which represents the full amount of the quarterly dividend due. In 2015, CEDA 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, 2021. At September 30, 2021, CEDA recorded dividends receivable of \$1,080,000 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, 2021.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Fair Value Measurement of Investments, continued:

B. Discretely Presented Component Units, continued

MPLT, continued:

As of September 30, 2021, investments at fair value are as follows:

Investments by fair value level	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Debt securities:				
Mortgaged and asset backed securities	\$ 1,044,286	\$ ---	\$ 1,044,286	\$ ---
Government bonds	6,396,357	6,396,357	---	---
Corporate bonds	19,396,116	---	19,396,116	---
Domestic convertible corporate bonds	<u>11,042,121</u>	<u>---</u>	<u>11,042,121</u>	<u>---</u>
Total debt securities	<u>37,878,880</u>	<u>6,396,357</u>	<u>31,482,523</u>	<u>---</u>
Equity securities:				
Domestic common stock	30,653,778	30,653,778	---	---
International common stock	5,766,275	5,766,275	---	---
Real estate investment trusts	12,952,421	12,952,421	---	---
Smash shares	10,810,558	10,810,558	---	---
Infrastructure - Global	7,941,094	7,941,094	---	---
Infrastructure - U.S.	3,137,644	3,137,644	---	---
Private equity	<u>1,671,380</u>	<u>1,671,380</u>	<u>---</u>	<u>---</u>
Total equity securities	<u>72,933,150</u>	<u>72,933,150</u>	<u>---</u>	<u>---</u>
Total investments by fair value level	<u>\$110,812,030</u>	<u>\$79,329,507</u>	<u>\$31,482,523</u>	<u>\$ ---</u>

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Fair Value Measurement of Investments, continued:

B. Discretely Presented Component Units, continued

MPLT, continued:

The following is a listing of MPLT's fixed income securities at September 30, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>				<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Mortgage and asset backed securities	\$ 1,044,286	\$ ---	\$ ---	\$ ---	\$1,044,286	AA+
Government bonds	6,396,357	503,615	3,005,326	776,257	2,111,159	AA+
Corporate bonds	332,250	---	---	332,250	---	A+
Corporate bonds	1,444,786	---	---	1,107,385	337,401	A-
Corporate bonds	1,439,719	---	---	1,439,719	---	BBB+
Corporate bonds	82,641	---	82,641	---	---	BBB-
Corporate bonds	553,245	---	---	332,109	221,136	BBB
Corporate bonds	2,425,742	---	1,318,480	1,107,262	---	BB+
Corporate bonds	3,332,786	---	1,935,183	1,397,603	---	BB-
Corporate bonds	3,670,514	---	299,165	3,068,445	302,904	BB
Corporate bonds	2,698,681	407,650	559,117	1,435,634	296,280	B+
Corporate bonds	1,133,638	90,225	1,043,413	---	---	B-
Corporate bonds	1,997,471	---	491,663	1,505,808	---	B
Corporate bonds	284,643	---	---	284,643	---	CCC+
Domestic convertible corporate bonds	104,264	---	104,264	---	---	A-
Domestic convertible corporate bonds	104,400	50,727	53,673	---	---	BBB+
Domestic convertible corporate bonds	24,922	---	---	24,922	---	BBB-
Domestic convertible corporate bonds	689,640	---	626,303	---	63,337	BBB
Domestic convertible corporate bonds	96,371	---	96,371	---	---	BB+
Domestic convertible corporate bonds	129,187	34,528	94,659	---	---	BB-
Domestic convertible corporate bonds	733,338	64,773	512,899	155,666	---	BB
Domestic convertible corporate bonds	139,406	---	76,830	62,576	---	B+
Domestic convertible corporate bonds	75,894	---	31,038	---	44,856	B
Domestic convertible corporate bonds	129,060	---	129,060	---	---	CCC+
Domestic convertible corporate bonds	<u>8,815,639</u>	<u>359,734</u>	<u>7,005,103</u>	<u>1,450,802</u>	<u>---</u>	NA
	<u>\$37,878,880</u>	<u>\$1,511,252</u>	<u>\$17,465,188</u>	<u>\$14,481,081</u>	<u>\$4,421,359</u>	

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, 2021.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Fair Value Measurement of Investments, continued:

B. Discretely Presented Component Units, continued

NMC, continued:

As of September 30, 2021, investments at fair value are as follows:

Investments by fair value level	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Debt securities:				
Real estate and tangibles	\$ 651,575	\$ ---	\$ ---	\$ 651,575
Cash and cash equivalents	645,432	---	---	645,432
Asset-backed, mortgaged-backed, collateralized mortgage obligation	793,054	---	793,054	---
U.S. Treasury	1,389,762	---	1,389,762	---
Corporate bonds	1,215,875	---	1,215,875	---
Equity securities:				
Domestic equity	3,683,980	3,683,980	---	---
International equity	<u>2,467,502</u>	<u>2,467,502</u>	---	---
Total investments by fair value level	<u>\$10,847,180</u>	<u>\$6,151,482</u>	<u>\$3,398,691</u>	<u>\$1,297,007</u>

The following is a listing of NMC's fixed income securities at September 30, 2021:

Investment Type	Fair Value	Investment Maturities (In Years)				Credit Rating
		Less Than 1	1-5	6-10	More Than 10	
Government and GSE bonds	\$ 1,354,763	\$ ---	\$564,496	\$ 604,710	\$ 185,557	AAA
Government and GSE bonds	34,999	34,999	---	---	---	No rating
Corporate bonds	18,281	---	---	---	18,281	AAA
Corporate bonds	241,247	---	---	201,662	39,585	A-
Corporate bonds	493,046	---	---	473,505	19,541	BBB+
Corporate bonds	140,923	---	20,450	120,473	---	BBB+
Corporate bonds	<u>1,115,432</u>	---	---	---	<u>1,115,432</u>	No rating
	<u>\$ 3,398,691</u>	<u>\$34,999</u>	<u>\$584,946</u>	<u>\$1,400,350</u>	<u>\$1,378,396</u>	

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

3. Receivables and Tax Abatements

A. Receivables

Primary Government

Receivables as of September 30, 2021, for the primary government's individual major governmental funds and nonmajor governmental funds in the aggregate, including allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Grants Assistance</u>	<u>ARPA Relief</u>	<u>Saipan Amusement</u>	<u>DPL</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:							
Federal agencies	\$ 9,100,571	\$20,433,050	\$ ---	\$ ---	\$ ---	\$ 1,973,700	\$31,507,321
General	11,132,428	12,831	---	---	3,975,790	---	15,121,049
Taxes	4,364,938	---	---	---	---	---	4,364,938
Other	<u>3,103,609</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,154,000</u>	<u>4,257,609</u>
Gross receivables	27,701,546	20,445,881	---	---	3,975,790	3,127,700	55,250,917
Less allowance for uncollectibles	<u>4,965,112</u>	<u>8,287,733</u>	<u>---</u>	<u>---</u>	<u>3,031,823</u>	<u>2,402,636</u>	<u>18,687,304</u>
Net receivables	<u>\$22,736,434</u>	<u>\$12,158,148</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 943,967</u>	<u>\$ 725,064</u>	<u>\$36,563,613</u>

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.

Discretely Presented Component Units

Receivables as of September 30, 2021, for the discretely presented component units, including allowances for uncollectible accounts are as follows:

	<u>CEDA</u>	<u>CPA</u>	<u>CUC</u>	<u>MPLT</u>	<u>MVA</u>	<u>NMC</u>	<u>PSS</u>	<u>Total</u>
Receivables:								
Finance leases	\$ 717,285	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 717,285
Notes	31,356,837	---	161,285	18,005,848	---	---	---	49,523,970
Federal agencies	---	3,105,870	7,680,916	---	---	1,396,925	3,762,727	15,946,438
General	52,920	6,374,847	49,068,283	---	---	2,855,358	---	58,369,408
Interest and dividends	1,145,156	---	---	323,165	---	---	---	1,468,321
Other	<u>55,694</u>	<u>1,638</u>	<u>161,285</u>	<u>1,050,191</u>	<u>3,012</u>	<u>---</u>	<u>---</u>	<u>1,271,820</u>
Gross receivables	33,327,892	9,482,355	57,071,769	19,379,204	3,012	4,252,283	3,762,727	127,297,242
Less allowance for uncollectibles	<u>23,579,376</u>	<u>5,807,907</u>	<u>41,445,001</u>	<u>1,841,163</u>	<u>---</u>	<u>1,927,198</u>	<u>---</u>	<u>74,600,645</u>
Net receivables	<u>\$ 9,748,516</u>	<u>\$3,674,448</u>	<u>\$15,626,768</u>	<u>\$17,538,041</u>	<u>\$ 3,012</u>	<u>\$2,325,085</u>	<u>\$3,762,727</u>	<u>\$ 52,696,597</u>

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

3. Receivables and Tax Abatements, continued

A. Receivables, continued

Discretely Presented Component Units, continued

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

CUC:

CUC allows customers to settle their outstanding utilities through issuance of promissory notes with terms ranging from six months to ten years at an interest rate of 12% per annum.

\$ 161,285

CEDA:

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, CEDA 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.

\$ 7,777,461

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

3. Receivables and Tax Abatements, continued

A. Receivables, continued

Discretely Presented Component Units, continued

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. \$ 4,606,759

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. 41,163

Note receivable from the CNMI Government, interest at 7% per annum, due on September 1, 2024. 12,083,528

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. 1,274,398

\$18,005,848

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

3. Receivables and Tax Abatements, continued

B. Tax Abatements

As of September 30, 2021, 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; and
- 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, 2021, information relevant to the disclosure of the QC program includes total estimated gross receipts tax revenue reduced by \$-0-.

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, 2021, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Grants Assistance	\$ 62,707,746
General	Saipan Amusement	15,023,937
General	DPL Fund	44,059
General	Other Governmental	24,528,010
Grants Assistance	General	8,727,455
ARPA	General	458,412,820
Other governmental	General	<u>33,977,797</u>
		<u>\$603,421,824</u>

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

4. Interfund Receivables and Payables, continued

Balances reflected as due from fiduciary funds of the primary government as of September 30, 2021, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	NMIRF	\$ 1,618,141
Other governmental	NMIRF	<u>864,788</u>
		<u>\$ 2,482,929</u>

Balances reflected as due to fiduciary funds of the primary government as of September 30, 2021, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
NMISF	General	<u>\$25,336,979</u>

The amount recorded as due from the component units of the primary government of \$1,723,834 does not equal to the corresponding due to primary government of the discretely presented component units of \$12,007,669 due to CPA and CUC recording public auditor fee of \$2,696,480 and \$9,311,189, respectively, for which the primary government recorded a corresponding allowance.

Balances reflected as due to component units of the primary government as of September 30, 2021, are summarized as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
MPLT	DPL	\$ 1,083,819
MPLT	General	12,083,528
CHCC	General	11,925,338
CUC	General	5,578,317
MVA	General	6,595,120
CEDA	General	6,013,000
NMC	General	185,235
PSS	General	<u>6,907</u>
		<u>\$43,471,264</u>

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

4. Interfund Receivables and Payables, continued

The amount recorded as due from primary government of the discretely presented component units of \$2,637,403 does not equal the corresponding due to component units of the primary government of \$43,471,264 by \$40,833,861. The difference of \$1,083,819 and \$12,083,528 with MPLT are due to unrecorded receivable from DPL and due to amounts recorded as notes receivable by MPLT, respectively. The difference of \$5,578,317 with CUC is due to amounts record as general receivables by CUC. The remaining differences of \$11,925,338, \$6,013,000, \$5,175,766, \$(940,814), \$(85,093) are due to lack of financial information and reconciliation for the accounts with CHCC, CEDA, MVA, NMC and PSS, respectively.

5. Other Assets

As of September 30, 2021, 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 \$341,210,212 recorded in the General Fund represents cash and cash equivalents of \$400,438 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; \$38,878,594 restricted for U.S. unemployment programs and economic stimulus funding activities under the CARES Act; \$295,390,404 restricted for various Federal programs and projects; \$3,883,511 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; \$2,577,375 restricted for future debt service requirements and \$79,890 restricted for group health and life insurance payments.

Restricted assets of \$1,245,856 recorded in the Grants Assistance Fund represents cash and cash equivalents restricted for capital projects.

Restricted assets of \$1,316,316 recorded in DPL represent security deposits received from lessees.

Restricted assets of \$2,112,027 recorded in the Other Governmental Funds represent cash and cash equivalents of \$98,654 for other purposes and investments of \$2,013,373 for the purpose of compensating for injury increasing disability in accordance with §(f) of Section 9308 of Public Law 10-19.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

6. Restricted Assets, continued

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:

<u>Fund</u>	<u>Airport Revenue Bonds</u>	<u>Seaport Revenue Bonds</u>	<u>Total</u>
Bond Reserve Fund	\$ 1,685,184	\$ 3,514,313	\$ 5,199,497
Supplemental Reserve Fund	---	8,024,194	8,024,194
Construction Fund	---	7,476	7,476
Reimbursement Fund	---	6,049	6,049
Bond Fund	615,782	1,316,207	1,931,989
Maintenance and Operation	7,906,457	4,158,220	12,064,677
Optional Redemption Fund	12,603	---	12,603
Revenue Fund	754	845	1,599
Insurance and Condemnation Proceeds Fund - Yutu	21,398,922	---	21,398,922
Insurance and Condemnation Proceeds Fund - Mangkhut	1,712,823	---	1,712,823
Stonecastle Fund	<u>10,073,242</u>	<u>10,074,749</u>	<u>20,147,991</u>
	<u>\$43,405,767</u>	<u>\$27,102,053</u>	<u>\$70,507,820</u>

CUC:

Restricted assets of \$12,742,111 recorded in CUC pertain to customer deposits.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

7. Capital Assets and Depreciation

Capital asset activities for the year ended September 30, 2021, are as follows:

Primary Government

	Balance October 1, 2020	<u>Additions</u>	<u>Reclassifications</u>	Balance September 30, 2021
Assets not being depreciated:				
Land	\$ 30,064,154	\$ ---	\$ ---	\$ 30,064,154
Construction in progress	<u>15,509,018</u>	<u>---</u>	<u>---</u>	<u>15,509,018</u>
	<u>45,573,172</u>	<u>---</u>	<u>---</u>	<u>45,573,172</u>
Depreciable assets:				
Buildings and other improvements	136,141,831	---	---	136,141,831
Machinery and equipment	58,765,861	9,081,283	---	67,847,144
Infrastructure	<u>167,091,478</u>	<u>---</u>	<u>---</u>	<u>167,091,478</u>
	<u>361,999,170</u>	<u>9,081,283</u>	<u>---</u>	<u>371,080,453</u>
Accumulated depreciation:				
Buildings and other improvements	79,512,065	---	---	79,512,065
Machinery and equipment	45,503,197	---	---	45,503,197
Infrastructure	<u>136,690,690</u>	<u>---</u>	<u>---</u>	<u>136,690,690</u>
Total accumulated depreciation	<u>261,705,952</u>	<u>---</u>	<u>---</u>	<u>261,705,952</u>
Depreciable assets, net	<u>100,293,218</u>	<u>9,081,283</u>	<u>---</u>	<u>109,374,501</u>
	<u>\$ 145,866,390</u>	<u>\$ 9,081,283</u>	<u>\$ ---</u>	<u>\$ 154,947,673</u>

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

7. Capital Assets and Depreciation, continued

Discretely Presented Component Units

	Estimated Useful Lives	Balance October 1, 2020	Additions	Retirements	Reclassifications	Balance September 30, 2021
Assets not being depreciated:						
Land		\$ 45,851,185	\$ ---	\$ (7,288,182)	\$ ---	\$ 38,563,003
Construction in progress		<u>63,218,239</u>	<u>19,859,353</u>	<u>(13,553,155)</u>	<u>(6,337,553)</u>	<u>63,186,884</u>
		<u>109,069,424</u>	<u>19,859,353</u>	<u>(20,841,337)</u>	<u>(6,337,553)</u>	<u>101,749,887</u>
Depreciable assets:						
Electric plant	25 years	181,681,008	844,847	(1,410,282)	---	181,115,573
Runway and improvements	20 years	120,406,374	6,028,633	(2,982,267)	---	123,452,740
Terminal facilities	20 years	116,378,402	8,760,132	(8,179,287)	---	116,959,247
Water plant	25 years	85,703,444	266,721	(91,550)	3,029,205	88,907,820
Buildings	5 - 50 years	72,212,973	1,305,414	(131,131)	3,307,228	76,694,484
Harbor facilities	20 years	64,520,013	---	(490,136)	---	64,029,877
Sewer plant	25 years	55,835,152	716,446	(92,002)	---	56,459,596
Fire and rescue equipment	2 - 8 years	35,551,203	47,449	(639,001)	---	34,959,651
General transportation	3 - 5 years	11,692,603	900,070	(279,681)	---	12,312,992
Terminal equipment	2 - 10 years	8,556,146	1,951	(803,885)	---	7,754,212
Housing projects	30 years	7,612,509	---	(7,612,509)	---	---
Office furniture and fixtures	2 - 10 years	5,924,893	272,803	(325,952)	---	5,871,744
Infrastructure	30 years	2,823,491	---	---	---	2,823,491
Grounds maintenance and shop equipment	2 - 5 years	1,841,292	19,997	(4,700)	---	1,856,589
Other improvements	3 - 20 years	31,565,664	371,907	(1,941,794)	---	29,995,777
Other equipment	3 - 5 years	<u>12,980,156</u>	<u>306,129</u>	<u>(5,310,009)</u>	<u>1,120</u>	<u>7,977,396</u>
		815,285,323	19,842,499	(30,294,186)	6,337,553	811,171,189
Less accumulated depreciation		<u>532,633,747</u>	<u>27,653,246</u>	<u>28,043,789</u>	<u>---</u>	<u>532,243,204</u>
Depreciable assets, net		<u>282,651,576</u>	<u>(7,810,747)</u>	<u>(2,250,397)</u>	<u>6,337,553</u>	<u>278,927,985</u>
		<u>\$391,721,000</u>	<u>\$ 12,048,606</u>	<u>\$ (23,091,734)</u>	<u>\$ ---</u>	<u>\$380,677,872</u>

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

8. Loan Payable Under Settlement Agreement, continued

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, 2021, principal outstanding and payable is \$1,303,939.

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 \$58,365,648 as of September 30, 2021. 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, 2021.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

10. Recovery Rebates Payable, continued

As discussed in note 19 to the financial statements, the Congress of the United States passed the CARES Act, which was approved and became law on March 27, 2020 as U.S. Public Law 116-136. The CARES Act provided Economic Impact Payments (EIP) of up to \$1,200 per adult for eligible individuals and \$500 per qualifying child under age 17. The payments were reduced for individuals with adjusted gross income (AGI) greater than \$75,000 (\$150,000 for married couples filing a joint return). For a family of four, these EIP provided up to \$3,400 of direct financial relief. In 2020, the CNMI received total funds of \$52,252,900 pursuant to the CARES Act. The CNMI recorded economic stimulus payments payable of \$1,234,270 in the General Fund representing the remaining undisbursed EIP funds as of September 30, 2021.

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, 2021, deferred outflows from cost of refunding debt amounted to \$3,716,713.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

11. General Obligation Bonds Payable, continued

\$57,800,000 Bond Issue

In April 2007, CEDA, 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, 2021, consist of the following:

Series 2007A general obligations refunding bonds	\$25,725,000
Unamortized premium on bond issuance	<u>44,994</u>
	<u>\$25,769,994</u>

\$42,690,000 Bond Issue

In April 2007, CEDA, 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.

Amount outstanding and payable as of September 30, 2021, consist of the following:

Series 2007B general obligations refunding bonds	\$31,345,000
Unamortized premium on bond issuance	<u>30,844</u>
	<u>\$31,375,844</u>

Pension Obligation Bond

Article X Section 10 of the CNMI Constitution by Public Law 18-12 as amended by Public Law 18-45 and by Public Law 21-4, issued pursuant to Commonwealth Code Division 10, Chapter 4, Article 2, authorized to issue Pension Obligation Bonds in the original aggregate principal amount not to exceed \$300,000,000. The primary purpose of the bond was to fund the Commonwealth's actuarially determined unfunded accrued liability to the retirement fund.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

11. General Obligation Bonds Payable, continued

\$24,348,440 Interim Pension Obligation Bond Issue

The CNMI and CEDA obtained financing on an interim basis for the purposes for which the Bonds have been authorized. On August 18, 2020, through CEDA acting on behalf of the CNMI, entered into a Pension Obligation Credit Agreement with a financial institution. The financial institution extended a maximum loan amount of \$25,000,000 with interest rate at 8% per annum, which is evidenced and to be paid in accordance with the Pension Obligation Bond Series 2020A issued by the CNMI. Payment amount is based on a fifteen (15) year amortization of principal and interest. Installments of principal and interest are to be paid to the financial institution monthly commencing September 18, 2020, with a balloon payment of the remaining obligation on September 18, 2025. Amount outstanding and payable as of September 30, 2021 amounted to \$23,440,206.

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 4,993,004	\$ 4,778,596	\$ 9,771,600
2023	5,284,651	4,490,824	9,775,475
2024	5,578,404	4,190,571	9,768,975
2025	5,894,918	3,756,795	9,651,713
2026	6,325,305	3,401,786	9,727,091
2027 - 2031	42,856,128	10,801,712	53,657,840
2032 - 2034	<u>9,577,797</u>	<u>990,249</u>	<u>10,568,046</u>
	<u>\$80,510,207</u>	<u>\$32,410,533</u>	<u>\$112,920,740</u>

Changes in general obligation bonds payable of the primary government for the year ended September 30, 2021, are as follows:

	Balance October <u>1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2021</u>	Due Within <u>One Year</u>
Loans and bonds payable:					
2007 Series A Bonds	\$27,945,000	\$ ---	\$(2,220,000)	\$25,725,000	\$2,335,000
2007 Series B Bonds	33,095,000	---	(1,750,000)	31,345,000	1,740,000
2020 Series A Interim Pension Bond	<u>24,283,232</u>	<u>---</u>	<u>(843,025)</u>	<u>23,440,207</u>	<u>918,004</u>
	85,323,232	---	(4,813,025)	80,510,207	4,993,004
Deferred amounts:					
Unamortized premium on bonds issued	<u>82,157</u>	<u>---</u>	<u>(6,320)</u>	<u>75,837</u>	<u>6,320</u>
	<u>\$85,405,389</u>	<u>\$ ---</u>	<u>\$(4,819,345)</u>	<u>\$80,586,044</u>	<u>\$4,999,324</u>

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

11. General Obligation Bonds Payable, continued

Events of Default and Remedies of Bondholders

The outstanding refunding of debt 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
- (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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

11. General Obligation Bonds Payable, continued

Events of Default and Remedies of Bondholders, continued

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

- (a) Default of the CNMI in the due and punctual payment as and when the same shall become due and payable of the principal or interest upon the Loan, or upon the Interim Bond;
- (b) Default of the CNMI in the observance of any of the covenants, or conditions and warranties contained in this Agreement, the Interim Bond; or the Pledge, other than the payment of money, 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 the CNMI; or
- (c) Acceleration by the Lender in the event the Lender sue the CNMI for payment of principal of and interest on the Interim Bond.

In the event of default, then the Holder shall be entitled to declare the principal of the Loan, and the interest accrued thereon, to be due and payable immediately and upon any such declaration, such principal and interest shall become and be immediately due and payable.

Management acknowledges the requirement to observe any of the covenants, or conditions and warranties contained in the Agreement.

Per Section 9 of the Interim Pension Obligation Bond Credit Agreement, the CNMI shall maintain the special trust account as defined in the Pledge of Business Gross Revenue Taxes agreement, and that it shall always maintain or cause to be maintained in such special trust account an amount not less than the required reserve. Accordingly, as of September 30, 2021 the CNMI has established a special trust account to comply with Section 9 of the Credit Agreement with a balance of \$1,147,687 and is recorded under unrestricted cash and cash equivalents in the accompanying Statement of Net Position.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

11. General Obligation Bonds Payable, continued

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.

Revenue bonds payable as of September 30, 2021, consists of the following:

1998 Senior Series A tax-exempt airport revenue bonds	<u>\$ 7,775,000</u>
---	---------------------

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, 2021, deferred outflows from cost of refunding debt amounted to \$397,392. 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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

11. General Obligation Bonds Payable, continued

Discretely Presented Component Units

CPA \$33,775,000 Bond Issue, continued

Revenue bonds payable as of September 30, 2021, consist of the following:

1998 Senior Series A tax-exempt seaport revenue bonds	<u>\$ 14,085,000</u>
---	----------------------

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, 2021, total deposits in the Seaport supplemental reserve fund amounted to \$8,024,194.

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.

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, 2021, consist of the following:

2005 Senior Series A tax-exempt seaport revenue bonds	\$ 4,170,000
Discount on bonds	<u>(71,694)</u>
	<u>\$ 4,098,306</u>

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

11. General Obligation Bonds Payable, continued

Discretely Presented Component Units, continued

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, 2021. 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, passenger facility charges and insurance proceeds to meet the Indenture requirements. For fiscal year 2021, 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:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,480,000	945,056	4,425,056
2026	3,695,000	716,553	4,411,553
2027 - 2031	<u>9,605,000</u>	<u>815,700</u>	<u>10,420,700</u>
	<u>\$26,030,000</u>	<u>\$6,552,042</u>	<u>\$32,582,042</u>

Changes in revenue bonds payable of the discretely presented component units for the year ended September 30, 2021, are as follows:

	Balance October 1, 2020	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2021	Due Within One Year
Bonds payable:					
CPA	\$28,760,000	\$ ---	\$(2,730,000)	\$26,030,000	\$ 2,900,000
Deferred amounts:					
Discount	(71,694)	---	---	(71,694)	---
	<u>\$28,688,306</u>	<u>\$ ---</u>	<u>\$(2,730,000)</u>	<u>\$25,958,306</u>	<u>\$ 2,900,000</u>

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

11. General Obligation Bonds Payable, continued

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 five 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.

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

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.

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

12. Other Long-Term Liabilities, continued

Claims and Judgments, continued

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 was fully paid in fiscal year 2019.

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, 2021, the CNMI’s claims and judgment liability related to SO₂ amounted to \$-0-.

Due to Component Units

On July 26, 2019, Public Law 21-3 was enacted to authorize a loan between the CNMI and MPLT and to appropriate future MPLT interest distributions for funding the CNMI’s emergency disaster relief and recovery expenses due to the impact of Super Typhoon Yutu. Public Law 21-3 authorized MPLT to loan \$15,000,000 to the CNMI at an interest rate of 7.5% per annum. Public Law 21-3 authorized MPLT to withhold future investment income that would be remitted to the CNMI pursuant to Article XI § 6(d) of the Constitution beginning fiscal year 2019 and future fiscal years thereafter until the loan plus annual interest is fully paid.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

12. Other Long-Term Liabilities, continued

Due to Component Units, continued

On September 13 and 20, 2019, MPLT transferred \$7,500,000 and \$2,500,000, respectively, to the CNMI and entered into a \$15 million loan agreement to effectuate the requirements of Public Law 21-3, and as amended by Public Law 21-6. Additional drawdown of \$5,000,000 was made by the CNMI on April 17, 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 \$0 and \$0, respectively.

Changes in other long-term liabilities of the primary government for the year ended September 30, 2021, are as follows:

	Balance October <u>1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2021</u>	Due Within <u>One Year</u>
Claims and judgments	\$ 2,525,311	\$ ---	\$ ---	\$ 2,525,311	\$ 2,525,311
Compensated absences	11,916,938	---	(3,608,637)	8,308,301	---
Due to component units	12,675,319	30,795,945	---	43,471,264	43,471,264
Landfill closure	<u>15,180,980</u>	<u>---</u>	<u>---</u>	<u>15,180,980</u>	<u>---</u>
	<u>\$42,298,548</u>	<u>\$30,795,945</u>	<u>\$ (3,608,637)</u>	<u>\$69,485,856</u>	<u>\$45,996,575</u>

Discretely Presented Component Units

CUC Obligations Under Estimated Environmental Remediation Costs

CUC is involved in environmental remediation and ongoing compliance. On March 10, 2011, CUC received an order from the U.S. Environmental Protection Agency (EPA), which requires CUC to perform cleanup activities of Power Plants 1 and 2, pursuant to the National Oil and Hazardous Substances Pollution Contingency Plan, which appears at Title 40, CFR Part 300 and paragraphs 12 and 14 of SO2 for Preliminary Injunctive Relief. On April 26, 2017, CUC received an assessment to reimburse the United States Coast Guard (USCG) for the costs incurred for oil discharge pollution removal at CUC Power Plants 1 and 2 totaling \$7,809,537. The accompanying financial statements reflect an accrual for these remedial activities. These assessments are still outstanding as of September 30, 2021.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

12. Other Long-Term Liabilities, continued

Discretely Presented Component Units, continued

CUC Obligations Under Estimated Environmental Remediation Costs, continued

On October 27, 2011, EPA contacted CUC regarding release or threatened release of hazardous substance connected with the Rota Power Plant located in Songsong Village, Rota (the Site). As a current owner and operator of the Rota Power Plant, EPA believes that CUC may be liable pursuant to Section 107(a) of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), as amended, 42 U.S.C. 9607(a), for response costs incurred to address environmental contamination at the Site. By letter dated November 3, 2011, CUC indicated that it lacked the financial ability to perform an immediate cleanup of hazardous substances and requested EPA's assistance in performing such a cleanup. EPA has incurred at least \$2,131,697 in costs related to the Site as of January 31, 2016. The financial statements include an accrual for these response costs. These assessments are still outstanding as of September 30, 2021.

In fiscal year 2020, CUC and USCG agreed to enter in a settlement agreement pursuant to Section 1015 of the Oil Pollution Act of 1990. CUC agreed to pay USCG the principal sum of \$1,185,000 in forty-eight monthly installments of \$24,688 at 3% annual interest.

A settlement agreement was also entered between CUC and the U.S. EPA pursuant to CERCLA section 122(h)(1) for recovery of past response costs of \$135,000.

The settlement agreements have not yet been signed and adopted. CUC elected to adjust the obligations under environmental remediation costs to the total settlement amount of \$1.5 million upon formalization of the agreement.

Changes in other long-term liabilities of the discretely presented component units for the year ended September 30, 2021, are as follows:

	Balance October <u>1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2021</u>	Due Within <u>One Year</u>
Compensated absences	\$ 6,941,813	\$2,035,302	\$(1,098,774)	\$ 7,878,341	\$ 3,613,366
Dividends payable	1,800,000	900,000	(1,620,000)	1,080,000	---
Due to fiduciary funds	3,481,452	---	(14,027)	3,467,425	---
Obligations under estimated environmental remediation costs	9,941,234	---	(8,878,734)	1,062,500	---
Unearned revenues	<u>29,873,331</u>	<u>6,173,595</u>	<u>(7,187,605)</u>	<u>28,859,321</u>	<u>4,196,964</u>
	<u>\$52,037,830</u>	<u>\$9,108,897</u>	<u>\$(18,799,140)</u>	<u>\$42,347,587</u>	<u>\$ 7,810,330</u>

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

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:

	<u>General</u>	<u>Grants Assistance</u>	<u>ARPA</u>	<u>Saipan Amusement</u>	<u>DPL</u>	<u>Other Governmental Funds</u>	<u>Total</u>
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	---	628,059	---	---	---	---	628,059
Debt service reserve	2,577,379	---	---	---	---	---	2,577,379
Other purposes	---	---	---	---	---	4,192	4,192
Committed to:							
Public lands	---	---	---	---	5,983,882	---	5,983,882
Local senatorial districts	---	---	---	---	---	6,486,074	6,486,074
Workers' Compensation Commission	---	---	---	---	---	3,561,894	3,561,894
Private grants	---	---	---	---	---	1,158,712	1,158,712
Commonwealth Casino Commission	---	---	---	---	---	(791,055)	(791,055)
Commonwealth Cannabis Commission	---	---	---	---	---	(43,739)	(43,739)
CNMI Group Health and Life Insurance Trust Fund	---	---	---	---	---	(21,844,969)	(21,844,969)
Capital projects	---	---	---	---	---	373,519	373,519
Public works and highway projects	---	---	---	---	---	783,806	783,806
Infrastructure	---	---	---	---	---	2,103,226	2,103,226
Tobacco control	---	---	---	---	---	4,071,446	4,071,446
Solid waste revolving	---	---	---	---	---	9,374,582	9,374,582
Other purposes	---	---	---	---	---	2,697,145	2,697,145
Unassigned	<u>(209,398,603)</u>	<u>(70,889,808)</u>	<u>---</u>	<u>(16,667,967)</u>	<u>---</u>	<u>3,770,506</u>	<u>(293,185,872)</u>
	<u>\$ (204,088,837)</u>	<u>\$ (70,261,749)</u>	<u>\$ ---</u>	<u>\$ (16,667,967)</u>	<u>\$ 5,983,882</u>	<u>\$ 11,705,339</u>	<u>\$ (273,329,332)</u>

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, 2021, are as follows:

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

14. Transfers In/Out, continued

Operating Fund Transfers, continued

Source/Recipient	Transfer Out	Transfer In
General Fund		
Grants Assistance Fund	\$ 4,726,066	\$ 1,873,263
Other Governmental Funds	12,325,145	2,731,491
Saipan Amusement Fund	<u>843,965</u>	<u>---</u>
	<u>17,895,176</u>	<u>4,604,754</u>
Grants Assistance Fund		
General Fund	1,873,263	4,726,066
Other Governmental Funds	<u>1,492,391</u>	<u>---</u>
	<u>3,365,654</u>	<u>4,726,066</u>
Saipan Amusement Fund		
General Fund	<u>---</u>	<u>843,965</u>
Other Governmental Funds		
General Fund	2,731,491	12,325,145
Grants Assistance Fund	<u>---</u>	<u>1,492,391</u>
	<u>2,731,491</u>	<u>13,817,536</u>
	<u>\$ 23,992,321</u>	<u>\$ 23,992,321</u>

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 \$55,670,022 does not equal the corresponding contributions from the primary government of \$30,580,837 by \$25,089,185 due to lack of account reconciliation.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

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 \$1,303,939 and \$5,333, respectively. For the year ended September 30, 2021, interest payments were \$890,210 and total Judicial Building Fund revenues were \$844,158.

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 \$32,582,042 at September 30, 2021. Pledged gross revenues received during the year ended September 30, 2021 were \$30,694,867. Debt service payments during the year ended September 30, 2021 amounted to \$4,461,796 representing 15% 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, 2021, is \$-0-.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

15. Commitments, continued

Operating Lease, continued

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

<u>September 30,</u>	
2022	\$ 200,000
2023	200,000
2024	200,000
2025	<u>400,000</u>
	<u>\$1,000,000</u>

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 \$15,180,980 liability reported as landfill closure and postclosure costs at September 30, 2021 within the accompanying financial statements, represents the cumulative amount reported based on 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 \$775,671 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 2028. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

16. Contingencies, continued

Questioned Costs Under Federally Funded Programs

The CNMI participates in a number of federally assisted grant programs funded by the United States Government. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs of \$104,327,082 have been set forth in the CNMI's Single Audit Report for the year ended September 30, 2021. 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.

General Fund Financial Position

The CNMI's General Fund has an unassigned fund deficit of \$209,398,603 at September 30, 2021. In addition, at September 30, 2021, the primary government's current liabilities exceed current assets by \$280,828,656, and total liabilities and deferred inflows of resources exceed total assets and deferred outflows of resources by \$580,117,918. 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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

16. Contingencies, continued

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, 2021 is \$34,100,078.

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.

Stipulated Orders

The U.S. EPA brought suit against CUC and the CNMI Government alleging a failure to comply with various regulations and requirements related to the Safe Drinking Water Act (“SDWA”) and the Federal Water Pollution Control Act (“FWPCA”). To date there have been two primary stipulated orders entered as a result of this action.

Stipulated Order One (SO1) is intended to ensure that CUC’s wastewater and drinking water systems achieve compliance with the SDWA and the FWPCA. The major components of SO1 are:

1. The reformation of CUC’s management, finances and operations; and
2. The construction of wastewater infrastructure.

CUC is also required to take steps to comply with National Pollution Discharge Elimination System permits and compliance orders, comply with drinking water standards, and to eliminate spills from the wastewater system.

Stipulated Order Two (SO2) is intended to ensure that CUC’s power plant facilities achieve compliance with the Clean Water Act (CWA). These requirements include requiring CUC to eliminate oil spills, implement appropriate spill prevention measures, implement effective inspection procedures for its oil storage facilities, provide containment for oil storage facilities and prepare appropriate operating plans.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

16. Contingencies, continued

Stipulated Orders, continued

The SO2 projects continue under the direction of the Court's appointed Engineering and Environmental Management Company (EEMC) - Gilbane Federal - pursuant to the provisions of the Stipulated Order entered on September 26, 2014. Progress on outstanding issues under Court order are projected to be completed in 2020 with consideration by the Court to terminate SO2 provisions along with a continuing obligation to fund the TMO fund for an additional five years as a maintenance reserve for SO2 funded improvements.

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
- 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, 2021, expenditures of the General Fund exceeded budget at the program area level (i.e., the legal level of budgetary control) as follows:

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

16. Contingencies, continued

Budgetary Compliance, continued

Program Area	Excess
Executive branch:	
Office of the Governor	\$ 524,184
Office of the Lt. Governor	\$ 10,659
Department of Commerce	\$ 100,656
Department of Community and Cultural Affairs	\$ 178,384
Department of Corrections	\$ 4,026,571
Department of Finance	\$ 1,676,476
Department of Fire and Emergency Medical Services	\$ 1,100,124
Department of Lands and Natural Resources	\$ 57,533
Department of Public Safety	\$ 6,851,499
Second Senatorial District – Tinian and Aguiguan	\$ 668,079
First Senatorial District – Rota	\$ 511,093
Office of the Attorney General	\$ 32,502
Boards and commissions	\$ 179,162
Education (payment to PSS, NMC and Board of Education)	\$ 2,969,032
Health (Medicaid local expenditures and medical referrals)	\$ 6,361,123
Health (payment to CHCC)	\$ 1,007,463
Payments to CUC	\$ 6,000,000
Judgments	\$ 1,032,705
Disaster expenditures	\$ 33,996,663
Debt service	\$ 2,000
Operating transfers out	\$ 3,876,730

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. As of September 30, 2021, the CNMI recorded \$2,525,311 of claims and judgments payable.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

17. Risk Management, continued

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, 2021, the CNMI recorded claims and judgments liability of \$1,401,144 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, single-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 statutorily 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 statutorily 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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

18. Pension and Other Postemployment Benefits Trust Fund, continued

Defined Benefit Plan (DB Plan), continued

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

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

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

18. Pension and Other Postemployment Benefits Trust Fund, continued

Defined Benefit Plan (DB Plan), continued

Pension Benefits, continued

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.

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 not 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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

18. Pension and Other Postemployment Benefits Trust Fund, continued

Defined Benefit Plan (DB Plan), continued

Pension Benefits, continued

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.

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, 2021 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, 2021 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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

18. Pension and Other Postemployment Benefits Trust Fund, continued

Defined Benefit Plan (DB Plan), continued

Contributions, continued

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 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 the 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.

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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

18. Pension and Other Postemployment Benefits Trust Fund, continued

Defined Benefit Plan (DB Plan), continued

Contributions, continued

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:

2022	\$ 41,000,000
2023	\$ 40,000,000
2024	\$ 39,000,000

For the years ended September 30, 2021, 2020 and 2019, the CNMI recorded payments to NMISF of \$40,000,000 and \$13,566,456, \$42,000,000 and \$13,980,427, and \$44,000,000 and \$14,150,418, respectively, which relates to the fiscal year 2021 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. As of September 30, 2021, the CNMI and NMISF still have yet to determine the amount of excess, if any, for fiscal years 2018, 2019, 2020 and 2021.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

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, 2021, the CNMI recorded contributions to NMISF of \$459,920.

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, 2021, the CNMI has not determined the amount of receivables from autonomous agencies.

In fiscal year 2021, actuarial determination for the amount of liability measured as of a date no earlier than the end of the CNMI's prior fiscal year was not performed. Latest actuarial determination 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, 2021 is as follows:

Total pension liability	\$ 645,784,891
Fiduciary net position	(116,501,735)
Amortization of deferred outflows of resources related to fiscal year 2019 contributions	(58,869,053)
Amortization of deferred outflows of resources related to fiscal year 2020 contributions	(<u>55,980,427</u>)
Net pension liability	\$ <u>414,433,676</u>
Fiduciary net position as a percentage of the total pension liability	18.04%

Total pension liability and fiduciary net position for measurement date of September 30, 2020 or September 30, 2021 could not be determined as the amounts are not available.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

18. Pension and Other Postemployment Benefits Trust Fund, continued

Defined Benefit Plan (DB Plan), continued

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	
Turnover Rates:	<u>Age</u>	<u>Rate</u>
	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:	<u>Age</u>	<u>Disability</u>
	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.	

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

18. Pension and Other Postemployment Benefits Trust Fund, continued

Defined Benefit Plan (DB Plan), continued

Actuarial Assumptions, continued

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.

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 sensitivity of net pension liability to changes in the discount rate, 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 of 3.6%, could not be determined as the amounts are not available.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

18. Pension and Other Postemployment Benefits Trust Fund, continued

Defined Benefit Plan (DB Plan), continued

Schedule of Changes in Net Pension Liability

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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	(a)	(b)	(a) - (b)
Balance at 10/01/19	\$645,784,891	\$116,501,735	\$529,283,156
Changes for the year:			
Amortization of deferred outflows of resources related to fiscal year 2019 contributions	(58,869,053)	---	(58,869,053)
Amortization of deferred outflows of resources related to fiscal year 2020 contributions	(55,980,427)	---	(55,980,427)
Balance at 09/30/21	<u>\$530,935,411</u>	<u>\$116,501,735</u>	<u>\$414,433,676</u>

Pension Liability. At September 30, 2021, the CNMI reported a liability of \$470,414,103 for its full share of the net pension liability.

Pension Expense. For the year ended September 30, 2021, the CNMI recognized pension expense of \$0.

Deferred Outflows and Inflows of Resources. At September 30, 2021, the CNMI reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 850,964	\$ ---
Contributions during fiscal year 2021	<u>53,566,456</u>	<u>---</u>
	<u>\$54,417,420</u>	<u>\$ ---</u>

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

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 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, 2021 will be recognized in pension expense as follows:

Year ending September 30,

2022	\$175,323
2023	<u>500,318</u>
	<u>\$675,641</u>

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a single-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, 2021, 2020 and 2019 were \$854,518, \$780,516 and \$754,177, 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.

Commonwealth of the Northern Mariana Islands

Notes to Financial Statements, continued

19. COVID-19 Pandemic

Economic uncertainties have arisen as a result of the COVID-19 coronavirus pandemic, which are likely to negatively impact the CNMI's financial results. On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. On March 13, 2020, the U.S. President declared the COVID-19 pandemic of sufficient severity and magnitude to warrant a national emergency. On March 17, 2020, the CNMI governor, through Executive Order 2020-04, declared a State Emergency and a State of Public Health Emergency for the CNMI due to the threat of COVID-19.

On March 18, 2020, the Governor issued Executive Order 2020-005 to authorize the CNMI Secretary of Finance to access, reprogram or transfer funds from accounts of any department, agency, office, board, commission of the CNMI government including autonomous entities to mitigate the COVID-19 threat. During 2020, CEDA and the Commonwealth Casino Commission transferred funds of \$6,000,000 and \$3,000,000 to the CNMI general fund, respectively.

On March 27, 2020, the U.S. President signed the CARES Act as U.S. Public Law 116-136, which provided federal assistance to respond to the COVID-19 outbreak and its impact on the economy, public health, state and local governments, individuals, and businesses. During fiscal year 2020, the CNMI received the first round of EIP funding of \$52,252,900. \$51,018,630 of which was disbursed during the year. As of September 30, 2021, the CNMI recorded economic stimulus payments payable of \$1,234,270.

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.

20. Restatement

Subsequent to the issuance of the CNMI's 2020 financial statements, CNMI management determined that certain account balances of CEDA, CPA and CUC were overstated, understated and overstated by \$18,307,559, \$242,205 and \$306,525, respectively. Accordingly, account balances of the discretely presented component units have been restated from amounts previously reported.

The \$18,307,559 represents net assets of the Northern Marianas Housing Corporation (NMHC). Pursuant to Executive Order 2020-21, the NMHC is no longer a division of CEDA effective September 24, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Commonwealth of the Northern Mariana Islands

Schedule of Revenues, Expenditures, and Changes in Deficit Budget and Actual – General Fund

Year ended September 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	
Revenues:				
Taxes	\$ 130,639,173	\$ 130,639,173	\$ 135,833,767	\$ 5,194,594
Charges for sales and services	1,174,373	1,174,373	2,000,140	825,767
Licenses and fees	10,137,163	10,137,163	8,908,891	(1,228,272)
Other	1,149,406	1,149,406	---	(1,149,406)
Total revenues	<u>143,100,115</u>	<u>143,100,115</u>	<u>146,742,798</u>	<u>3,642,683</u>
Expenditures - budgetary basis by function:				
Executive branch:				
Office of the Governor	3,391,601	3,391,601	3,915,785	(524,184)
Office of the Lt. Governor	419,942	419,942	430,601	(10,659)
Department of Commerce	1,077,609	1,077,609	1,178,265	(100,656)
Department of Community and Cultural Affairs	1,043,565	1,043,565	1,221,949	(178,384)
Department of Corrections	3,164,522	3,164,522	7,191,093	(4,026,571)
Department of Finance	1,490,947	1,490,947	3,167,423	(1,676,476)
Department of Fire and Emergency Medical Services	3,973,703	3,973,703	5,073,827	(1,100,124)
Department of Labor	507,620	507,620	358,399	149,221
Department of Lands and Natural Resources	941,016	941,016	998,549	(57,533)
Department of Public Safety	5,660,535	5,660,535	12,512,034	(6,851,499)
Department of Public Works	3,399,495	3,399,495	2,990,349	409,146
Office of the Mayor	2,095,425	2,095,425	1,911,263	184,162
Second Senatorial District - Tinian and Aguiguan	6,070,352	6,070,352	6,738,431	(668,079)
First Senatorial District - Rota	6,073,146	6,073,146	6,584,239	(511,093)
Legislative branch	6,087,993	6,087,993	5,712,001	375,992
Judicial branch	4,746,200	4,746,200	4,740,405	5,795
Independent programs	1,709,449	1,709,449	1,586,964	122,485
Office of the Attorney General	2,185,716	2,185,716	2,218,218	(32,502)
Boards and commissions	963,162	963,162	1,142,313	(179,151)
Education (payment to PSS, NMC and Board of Education)	27,353,384	27,353,384	30,322,416	(2,969,032)
Tourism (payment to MVA)	2,197,412	2,197,412	1,834,801	362,611
Pension contributions (payment to NMISF and NMIRF)	41,100,316	41,100,316	40,078,472	1,021,844
Employee benefits (payment to GHLITF)	4,384,123	4,384,123	4,384,123	-
Health (Medicaid local expenses and medical referrals)	6,982,036	6,982,036	13,343,159	(6,361,123)
Health (payment to CHCC)	86,660	86,660	1,094,123	(1,007,463)
Payments to CUC	-	-	6,000,000	(6,000,000)
Judgments	-	-	1,032,705	(1,032,705)
Disaster expenditures	-	-	33,996,663	(33,996,663)
Debt service	6,939,500	6,939,500	6,941,500	(2,000)
Total expenditures	<u>144,045,429</u>	<u>144,045,429</u>	<u>208,700,070</u>	<u>(64,654,641)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(945,314)</u>	<u>(945,314)</u>	<u>(61,957,272)</u>	<u>(61,011,958)</u>
Other financing sources (uses):				
Operating transfers in	1,315,439	1,315,439	-	(1,315,439)
Operating transfers out	(28,516,617)	(28,516,617)	(32,393,347)	(3,876,730)
Total other financing sources (uses), net	<u>(27,201,178)</u>	<u>(27,201,178)</u>	<u>(32,393,347)</u>	<u>(5,192,169)</u>
Other changes:				
Encumbrances	2,134,779	2,134,779	2,276,814	142,035
Net change in deficit	<u>\$ (26,011,713)</u>	<u>\$ (26,011,713)</u>	<u>\$ (92,073,805)</u>	<u>\$ (66,062,092)</u>

See accompanying notes to basic financial statements.

Commonwealth of the Northern Mariana Islands

Notes to Required Supplementary Information - Budgetary Reporting

Year Ended September 30, 2021

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 30, 2020, the CNMI passed Public Law 21-35 as the Appropriations and Budget Authority Act of 2021 (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 2021 commencing October 1, 2020 and ending September 30, 2021. On January 06, 2020, the CNMI passed Public Law 21-16 to make appropriations for the operations and activities of the government of the CNMI, its agencies, instrumentalities, and independent programs, and to provide budget authority for government corporations.

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.

Commonwealth of the Northern Mariana Islands

Notes to Required Supplementary Information - Budgetary Reporting, continued

2. Explanation of Differences

Total revenues of 172,057,395 reported under GAAP basis does not equal total revenues of \$146,742,798 reported under the budgetary basis, the variance is primarily attributed to the following significant factors:

- **Contract Worker Funds:** An amount of \$2,479,893 of contract workers funds was 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. The total amount was transferred to Northern Marianas Technical Institute (\$780,856), Northern Marianas College (\$759,788), Latte Training (\$401,000), Department of Labor admin and the apprenticeship program (\$400,000), and Public School System (\$138,249). Amounts were also not reported as expenditures for budgetary purposes.
- **Other revenues for special fund accounts:** An amount of \$22,834,704 was revenue related to the business units under special fund accounts such as NMTIT rebate for fiscal year 2017-2020 (\$18.3 million), indirect cost allocations (\$1.1 million), charter flights (\$1.7 million), and others.

The amount reported as operating transfers in of \$4,604,754 under GAAP basis does not equal the amount reported as operating transfers in of nil under the budgetary basis due to federal grants 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 \$17,895,176 under GAAP basis does not equal the amount reported as operating transfers out of \$32,393,347 under the budgetary basis due to \$14,498,171 of local appropriations reported as operating transfers out for budgetary purposes but were reported as expenditures in the governmental fund financial statements.

On August 18, 2020, the CNMI, through CEDA, entered into a Pension Obligation Bond Credit Agreement with a financial institution. The financial institution extended a maximum loan amount of \$25,000,000, which is evidenced by an interim bond. The CNMI budget does not reflect the proceeds from interim pension obligation bond of \$24,348,440.

Commonwealth of the Northern Mariana Islands

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

	<u>2020</u> <u>Valuation</u>	<u>2019***</u> <u>Valuation</u>	<u>2018</u> <u>Valuation</u>	<u>2017</u> <u>Valuation</u>
NMISF (Plan) total net pension liability	\$ 414,433,676	\$ 470,414,103	\$ 529,283,156	\$ 574,761,225
The CNMI's proportionate share of the net pension liability	\$ 414,433,676	\$ 470,414,103	\$ 529,283,156	\$ 574,761,225
The CNMI's proportion of the net pension liability	100%	100%	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.

*** No actuarial valuation done. Actuarially determined contribution is based on minimum annual payment per settlement agreement.

Commonwealth of the Northern Mariana Islands

Schedule of Pension Contributions
Last 10 Fiscal Years*

	2019*** <u>Valuation</u>	2018 <u>Valuation</u>	2017 <u>Valuation</u>
Actuarially determined contribution	\$ 44,000,000	\$ 45,000,000	\$ 33,000,000
Contribution in relation to the actuarially determined contribution	<u>72,815,479</u>	<u>78,953,755</u>	<u>68,303,052</u>
Contribution excess	<u>\$ (28,815,479)</u>	<u>\$ (33,953,755)</u>	<u>\$ (35,303,052)</u>
The CNMI's covered-employee payroll**	***	<u>\$ 3,602,480</u>	<u>\$ 3,270,686</u>
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.

*** No actuarial valuation done. Actuarially determined contribution is based on minimum annual payment per settlement agreement.

SUPPLEMENTARY INFORMATION

Commonwealth of the Northern Marianas Islands

Combining Schedule of Expenditures by Account
Governmental Funds

Year ended September 30, 2021

	General	Grants Assistance	ARPA Fund	Saipan Amusement	Department of Public Lands	Other Governmental Funds	Total
Salaries and wages	\$ 10,454,571	\$ 62,367,675	\$ 8,086,102	\$ 153,307	\$ 2,306,785	\$ 3,252,695	\$ 86,621,135
Professional services	27,209,143	108,117,670	2,855,442	654,080	203,036	3,127,953	142,167,324
Payments to Settlement Fund	40,000,000	---	---	---	---	---	40,000,000
Education:							
Payments to Public School System	25,057,329	---	---	210,000	---	---	25,267,329
Payments to Northern Marianas College	7,714,455	---	---	---	---	---	7,714,455
Employee benefits	22,225,303	61,382,174	14,291,319	44,500	467,417	24,303,785	122,714,498
Food items	2,167,739	32,054,982	298	144	---	37,717	34,260,880
Grants and subsidies	---	218,436,131	---	---	---	---	218,436,131
Utilities	5,112,153	5,618,864	4,432,762	49,757	41,959	174,347	15,429,842
Capital outlay:							
Road improvements	---	1,107,024	---	214,741	---	734,534	2,056,299
Vehicles	2,467,398	1,498,852	1,333,829	316,795	---	273,974	5,890,848
Furniture and fixtures	457,453	782,626	159,741	28,571	424	132,424	1,561,239
Office equipment	1,187,828	597,621	86,554	---	854	8,807	1,881,664
Construction in progress	---	4,054,315	---	8,184	---	157,755	4,220,254
Machinery and equipment	50,814	4,915,038	61,565	10,668	65,856	90,883	5,194,824
Building improvements	173,805	637,897	2,624,141	4,154,213	---	8,913	7,598,969
Cash outlay - other	297,045	889,220	187,859	13,476	105,672	55,876	1,549,148
Payments to Marianas Visitors Authority	8,660,969	-	1,041,495	-	-	-	9,702,464
Contributions/donations	383,463	109,441	219,638	1,456,701	---	1,511	2,170,754
Claims and judgments	1,100,789	---	---	---	---	60,000	1,160,789
Interest	8,662,144	---	---	---	---	---	8,662,144
Travel	3,551,531	1,602,600	178,417	17,049	17,958	166,779	5,534,334
Principal repayment	4,813,025	---	---	---	---	---	4,813,025.0
Rentals	14,138,983	9,132,891	188,468	123,385	208,020	650,837	24,442,584
Refunds	38,814,766	---	---	---	---	---	38,814,766
Scholarships/grants	184,680	12,172,582	73,500	655,446	---	699,711	13,785,919
Supplies	1,683,254	9,979,792	331,451	47,014	57,645	591,842	12,690,998
Payments to Commonwealth Healthcare Corp	1,093,263	-	5,200,000	21,272	-	-	6,314,535
Repairs and maintenance	1,552,877	2,259,252	25,123,912	138,967	28,290	1,242,643	30,345,941
Communications	1,148,141	592,224	76,771	4,175	18,629	203,927	2,043,867
Fuel and lubrication	1,032,901	390,665	56,313	11,558	54,592	401,337	1,947,366
Indirect costs	---	2,997,022	---	---	---	---	2,997,022
Advertising	594,046	273,247	2,955	8,268	12,085	33,937	924,538
Printing	355,385	244,498	62,231	10,607	9,543	83,020	765,284
Dues and subscriptions	160,045	89,280	11,250	2,231	769	15,295	278,870
Miscellaneous services	744,781	397,109	6,024	29,040	272,292	60,578	1,509,824
Official representation	199,809	---	4,372	2,359	---	6,654	213,194
Insurance	130,273	944,138	---	---	36,752	3,395	1,114,558
Freight	545,366	2,704	28,274	17,000	3,044	15,033	611,421
Books and library materials	37,354	42,430	3,458	---	---	5,368	88,610
Licenses and fees expense	80,242	38,296	---	---	422	5,120	124,080
Other expense	2,380,730	21,314,639	751,735	997	60,624	406,460	24,915,185
	<u>\$ 236,623,853</u>	<u>\$ 565,042,899</u>	<u>\$ 67,479,876</u>	<u>\$ 8,404,505</u>	<u>\$ 3,972,668</u>	<u>\$ 37,013,110</u>	<u>\$ 918,536,911</u>

Commonwealth of the Northern Mariana Islands

Major Governmental Fund - General Fund

Year Ended September 30, 2021

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, 2021, the project was completed. Revenues generated by the court will be used to finance the debt service on the loan payable under Settlement Agreement.

Commonwealth of the Northern Mariana Islands

Major Governmental Fund - General Fund, continued

September 30, 2021

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, 2021

	General Fund	NMTT 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	\$ 181,936,513	\$ 1,941,380	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 183,877,893
Restricted cash and cash equivalents	262,763,168	---	---	---	---	2,577,379	---	---	---	---	265,340,547
Receivables, net:											
Federal agencies	---	9,100,571	---	---	---	---	---	---	---	---	9,100,571
Taxes	4,364,937	---	---	---	---	---	---	---	---	---	4,364,937
General	9,270,926	---	---	---	---	---	---	---	---	---	9,270,926
Due from other funds	113,363,978	---	---	---	456,655	---	---	422	---	(113,821,055)	---
Due from General Funds	(44,943,931)	46,110,101	(1,497,428)	(182,034)	---	---	(1,117,774)	1,401,144	229,922	---	---
Due from fiduciary funds	1,618,141	---	---	---	---	---	---	---	---	---	1,618,141
Advances	6,614,376	---	---	---	---	---	---	---	---	---	6,614,376
Inventories	232,387	---	---	---	---	---	---	---	---	---	232,387
Other assets	2,500,000	---	---	---	---	---	---	---	---	---	2,500,000
	<u>\$ 537,720,495</u>	<u>\$ 57,152,052</u>	<u>\$ (1,497,428)</u>	<u>\$ (182,034)</u>	<u>\$ 456,655</u>	<u>\$ 2,577,379</u>	<u>\$ (1,117,774)</u>	<u>\$ 1,401,566</u>	<u>\$ 229,922</u>	<u>\$ (113,821,055)</u>	<u>\$ 482,919,778</u>
Liabilities and Fund Balances (Deficit)											
Liabilities:											
Accounts payable	\$ 51,354,998	\$ 553,617	\$ ---	\$ 80	\$ ---	\$ ---	\$ ---	\$ ---	\$ 80,000	\$ ---	\$ 51,988,695
Tax rebates payable	---	58,365,648	---	---	---	---	---	---	---	---	58,365,648
Recovery rebates payable	1,628,107	---	---	---	---	---	---	---	---	---	1,628,107
Other liabilities and accruals	104,586,310	---	12,264	59,597	---	---	---	---	---	---	104,658,171
Claims and judgments payable	1,124,167	---	---	---	---	---	---	1,401,144	---	---	2,525,311
Loan payable under Settlement Agreement	1,303,939	---	---	---	---	---	---	---	---	---	1,303,939
Due to other funds	507,704,958	4,727,906	150,839	313	---	---	46,050	---	5,309	(113,821,055)	398,814,320
Due to NMI settlement fund	25,336,979	---	---	---	---	---	---	---	---	---	25,336,979
Due to component units	42,387,445	---	---	---	---	---	---	---	---	---	42,387,445
Total liabilities	<u>735,426,903</u>	<u>63,647,171</u>	<u>163,103</u>	<u>59,990</u>	<u>---</u>	<u>---</u>	<u>46,050</u>	<u>1,401,144</u>	<u>85,309</u>	<u>(113,821,055)</u>	<u>687,008,615</u>
Fund balances (deficit):											
Non-spendable	2,732,387	---	---	---	---	---	---	---	---	---	2,732,387
Restricted	---	---	---	---	---	2,577,379	---	---	---	---	2,577,379
Unassigned	(200,438,795)	(6,495,119)	(1,660,531)	(242,024)	456,655	---	(1,163,824)	422	144,613	---	(209,398,603)
Total fund balances (deficit)	<u>(197,706,408)</u>	<u>(6,495,119)</u>	<u>(1,660,531)</u>	<u>(242,024)</u>	<u>456,655</u>	<u>2,577,379</u>	<u>(1,163,824)</u>	<u>422</u>	<u>144,613</u>	<u>---</u>	<u>(204,088,837)</u>
	<u>\$ 537,720,495</u>	<u>\$ 57,152,052</u>	<u>\$ (1,497,428)</u>	<u>\$ (182,034)</u>	<u>\$ 456,655</u>	<u>\$ 2,577,379</u>	<u>\$ (1,117,774)</u>	<u>\$ 1,401,566</u>	<u>\$ 229,922</u>	<u>\$ (113,821,055)</u>	<u>\$ 482,919,778</u>

Commonwealth of the Northern Mariana Islands

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
General Fund

Year ended September 30, 2021

	General Fund	NMTT Rebate Trust	Commonwealth Museum	Human Resources Development Trust	Micronesian Garment Manufacturing	Debt Service	Judicial Building	Tinian Land Condemnation	Miscellaneous	Eliminations	Total
Revenues:											
Taxes	\$ 123,975,091	\$ 20,860,363	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 144,835,454
Licenses and fees	9,265,833	---	---	---	---	---	844,158	---	---	---	10,109,991
Contributions from component units	1,542,440	---	---	---	---	---	---	---	---	---	1,542,440
Charges for sales and services	1,218,155	---	---	---	---	---	---	---	5,903	---	1,224,058
Interest and dividends	15,312	---	---	---	---	53,820	---	422	118	---	69,672
Other revenues	6,169,856	11,459,284	---	---	---	---	---	---	2,402	---	17,631,542
Total revenues	142,186,687	32,319,647	---	---	---	53,820	844,158	422	8,423	---	175,413,157
Expenditures:											
Current:											
Public safety and law enforcement	18,002,578	---	---	---	---	---	---	---	---	---	18,002,578
General government	24,537,928	---	---	---	---	---	---	---	---	---	24,537,928
Utilities	1,226,507	---	---	---	---	---	---	---	---	---	1,226,507
Rebate Trust Fund	---	38,814,766	---	---	---	---	---	---	---	---	38,814,766
Other elected officials	2,814,139	---	---	---	---	---	---	---	---	---	2,814,139
Legislative branch	5,711,431	---	---	---	---	---	---	---	---	---	5,711,431
Health	15,044,274	---	---	---	---	---	---	---	---	---	15,044,274
Judicial branch	4,739,500	---	---	---	---	---	---	---	10,969	---	4,750,469
Lands and natural resources	2,286,028	---	---	---	---	---	---	---	2,500	---	2,288,528
Community and social services	3,084,964	---	150,104	---	---	---	---	---	---	---	3,235,068
Education	806,393	---	---	---	---	---	---	---	---	---	806,393
Economic development	1,281,210	---	---	---	---	---	---	---	---	---	1,281,210
Payments to:											
Public School System	25,057,329	---	---	---	---	---	---	---	---	---	25,057,329
Marianas Visitors Authority	8,682,726	---	---	---	---	---	---	---	---	---	8,682,726
Commonwealth Healthcare Corporation	1,094,121	---	---	---	---	---	---	---	---	---	1,094,121
Northern Marianas College	7,744,977	---	---	---	---	---	---	---	---	---	7,744,977
CNMI Group Health and Life Insurance Trust Fund	11,344,326	---	---	---	---	---	---	---	---	---	11,344,326
Commonwealth Economic Development Authority	162	---	---	---	---	---	---	---	---	---	162
Settlement Fund	40,000,000	---	---	---	---	---	---	---	---	---	40,000,000
Debt service:											
Interest and fiscal charges	6,941,130	---	---	---	---	5,061,895	---	---	---	---	12,003,025
Principal retirement	---	---	---	---	---	4,813,025	890,210	---	---	---	5,703,235
Capital outlay:											
Public works	6,480,661	---	---	---	---	---	---	---	---	---	6,480,661
Total expenditures	186,880,384	38,814,766	150,104	---	---	9,874,920	890,210	---	13,469	---	236,623,853
Excess (deficiency) of revenues over (under) expenditures	(44,693,697)	(6,495,119)	(150,104)	---	---	(9,821,100)	(46,052)	422	(5,046)	---	(61,210,696)
Other financing sources (uses):											
Operating transfers in	4,604,754	---	---	---	---	9,821,100	---	---	---	(9,821,100)	4,604,754
Operating transfers out	(27,716,276)	---	---	---	---	---	---	---	---	9,821,100	(17,895,176)
Total other financing sources (uses), net	(23,111,522)	---	---	---	---	9,821,100	---	---	---	---	(13,290,422)
Net change in fund balances (deficit)	(67,805,219)	(6,495,119)	(150,104)	---	---	---	(46,052)	422	(5,046)	---	(74,501,118)
Fund balances (deficit) at beginning of year	(129,901,189)	---	(1,510,427)	(242,024)	456,655	2,577,379	(1,117,772)	---	149,659	---	(129,587,719)
Fund balances (deficit) at end of year	\$ (197,706,408)	\$ (6,495,119)	\$ (1,660,531)	\$ (242,024)	\$ 456,655	\$ 2,577,379	\$ (1,163,824)	\$ 422	\$ 144,613	\$ ---	\$ (204,088,837)

See accompanying report of independent auditors.

Commonwealth of the Northern Mariana Islands

Major Governmental Fund - Grants Assistance Fund

September 30, 2021

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.

Commonwealth of the Northern Mariana Islands

Combining Balance Sheet
Grants Assistance Fund

September 30, 2021

	Federal Grants Fund	DOI Capital Projects Fund	Total
Assets			
Restricted cash and cash equivalents	\$ ---	\$ 1,245,856	\$ 1,245,856
Receivables, net:			
Receivables - Federal agencies	12,066,253	79,064	12,145,317
Receivables - General	---	12,831	12,831
Due from other funds	8,419,523	307,932	8,727,455
Inventories	571,956	---	571,956
	<u>\$ 21,057,732</u>	<u>\$ 1,645,683</u>	<u>\$ 22,703,415</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 5,714,531	\$ 670,191	\$ 6,384,722
Other liabilities and accruals	2,614,162	347,433	2,961,595
Due to other funds	62,707,746	---	62,707,746
Unearned revenues	20,911,101	---	20,911,101
	<u>91,947,540</u>	<u>1,017,624</u>	<u>92,965,164</u>
Fund balances:			
Restricted	---	628,059	628,059
Unassigned	(70,889,808)	---	(70,889,808)
Total fund balances (deficit)	<u>(70,889,808)</u>	<u>628,059</u>	<u>(70,261,749)</u>
	<u>\$ 21,057,732</u>	<u>\$ 1,645,683</u>	<u>\$ 22,703,415</u>

Commonwealth of the Northern Mariana Islands

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Grants Assistance Fund

Year Ended September 30, 2021

	Federal Grants Fund	DOI Capital Projects Fund	Total
Revenues:			
Federal contributions	\$ 483,657,960	\$ 3,585,732	\$ 487,243,692
Licenses and fees	114,908	---	114,908
Other revenues	<u>315,852</u>	<u>---</u>	<u>315,852</u>
 Total revenues	 <u>484,088,720</u>	 <u>3,585,732</u>	 <u>487,674,452</u>
Expenditures:			
Current:			
Public safety and law enforcement	69,740,444	70,025	69,810,469
General government	35,132,493	378,907	35,511,400
Utilities - capital projects	---	1,536,507	1,536,507
Public welfare	130,091,254	---	130,091,254
Legislative branch	1,844,126	---	1,844,126
Health	78,625,485	---	78,625,485
Lands and natural resources	13,166,478	---	13,166,478
Community and social services	47,490,640	---	47,490,640
Economic development	184,042,938	341,832	184,384,770
Payments to:			
Payments to Northern Marianas College	750,000	-	750,000
Public works	<u>4,791</u>	<u>1,826,979</u>	<u>1,831,770</u>
 Total expenditures	 <u>560,888,649</u>	 <u>4,154,250</u>	 <u>565,042,899</u>
Excess of expenditures over revenues	(76,799,929)	(568,518)	(77,368,447)
Other financing sources:			
Operating transfers in	4,726,066	---	4,726,066
Operating transfers out	<u>(3,365,654)</u>	<u>---</u>	<u>(3,365,654)</u>
Total other financing sources, net	<u>1,360,412</u>	<u>---</u>	<u>1,360,412</u>
 Net change in fund balances	 (75,439,517)	 (568,518)	 (76,008,035)
Fund balances at beginning of year	<u>4,549,709</u>	<u>1,196,577</u>	<u>5,746,286</u>
Fund balances at end of year	<u>\$ (70,889,808)</u>	<u>\$ 628,059</u>	<u>\$ (70,261,749)</u>

See accompanying report of independent auditors.

Commonwealth of the Northern Mariana Islands

Major Governmental Fund - ARPA Fund

September 30, 2021

This fund was created to account for funds collected for economic stimulus funding under the American Rescue Plan Act due to the public health emergency with respect to the COVID-19 pandemic.

Commonwealth of the Northern Mariana Islands

Major Governmental Fund - Saipan Amusement Fund

September 30, 2021

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.

Commonwealth of the Northern Mariana Islands

Major Governmental Fund - Department of Public Lands

September 30, 2021

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.

Commonwealth of the Northern Mariana Islands

Nonmajor Governmental Fund - Special Revenue Funds

September 30, 2021

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.

Commonwealth of the Northern Mariana Islands

Nonmajor Governmental Fund - Special Revenue Funds, continued

September 30, 2021

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.

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.

See accompanying report of independent auditors.

Commonwealth of the Northern Mariana Islands

Nonmajor Governmental Fund - Special Revenue Funds, continued

September 30, 2021

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.

Commonwealth of the Northern Mariana Islands

Nonmajor Governmental Fund - Special Revenue Funds, continued

September 30, 2021

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.

Cannabis Fund

This fund was created by Public Law 20-66 to account for the financial transactions of the CNMI Cannabis Commission.

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

Commonwealth of the Northern Mariana Islands

Nonmajor Governmental Fund - Capital Projects Funds

September 30, 2021

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.

Commonwealth of the Northern Mariana Islands

Combining Balance Sheet
Nonmajor Governmental Funds

September 30, 2021

Special Revenue Funds

	Special Revenue Funds										
	Private Grants	Commonwealth Arts Council	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Local Revenue	Saipan Trust	Tobacco Settlement	Tobacco Control	Solid Waste Revolving	Managaha Landing Fee
Assets											
Restricted cash and cash equivalents	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 6,997	\$ ---	\$ ---	\$ ---	\$ ---
Restricted investments	---	---	---	---	---	---	---	---	---	---	---
Receivables, net:											
Federal Agencies	284,562	---	---	---	---	---	---	---	---	---	---
Other	---	---	---	---	---	---	---	438,631	---	---	---
Due from other funds	1,158,766	13,873	48,359	2,419,387	---	8,321,574	16,468	586,416	4,071,446	9,653,880	39,580
Due from fiduciary funds	---	---	---	---	---	---	---	---	---	---	---
Due from component units	---	---	---	---	---	---	---	---	---	---	---
	<u>\$ 1,443,328</u>	<u>\$ 13,873</u>	<u>\$ 48,359</u>	<u>\$ 2,419,387</u>	<u>\$ ---</u>	<u>\$ 8,321,574</u>	<u>\$ 23,465</u>	<u>\$ 1,025,047</u>	<u>\$ 4,071,446</u>	<u>\$ 9,653,880</u>	<u>\$ 39,580</u>
Liabilities and Fund Balances (Deficit)											
Liabilities:											
Accounts payable	\$ 283,515	\$ 4,005	\$ ---	\$ 157	\$ 7,970	\$ 66,145	\$ ---	\$ 8,143	\$ ---	\$ 221,298	\$ ---
Health and life insurance payable	---	---	---	---	---	---	---	---	---	---	---
Other liabilities and accruals	1,101	---	---	4	61	---	19,338	---	---	58,000	---
Due to other funds	---	---	---	---	1,298	175,354	---	---	---	---	---
Unearned revenues	---	---	47,499	---	---	---	---	---	---	---	---
	<u>284,616</u>	<u>4,005</u>	<u>47,499</u>	<u>161</u>	<u>9,329</u>	<u>241,499</u>	<u>19,338</u>	<u>8,143</u>	<u>---</u>	<u>279,298</u>	<u>---</u>
Total liabilities											
Fund balances (deficit):											
Restricted	---	---	65	---	---	---	4,127	---	---	---	---
Committed	1,158,712	3,176	795	240,084	---	6,486,074	---	1,016,904	4,071,446	9,374,582	39,580
Unassigned	---	6,692	---	2,179,142	(9,329)	1,594,001	---	---	---	---	---
	<u>1,158,712</u>	<u>9,868</u>	<u>860</u>	<u>2,419,226</u>	<u>(9,329)</u>	<u>8,080,075</u>	<u>4,127</u>	<u>1,016,904</u>	<u>4,071,446</u>	<u>9,374,582</u>	<u>39,580</u>
Total fund balances (deficit)	<u>\$ 1,443,328</u>	<u>\$ 13,873</u>	<u>\$ 48,359</u>	<u>\$ 2,419,387</u>	<u>\$ ---</u>	<u>\$ 8,321,574</u>	<u>\$ 23,465</u>	<u>\$ 1,025,047</u>	<u>\$ 4,071,446</u>	<u>\$ 9,653,880</u>	<u>\$ 39,580</u>

Commonwealth of the Northern Mariana Islands

Combining Balance Sheet, continued
Nonmajor Governmental Funds

September 30, 2021

	Special Revenue Funds										Total Special Revenue Funds
	Qualifying Certificate Reserve	MVA Trust	CNMI Scholarship	CNMI Workers' Compensation Commission	Judiciary Legal Services	Commonwealth Casino Commission	CNMI Group Health and Life Insurance Trust	NMI Retirement	Cannabis	Miscellaneous	
Assets											
Restricted cash and cash equivalents	\$ ---	\$ ---	\$ ---	\$ 91,657	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 98,654
Restricted investments	---	---	---	2,013,373	---	---	---	---	---	---	2,013,373
Receivables, net:											
Federal Agencies	---	---	---	---	---	---	---	---	---	---	284,562
Other	---	---	---	---	---	---	---	---	---	---	438,631
Due from other funds	49,548	---	1,021,042	1,457,264	62,871	---	---	---	---	1,324,932	30,245,406
Due from fiduciary funds	---	---	---	---	---	---	864,788	---	---	---	864,788
Due from component units	---	---	---	---	---	---	1,723,834	---	---	---	1,723,834
	<u>\$ 49,548</u>	<u>\$ ---</u>	<u>\$ 1,021,042</u>	<u>\$ 3,562,294</u>	<u>\$ 62,871</u>	<u>\$ ---</u>	<u>\$ 2,588,622</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 1,324,932</u>	<u>\$ 35,669,248</u>
Liabilities and Fund Balances (Deficit)											
Liabilities:											
Accounts payable	\$ ---	\$ 200,208	\$ 6,182	\$ 400	\$ ---	\$ 21,884	\$ 6,427	\$ ---	\$ 2,671	\$ 63,321	\$ 892,326
Health and life insurance payable	---	---	---	---	---	---	1,684,802	---	---	---	1,684,802
Other liabilities and accruals	---	---	---	---	---	---	---	---	---	---	78,504
Due to other funds	---	284,249	---	---	---	769,171	22,742,362	485,308	41,068	29,200	24,528,010
Unearned revenues	---	---	---	---	---	---	---	---	---	---	47,499
	---	<u>484,457</u>	<u>6,182</u>	<u>400</u>	---	<u>791,055</u>	<u>24,433,591</u>	<u>485,308</u>	<u>43,739</u>	<u>92,521</u>	<u>27,231,141</u>
Fund balances (deficit):											
Restricted	---	---	---	---	---	---	---	---	---	---	4,192
Committed	49,548	(484,457)	1,014,860	3,561,894	62,871	(791,055)	(21,844,969)	(485,308)	(43,739)	1,232,411	4,663,409
Unassigned	---	---	---	---	---	---	---	---	---	---	3,770,506
	<u>49,548</u>	<u>(484,457)</u>	<u>1,014,860</u>	<u>3,561,894</u>	<u>62,871</u>	<u>(791,055)</u>	<u>(21,844,969)</u>	<u>(485,308)</u>	<u>(43,739)</u>	<u>1,232,411</u>	<u>8,438,107</u>
	<u>\$ 49,548</u>	<u>\$ ---</u>	<u>\$ 1,021,042</u>	<u>\$ 3,562,294</u>	<u>\$ 62,871</u>	<u>\$ ---</u>	<u>\$ 2,588,622</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 1,324,932</u>	<u>\$ 35,669,248</u>

See accompanying report of independent auditors.

Commonwealth of the Northern Mariana Islands

Combining Balance Sheet, continued
Nonmajor Governmental Funds

September 30, 2021

	Capital Projects Funds							Total Nonmajor Governmental Funds
	Commonwealth Development Authority	Infrastructure Tax	Public Works Grants	American Memorial Park	Local Capital Projects	Private Capital Grants	Total Capital Projects Funds	
	Assets							
Restricted cash and cash equivalents	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 98,654
Restricted investments	---	---	---	---	---	---	---	2,013,373
Receivables, net:								
Federal Agencies	---	---	1,871	---	---	---	1,871	286,433
Other	---	---	---	---	---	---	---	438,631
Due from other funds	52,895	2,147,377	1,002,952	6,868	148,780	373,519	3,732,391	33,977,797
Due from fiduciary funds	---	---	---	---	---	---	---	864,788
Due from component units	---	---	---	---	---	---	---	1,723,834
	<u>\$ 52,895</u>	<u>\$ 2,147,377</u>	<u>\$ 1,004,823</u>	<u>\$ 6,868</u>	<u>\$ 148,780</u>	<u>\$ 373,519</u>	<u>\$ 3,734,262</u>	<u>\$ 39,403,510</u>
Liabilities and Fund Balances (Deficit)								
Liabilities:								
Accounts payable	\$ ---	\$ 44,151	\$ 278,459	\$ ---	\$ 27,988	\$ ---	\$ 350,598	\$ 1,242,924
Health and life insurance payable	---	---	---	---	---	---	---	1,684,802
Other liabilities and accruals	---	---	56,995	6,868	---	---	63,863	142,367
Due to other funds	---	---	---	---	---	---	---	24,528,010
Unearned revenues	52,569	---	---	---	---	---	52,569	100,068
Total liabilities	<u>52,569</u>	<u>44,151</u>	<u>335,454</u>	<u>6,868</u>	<u>27,988</u>	<u>---</u>	<u>467,030</u>	<u>27,698,171</u>
Fund balances (deficit):								
Restricted	---	---	---	---	---	---	---	4,192
Committed	326	2,103,226	669,369	---	120,792	373,519	3,267,232	7,930,641
Unassigned	---	---	---	---	---	---	---	3,770,506
Total fund balances (deficit)	<u>326</u>	<u>2,103,226</u>	<u>669,369</u>	<u>---</u>	<u>120,792</u>	<u>373,519</u>	<u>3,267,232</u>	<u>11,705,339</u>
	<u>\$ 52,895</u>	<u>\$ 2,147,377</u>	<u>\$ 1,004,823</u>	<u>\$ 6,868</u>	<u>\$ 148,780</u>	<u>\$ 373,519</u>	<u>\$ 3,734,262</u>	<u>\$ 39,403,510</u>

See accompanying report of independent auditors.

Commonwealth of the Northern Mariana Islands

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) Nonmajor Governmental Funds

Year ended September 30, 2021

	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	Solid Waste Revolving	Managaha Landing Fee
Revenues:											
Federal contributions	\$ 932,315	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Taxes	---	---	---	---	---	---	---	---	---	---	
Licenses and fees	19,600	---	---	---	---	3,416,074	---	---	982,363	---	
Contributions from component units	---	---	---	---	---	---	---	---	---	---	
Interest and dividends	---	---	14	---	---	---	295	---	---	---	
Charges for sales and services	---	---	---	---	---	---	---	---	---	---	
Other revenues	273,747	---	---	---	---	90,478	---	584,832	---	---	
Total revenues	<u>1,225,662</u>	<u>---</u>	<u>14</u>	<u>---</u>	<u>---</u>	<u>3,506,552</u>	<u>---</u>	<u>585,127</u>	<u>---</u>	<u>982,363</u>	
Expenditures by function:											
Current:											
Public safety and law enforcement	507,782	---	---	71,151	---	---	---	---	---	---	
General government	1,718,294	---	---	10,084	---	662,119	---	31,365	---	---	
Others unassigned	---	---	---	---	---	---	---	---	---	---	
Other elected officials	---	---	---	---	---	2,403	66,991	---	---	---	
Health	90	---	---	---	---	31,800	---	63,985	---	---	
Judicial branch	---	---	---	---	---	---	---	---	---	---	
Lands and natural resources	30,115	---	---	---	---	---	---	---	---	---	
Community and social services	25,675	4,435	---	---	---	51,565	---	---	---	---	
Education	---	---	---	---	---	870,877	---	---	---	---	
Economic development	748,687	---	---	---	---	---	---	---	---	---	
Capital outlay:											
Public works	---	---	---	---	---	91,279	---	---	---	2,204,557	
Total expenditures	<u>3,030,643</u>	<u>4,435</u>	<u>---</u>	<u>81,235</u>	<u>---</u>	<u>1,710,043</u>	<u>---</u>	<u>98,356</u>	<u>63,985</u>	<u>2,204,557</u>	
Excess (deficiency)	<u>(1,804,981)</u>	<u>(4,435)</u>	<u>14</u>	<u>(81,235)</u>	<u>---</u>	<u>1,796,509</u>	<u>---</u>	<u>486,771</u>	<u>(63,985)</u>	<u>(1,222,194)</u>	
Other financing sources (uses):											
Operating transfers in	40,313	---	---	2,479,893	---	1,775,952	---	460,000	---	9,055,845	
Operating transfers out	---	---	---	(250,000)	---	(1,978,285)	---	(460,000)	---	---	
Total other financing sources (uses), net	<u>40,313</u>	<u>---</u>	<u>---</u>	<u>2,229,893</u>	<u>---</u>	<u>(202,333)</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>9,055,845</u>	
Net change in fund balances (deficit)	(1,764,668)	(4,435)	14	2,148,658	---	1,594,176	---	486,771	(63,985)	7,833,651	
Fund balances (deficit) at beginning of year	2,923,380	14,303	846	270,568	(9,329)	6,485,899	4,127	530,133	4,135,431	1,540,931	
Fund balances (deficit) at end of year	<u>\$ 1,158,712</u>	<u>\$ 9,868</u>	<u>\$ 860</u>	<u>\$ 2,419,226</u>	<u>\$ (9,329)</u>	<u>\$ 8,080,075</u>	<u>\$ 4,127</u>	<u>\$ 1,016,904</u>	<u>\$ 4,071,446</u>	<u>\$ 9,374,582</u>	

See accompanying report of independent auditors.

Commonwealth of the Northern Mariana Islands

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit), continued
Nonmajor Governmental Funds

Year ended September 30, 2021

	Special Revenue Funds										Total Special Revenue Funds
	Qualifying Certificate Reserve	MVA Trust	CNMI Scholarship	CNMI Workers' Compensation Commission	Judiciary Legal Services	Commonwealth Casino Commission	CNMI Group Health and Life Insurance Trust	NMI Retirement	Cannabis	Miscellaneous	
Revenues:											
Federal contributions	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 932,315
Taxes	---	1,697,075	---	---	---	---	---	---	---	---	1,697,075
Licenses and fees	---	---	---	---	---	20,050	---	---	72,125	121,437	4,631,649
Contributions from component units	---	---	---	---	---	---	---	---	---	---	---
Interest and dividends	---	---	---	367,843	---	168	---	---	---	---	368,320
Charges for sales and services	---	---	---	-	---	---	---	---	---	329,703	329,703
Other revenues	---	17,805	177,959	64,041	12,872	---	---	---	2,500	33,807	1,258,041
Total revenues	---	1,714,880	177,959	431,884	12,872	20,218	---	---	74,625	484,947	9,217,103
Expenditures by function:											
Current:											
Public safety and law enforcement	---	---	---	---	2,000	---	369,117	---	---	19,526	969,576
General government	---	957,122	105,540	---	---	1,949,654	---	485,308	---	---	5,919,486
Others unassigned	---	---	---	---	---	---	---	---	62,328	---	62,328
Other elected officials	---	---	---	---	---	---	---	---	---	---	69,394
Health	---	---	---	---	---	---	23,008,897	---	---	---	23,104,772
Judicial branch	---	---	---	---	2,415	---	-	---	---	---	2,415
Lands and natural resources	---	---	---	---	---	---	---	---	---	331,617	361,732
Community and social services	---	---	---	---	---	---	---	---	---	46,105	127,780
Education	---	---	---	---	---	---	---	---	---	---	870,877
Economic development	---	---	---	10,000	---	---	---	---	---	---	758,687
Capital outlay:											
Public works	---	---	---	---	---	---	---	---	---	---	2,295,836
Total expenditures	---	957,122	105,540	10,000	4,415	1,949,654	23,378,014	485,308	62,328	397,248	34,542,883
Excess (deficiency)	---	757,758	72,419	421,884	8,457	(1,929,436)	(23,378,014)	(485,308)	12,297	87,699	(25,325,780)
Other financing sources (uses):											
Operating transfers in	---	---	---	---	---	---	---	---	---	---	13,812,003
Operating transfers out	---	(4,465)	---	---	---	---	---	---	---	---	(2,692,750)
Total other financing sources (uses), net	---	(4,465)	---	---	---	---	---	---	---	---	11,119,253
Net change in fund balances (deficit)	---	753,293	72,419	421,884	8,457	(1,929,436)	(23,378,014)	(485,308)	12,297	87,699	(14,206,527)
Fund balances (deficit) at beginning of year	49,548	(1,237,750)	942,441	3,140,010	54,414	1,138,381	1,533,045	---	(56,036)	1,144,712	22,644,634
Fund balances (deficit) at end of year	\$ 49,548	\$ (484,457)	\$ 1,014,860	\$ 3,561,894	\$ 62,871	\$ (791,055)	\$ (21,844,969)	\$ (485,308)	\$ (43,739)	\$ 1,232,411	\$ 8,438,107

See accompanying report of independent auditors.

Commonwealth of the Northern Mariana Islands

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit), continued Nonmajor Governmental Funds

Year Ended September 30, 2021

	Capital Projects Funds							
	Commonwealth Development Authority Fund	Infrastructure Tax Fund	Public Works Grants Fund	American Memorial Park Fund	Total Local Capital Projects Fund	Private Capital Grants Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:								
Federal contributions	\$ ---	\$ ---	\$ 1,963,568	\$ ---	\$ ---	\$ ---	\$ 1,963,568	\$ 2,895,883
Taxes	---	80,517	---	---	---	---	80,517	1,777,592
Licenses and fees	---	41,255	---	---	---	---	41,255	4,672,904
Contributions from component units	---	---	---	---	119,128	---	119,128	119,128
Interest and dividends	---	---	---	---	---	---	---	368,320
Charges for sales and services	---	---	---	---	---	---	---	329,703
Other revenues	---	131,075	---	---	---	---	131,075	1,389,116
Total revenues	---	252,847	1,963,568	---	119,128	---	2,335,543	11,552,646
Expenditures by function:								
Current:								
Public safety and law enforcement	---	220,822	---	---	---	---	220,822	1,190,398
General government	---	---	---	---	---	---	---	5,919,486
Others unassigned	---	---	---	---	---	---	---	62,328
Other elected officials	---	---	---	---	---	---	---	69,394
Health	---	---	---	---	---	---	---	23,104,772
Judicial branch	---	---	---	---	---	---	---	2,415
Lands and natural resources	---	---	---	---	---	---	---	361,732
Community and social services	---	58,401	---	---	---	---	58,401	186,181
Education	---	---	---	---	---	---	---	870,877
Economic development	---	---	---	---	8,913	---	8,913	767,600
Capital outlay:								
Public works	---	165,939	1,976,157	---	39,995	---	2,182,091	4,477,927
Total expenditures	---	445,162	1,976,157	---	48,908	---	2,470,227	37,013,110
Excess (deficiency)	---	(192,315)	(12,589)	---	70,220	---	(134,684)	(25,460,464)
Other financing sources (uses):								
Operating transfers in	---	5,533	---	---	---	---	5,533	13,817,536
Operating transfers out	---	(38,741)	---	---	---	---	(38,741)	(2,731,491)
Total other financing sources (uses), net	---	(33,208)	---	---	---	---	(33,208)	11,086,045
Net change in fund balances (deficit)	---	(225,523)	(12,589)	---	70,220	---	(167,892)	(14,374,419)
Fund balances (deficit) at beginning of year	326	2,328,749	681,958	---	50,572	373,519	3,435,124	26,079,758
Fund balances (deficit) at end of year	\$ 326	\$ 2,103,226	\$ 669,369	\$ ---	\$ 120,792	\$ 373,519	\$ 3,267,232	\$ 11,705,339

See accompanying report of independent auditors.