Misc. Comm. No. 20-21

ROTA LEGISLATIVE DELEGATION

First Senatorial District
Twentieth Northern Marianas Commonwealth Legislature
P. O. Box 500586
Saipan, MP 96950

Senator Steve K. Mesngon, Chairman
Senator Teresita A. Santos, Vice Chair/Legislative Secretary
Representative Glenn L. Maratita, Floor Leader
Senator Paul A. Manglona, Member

February 17, 2017

OFFICE OF THE SENATE PRESIDENT
RECEIVED
DATE: 2/17/17
TIME: 2:34pm
TSP

Honorable Arnold I. Palacios
President of the Senate
Twentieth Northern Marianas
Commonwealth Legislature
P. O. Box 500129
Saipan, MP 96950

Dear President Palacios:

I am honored to inform your office that the Twentieth Rota Legislative Delegation was duly organized at its First Day, First Regular Session (Organizational Session) on Friday, February 17, 2017 as follows:

Chairman:	Senator Steve K. Mesngon
Vice Chair & Legislative Secretary:	Senator Teresita A. Santos
Floor Leader:	Representative Glenn L. Maratita
Member:	Senator Paul A. Manglona

The Delegation is ready to transact business and looks forward to working closely with your Administration in the best interest of our people, our island, and our Commonwealth.

If I or any member of the Delegation can be of further assistance to your office, please do not hesitate to call on us.

Sincerely,

STEVE K. MESNGON
Senator & Chairman, RLD

xc: All Members, RLD
Delegation Clerk

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DATE: 2/17/17 4:20 pm

CDA
Commonwealth Development Authority
P.O. Box 502149, Saipan, MP 96950
Tel: (670) 234-6245/6293/7145/7146 | Fax: (670) 235-7147
www.developcnmi.com

Misc. Comm. No. 20-22

February 16, 2017

OFFICE OF THE SENATE
RECEIVED
DATE: 2/17/17
TIME: 1125am
PRESIDENT

The Honorable Arnold S. Palacios
President
The Senate
20th Northern Marianas Commonwealth Legislature
P.O. Box 500129
Capitol Hill
Saipan, MP 96950

Dear Senate President Palacios:

Enclosed is the Commonwealth Development Authority's brief narrative of its activities and accomplishments for fiscal year 2016 and first quarter of fiscal year 2017.

If you have any questions or concerns, please let me know.

Sincerely,

Manuel A. Sablan
Executive Director

Enclosure: a/s

xc: CDA Board of Directors
Executive Assistant

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DATE: 2/17/17 4pm

COMMONWEALTH DEVELOPMENT AUTHORITY
ACTIVITY REPORT FOR FISCAL YEAR 2016
REPORT TO THE GOVERNOR

OVERVIEW

The purpose of the Commonwealth Development Authority (CDA) as enacted by Public Law 4-49, is to stimulate the economic development of the Northern Mariana Islands. The functions of the Authority are carried out through a ***Development Banking Division (DBD) and a Development Corporation Division (DCD).*** The Banking Division generally is engaged in government and public sector activities and the Corporation Division generally is engaged in private sector activities.

The **DBD** receives and holds funds for economic development loans, aids in the financing of capital improvement projects, disseminates modern practices and techniques of financing, management and business administration, and serves as the Northern Marianas development bank as identified in the CNMI Constitution.

The **DCD** identifies, formulates, initiates, stimulates and facilitates business and commercial enterprises with special emphasis on agricultural and marine resources, manufacturing and processing activities, import substitution and export development, including where a service is necessary and vital to economic development. It also serves as the economic development loan fund agency for qualified private sector enterprises.

The **Investment Incentive Act, Public Law 12-32**, also called the **Qualifying Certificate (QC) Program** was established in December 2000. The purpose of this Program is to promote continued economic development in the CNMI. It is a contract valid for a given period of time, approved and granted by the Governor upon recommendation of the CDA Board of Directors, between the Government of the Northern Mariana Islands and the Beneficiary. In return for investment in the CNMI, the beneficiary qualifies for certain tax rebates and/or abatements.

Development Banking Division

With diligence and wise investing of what is remaining of the interest earned on the $140M Bond Issue of 1986 or DBD funds, CDA continues to fund small capital improvement projects. In FY 2016, $1.448 million was disbursed for projects for Saipan, Rota & Tinian. Completed project for Saipan, for FY 2016, was the procurement of Skid Steer Loaders Heavy Equipment for the Office of the Mayor of Saipan; for Rota were the construction of the walkway canopy at the Dr. Rita Hocog-Inos Junior/Senior High School and the construction and renovation of bus shelters and procurement of air conditioning units for the Office of the Mayor; while for Tinian was the renovation and improvement of the Department of Public Safety building. On-going projects for Saipan is the renovation and improvement of the Office of the Attorney General in Susupe and Precinct 5 road paving and improvements. For

Tinian, projects on-going are the renovation and improvement of the Tinian Guest House and the construction of .5M gallon water reservoir at Carolinas Heights.

In the beginning of calendar year 2016, CDA and the Commonwealth Utilities Corporation (CUC) agreed on a payment plan for the settlement of CUC's outstanding dividend payments owed CDA pursuant to the 2009 Preferred Stock Agreement. As of October 1, 2015, CUC owed CDA $3.8M in dividend payments. Payments were made as agreed and at the end of December 2016, CUC paid a total of $1.570M on unpaid dividend.

In February of 2016, as part of its mandates, the CDA Board of Directors approved the Public School System's loan from the USDA Rural Development in the amount of $3M for additional classrooms, Early Head Start Centers and for paving roads and parking lots at its facilities in Rota and Tinian.

Also in 2016, the CDA Board of Directors approved the CNMI's Government loan request of $12M to the USDA Community Facilities Direct Loan Program. The loan proceeds will be used for: $4,800,000 for the repayment of Judiciary Building Loan due to the Settlement Fund; $2M for repairs and refurbishment of current judicial facilities on all three islands; and $5.2M for the construction of new judicial facilities.

Development Corporation Division

On the private sector development, the DCD, our loan collections improved which enable us to open up our loans. The CDA Board of Directors approved to open a Micro Loan Program which provides loans of up to $25,000 and below for starting and expanding business in manufacturing, retail, wholesale, fishing, agriculture, marine & green energy. The maximum loan term is five (5) years with an annual interest rate of four and a half percent (4.5%) for agriculture, fishing, marine and green energy loans and five percent (5%) for all other categories. For fiscal year 2016, CDA approved four (4) loans totaling $73,000; three (3) from Saipan and one (1) from Tinian. Of the $750,000 set aside for this program, we have approved $230,100 to date. Our credit underwriting policies and procedures were changed to make it easier for our borrowers to obtain financing and to cope with the changing business climate in the CNMI.

The U.S. Treasury's State Small Business Credit Initiative (SSBCI) Program is a federal program that was funded with $1.5 billion to strengthen States capital access programs and other innovative credit support programs that support lending to small businesses and small manufacturers. The CNMI's targeted share under this initiative is $13,168,350.00. Thru the CNMI Department of Commerce, CDA administers the Program and is working vigorously with participating banks in making this Program a success. In 2016, total approved loans is $2.3M; with $1.1M SSBCI support. Loans are for entertainment industry, manpower services, builder & construction services, catering and restaurant, safety gear, uniform and medical supplies retailers. Of the $8,255,842 received from U.S. Treasury, we have deployed $5,409,239 to date.

CDA continues to monitor the progress of its borrowers and continues to provide relief if necessary for borrowers who expressed willingness and interest to recover. For those

who failed, either we exercise legal action or we offer another option to stop the bleeding – the Deed in Lieu of Foreclosure. This may be difficult for many to understand, but this is one way to help our distressed borrowers.

Qualifying Certificate (QC) Program

With only one staff to manage the Qualifying Certificate (QC) Program, the CDA continues to effectively monitor and follow up compliance by beneficiaries making sure that they all comply with the existing CNMI and U.S. Laws before they get benefits.

Currently, the Twentieth Northern Marianas Commonwealth Legislature proposes suspending the program in the Third Senatorial District for ten (10) years. CDA is working on the comments.

On March 6, 2016, CDA recommended and was approved by the Governor, Rebate and Abatement Tax reliefs to Alter City Group Incorporated dba Plumeria Golf & Casino Resort (ACGI). On April 29, 2016, ACGI requested modification of the QC. CDA forwarded the modification package to Governor Ralph DLG. Torres as the Board was unable to establish a quorum to meet prior to CDA's deadline to act on the request. The request for modification was approved on August 15, 2016. CDA is currently reviewing compliances of QC beneficiaries. One of the major compliance issue as of December 31, 2016 is SandCastle, Saipan LLC. CDA is still waiting for a complete review of the CNMI Division of Revenue and Tax to make a decision.

Other Programs:

We continue to fund the Small Business Development Center at the Department of Commerce, at an amount not to exceed $65,000 every year. The Center provides technical assistance to local businesses, have CDA clients and potential CDA borrowers access to experts in developing their business plans. CDA continues to work with the Center also on series of workshops to benefit our clients and the small business entrepreneurs in the Commonwealth as a whole.

What CDA started in 2011, reviving the Junior Achievement Company Program in the CNMI, is a success. The Junior Achievement Company Program is a partnership between CDA, Junior Achievement of Guam, Inc., the CNMI Public School System, the Saipan Chamber of Commerce, the Northern Marianas College and various corporate sponsors. The Junior Achievement Company Program teaches high school students about business entrepreneurship and economics by taking students thru the entire business process. In FY 2016, the Program reached seventy-four (74) students in three high schools with twenty-one (21) volunteers.

Other Activities:

Last year in March, CDA commemorates its 30th Year Anniversary. Established in 1985, CDA reached its 30th year in September of 2015 but due to the devastating effects of Typhoon Soudelor in August, the celebration was pushed to March of 2016. The month-long

celebration kicked-off on March 1st with announcements and interview at KKMP and CDA Board of Directors' meeting with the Board adopting the Anniversary's one month activities. Worth mentioning are the proclamation by the Governor commemorating the 30th Anniversary of CDA, featuring CDA's accomplishments at its open house held in Rota, Tinian and Saipan, conducting Stakeholders' meetings on all three islands, sponsoring of the Profit Mastery Workshop together with the Saipan Chamber of Commerce, the launching of the Spring 2016 Junior Achievement Company Program, and the launching of the new CDA logo. At a luncheon held on March 31st, the CDA Board of Directors, management and staff also recognized and honored its partners -- to name a few -- the Saipan Chamber of Commerce, Bank of Guam, and other local banks, hosts of the @wearecnmi Rotation Curation Account, participants of the Junior Achievement Company Program, and different agencies of the government, who in one way or another have contributed to CDA's success.

Operations:

Over the years, we are mindful of our operational expenses, making sure that we stay within our budget. CDA has depended on its own revenues to support its operations and has done very well for 2016. Our cash position increased by overwhelmingly 84%; $4.85M cash increase from $5.72M in the beginning of 2016. Cash at end of the period is $10.5M.

Conclusion:

Challenges are tough and there's more to come. But, with your untiring support, CDA is ready to tackle all challenges for the benefit of the people in the CNMI.

Respectfully submitted by:

Manuel A. Sablan
Executive Director

Deloitte.

Misc. Comm. No. 2023

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

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

YEAR ENDED SEPTEMBER 30, 2015

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DATE: 2/17/17 4pm

Deloitte.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

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

YEAR ENDED SEPTEMBER 30, 2015

Deloitte.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

BASIC FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2015

Deloitte.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (CNMI) as of and for the year ended September 30, 2015, and the related notes to the financial statements. We were engaged to audit the financial statements of the aggregate discretely presented component units. 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Commonwealth Utilities Corporation, the Marianas Public Land Trust, the Northern Marianas College, the Public School System and the Marianas Visitors Authority, which represent 47%, 46% and 55%, respectively, of the assets and deferred outflows of resources, net position and operating 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 the Commonwealth Utilities Corporation, the Marianas Public Land Trust, the Northern Marianas College, the Public School System and the Marianas Visitors Authority, is based 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 matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units.

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 matter described in the "Basis for Disclaimer of Opinion" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

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

Basis for Adverse Opinion on the Governmental Activities and the Aggregate Remaining Fund Information

Management has not adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which were effective October 1, 2014. As discussed in note 1 to the financial statements, the CNMI has not recorded pension expense and related net pension asset or liability, deferred inflows of resources and deferred outflows of resources as of and for the year ended September 30, 2015. GASB Statements No. 68 and No. 71 require 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. 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.

Further, the financial statements do not include the financial statements of the Northern Mariana Islands Settlement Fund. Accounting principles generally accepted in the United States of America require the financial statements of the Northern Mariana Islands Settlement Fund be reported with the financial data of the CNMI's primary government 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. Additionally, the financial statements of the Pension Trust Fund (comprised of the Northern Mariana Islands Retirement Fund and the CNMI Group Health and Life Insurance Trust Fund) have not been audited. The financial activities of the Pension Trust Fund are included in the CNMI's basic financial statements and represent 49%, 56% and 17%, respectively, of the assets, net position/fund balance and revenues of the aggregate remaining fund information. Because of the departure from accounting principles generally accepted in the United States of America and the lack of audited financial statements of the Pension Trust Fund, the assets, liabilities, net position/fund balances, revenues, and expenditures of the aggregate remaining fund information could not be determined.

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The propriety of the Commonwealth Utilities Corporation's fixed assets and inventories could not be determined due to the lack of physical counts of fixed assets and inventories as of September 30, 2015. Further, the impact of typhoon damages on the Commonwealth Utilities Corporation's financial statements could not be quantified. Additionally, the propriety of the Commonwealth Healthcare Corporation's receivables, advances, inventories, due to/from CNMI, capital assets, accounts payable, due to related parties, accrued taxes and other liabilities and related revenues, expenses and non-operating income (expense) could not be determined as of and for the year ended September 30, 2015 due to the lack of physical inventory of capital assets and inadequacies of accounting records. The financial activities of the Commonwealth Utilities Corporation and the Commonwealth Healthcare Corporation are included in the CNMI's basic financial statements as discretely presented component units and represent 32%, 21% and 64% of the assets and deferred outflows of resources, net position and operating revenues, respectively, of the CNMI's aggregate discretely presented component units.

Adverse Opinions

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on the Governmental Activities and the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly, the respective financial position of the governmental activities, and the aggregate remaining fund information of the CNMI, as of September 30, 2015, 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.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the CNMI. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the CNMI as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Correction of Errors

As discussed in note 17 to the financial statements, the beginning fund balances and net position of the aggregate discretely presented component units have 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 14 to the financial statements.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 and the Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund and notes thereto, as set forth in Section IV of the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Management has omitted the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CNMI's basic financial statements. The Other Supplementary Information, as set forth in Section V of the foregoing table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2017 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CNMI's internal control over financial reporting and compliance.

Deloitte & Touche LLC

February 8, 2017

Office of the Secretary
Department of Finance

P.O. Box 5234 CHRB SAIPAN, MP 96950 TEL (670) 664-1100 FAX: (670) 664-1115

Management's Discussion and Analysis (MD&A)
Year Ended September 30, 2015

Our discussion and analysis of the Commonwealth of the Northern Marianas Islands (the CNMI) financial performance provides an overview of the CNMI's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the CNMI's financial statements, which follow this section. Fiscal year 2014 comparative information has been included where appropriate for comparative purposes.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2015, the CNMI's total deficit net position decreased by $23.9 million, to a deficit net position of $215.4 million, which represents a decrease of approximately 10.0% from the deficit net position at the beginning of the year.

- During the year, the CNMI's expenses for governmental activities were $255.3 million, including expenses recorded for payments made or due to the autonomous agencies, and were funded in part by program revenues of $119.5 million, and further funded with taxes and other general revenues that totaled $154.7 million. The difference between total revenues of $274.2 million plus special items of $5 million and total expenses of $255.3 million resulted in a $23.9 million decrease in deficit net position.

- At September 30, 2015, the General Fund reported an unassigned fund deficit of $97.8 million, which is a decrease in the unassigned fund deficit of 11.9% from the prior year's reported unassigned fund deficit of $111.1 million.

- For budgetary reporting purposes, General Fund actual revenues were lower than final estimates by $8.5 million, or 5.0%, while actual expenditures exceeded final estimated appropriations by $10.9 million, or 6.4%. These amounts do not include transfers to and from other funds, nor do they include 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, along with the CNMI's discretely presented component units. The government-wide financial statements present the complete financial picture of the CNMI from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the CNMI (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the CNMI as a Whole

The Statement of Net Position and the Statement of Activities

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

These two government-wide statements report the CNMI's net position and changes in them from the prior year. You can think of the CNMI's net position - the difference between assets and liabilities - as one way to measure the CNMI's financial condition or position. Over time, increases or decreases in the CNMI's net position are indicators of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the CNMI's tax base, the condition 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 and the balances left at year-end that are available for spending. These funds are reported 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 others parties, such as pensions and other employee benefit trust funds and agency funds. The CNMI is responsible for ensuring that the assets reported in these funds are used for their intended purpose. 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 statements because the CNMI cannot use these assets to finance operations.

Additional information on the restatement of the beginning net position of the aggregate discretely presented component units can be found in note 17 to the financial statements.

A FINANCIAL ANALYSIS OF THE CNMI AS A WHOLE

Net Position

The CNMI's governmental activities deficit net position decreased from $239.3 million to a deficit net position of $215.4 million, a decrease in the deficit of 10.0%, between fiscal years 2014 and 2015.

A summary of net position (condensed) is presented below, with comparable balances for fiscal year 2014:

	Governmental Activities		
	2015	2014	Change
Current assets	$ 50,881,173	$ 64,624,727	$ (13,743,554)
Capital assets, net	157,610,902	159,477,148	(1,866,246)
Other noncurrent assets	2,500,000	2,500,000	-
Deferred outflows from cost of refunding debt	5,575,075	5,884,802	(309,727)
Total assets and deferred outflows	**216,567,150**	**232,486,677**	**(15,919,527)**
Long-term debt outstanding	84,783,757	88,840,077	(4,056,320)
Obligations under settlement agreement	200,749,160	227,749,160	(27,000,000)
Other liabilities	146,431,872	155,173,945	(8,742,073)
Total liabilities	**431,964,789**	**471,763,182**	**(39,798,393)**
Net position:			
Net investment in capital assets	78,402,220	76,521,873	1,880,347
Restricted	8,369,653	54,051,603	(45,681,950)
Unrestricted	(302,169,512)	(369,849,981)	67,680,469
Total net position	**$ (215,397,639)**	**$ (239,276,505)**	**$ 23,878,866**

Significant changes from 2014 in the Statement of Net Position include decreases in long-term debt and other liabilities as a result of debt service payments and payments toward pension liabilities under the settlement agreement.

Changes in Net Position

For the year ended September 30, 2015, net position of the primary government changed as follows, with comparable amounts for fiscal year 2014:

	Governmental Activities		
	2015	2014	Change
Revenues:			
Program revenues	$ 119,443,782	$ 125,949,699	$ (6,505,917)
Taxes and other general revenues	154,720,159	161,236,936	(6,516,777)
Total revenues	**274,163,941**	**287,186,635**	**(13,022,694)**
Expenses:			
Capital projects	1,909,119	2,442,753	(533,634)
Health	37,899,640	38,286,263	(386,623)
Public safety and law enforcement	26,410,787	53,700,799	(27,290,012)
General government	18,084,035	28,663,023	(10,578,988)
Community and social services	24,159,731	21,454,460	2,705,271
Other elected officials	8,979,415	8,738,133	241,282
Utilities	2,767,521	3,716,608	(949,087)
Public works	13,768,355	12,397,253	1,371,102
Lands and natural resources	16,781,505	14,691,441	2,090,064
Legislative branch	5,292,562	5,346,232	(53,670)
Judicial branch	4,923,725	4,583,395	340,330
Education	3,993,543	3,836,548	156,995
Interest and fiscal charges	5,019,352	4,212,349	807,003
Economic development	5,429,207	2,880,763	2,548,444
Payments to autonomous agencies	79,881,468	67,461,855	12,419,613
Total expenses	**255,299,965**	**272,411,875**	**(17,111,910)**
Increase in net position	**18,863,976**	**14,774,760**	**4,089,216**
Special items	**5,014,890**	**1,068,393**	**3,946,497**
Net capital assets transferred to CHCC	**-**	**(39,916,090)**	**39,916,090**
Net position, beginning of year	**(239,276,505)**	**(215,203,568)**	**(24,072,937)**
Net position, end of year	**$ (215,397,639)**	**$ (239,276,505)**	**$ 23,878,866**

The CNMI's governmental activities' decrease in deficit net position of $23.9 million represents a 10.0% decrease from the prior year. The results indicate that the CNMI's financial condition, as a whole, improved in the current year. Significant changes from 2014 in the Statement of Activities include a decrease in expenses related mainly to the recording of interest payments of $14.9 million to active class members who terminated their membership in the DB Plan during fiscal year 2014. There was no similar transaction in fiscal year 2015. In addition, in fiscal year 2015, the CNMI did not receive advance payments of casino license fees which resulted in a decrease in revenues.

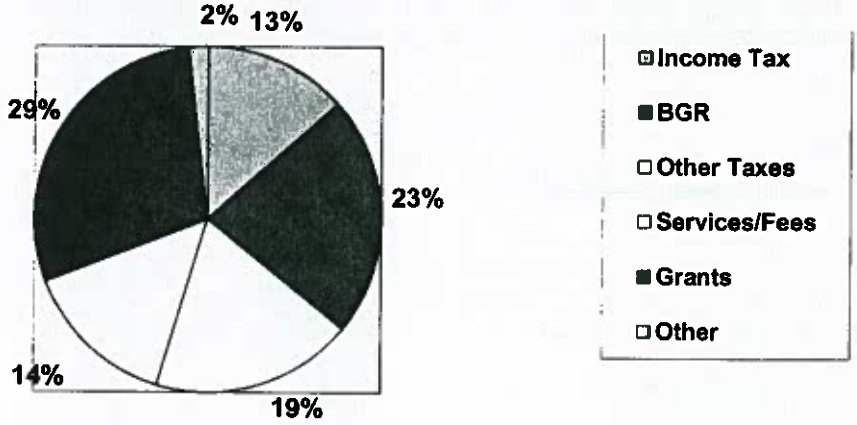
Governmental Activities

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

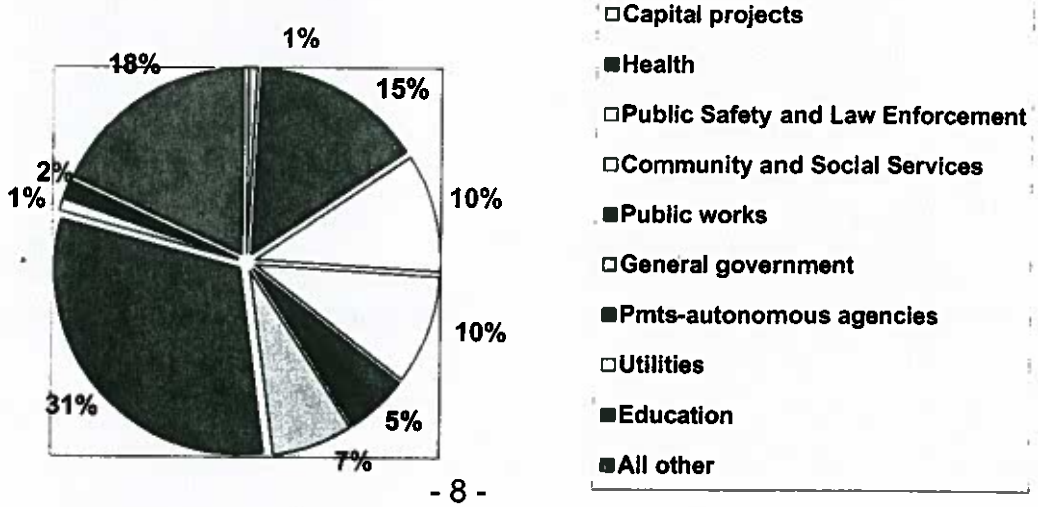
Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. 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 rnuch 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.

For the year ended September 30, 2015, the CNMI's governmental activities were funded as follows:

Governmental Activities Sources



Governmental Activities Uses



For the year ended September 30, 2015, total expenses for governmental activities amounted to $255.3 million. Of these total expenses, taxpayers and other general revenues funded $154.7 million, while those directly benefiting from the activities funded $79.7 million from grants and other contributions and $39.8 million from charges for services.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services 2015	Net Revenue (Expense) of Services 2015	Total Expense of Services 2014	Net Revenue (Expense) of Services 2014	Total Expense of Services Change	Net Revenue (Expense) of Services Change
Capital projects	$ 1,909,119	$ -	$ 2,442,753	$ -	$ (533,634)	$ -
Health	37,899,640	(12,256,905)	38,286,263	(14,106,409)	(386,623)	1,849,504
Public safety and law enforcement	26,410,787	(18,419,257)	53,700,799	(37,161,545)	(27,290,012)	18,742,288
General government	18,084,035	1,917,506	28,663,023	14,008,736	(10,578,988)	(12,091,230)
Community and social services	24,159,731	(4,116,834)	21,454,460	(4,544,968)	2,705,271	428,134
Public works	13,768,355	(4,962,582)	12,397,253	(3,612,913)	1,371,102	(1,349,669)
Utilities	2,767,521	(2,431,772)	3,716,608	(3,310,875)	(949,087)	879,103
Education	3,993,543	(3,896,503)	3,836,548	(3,716,825)	156,995	(179,678)
Payments to autonomous agencies	79,881,468	(63,229,054)	67,461,855	(67,154,532)	12,419,613	3,925,478
All others	46,425,766	(28,460,782)	40,452,313	(26,862,845)	5,973,453	(1,597,937)
	$ 255,299,965	$ (135,856,183)	$ 272,411,875	$ (146,462,176)	$ (17,111,910)	$ 10,605,993

A FINANCIAL ANALYSIS OF THE CNMI'S FUNDS

As the CNMI completed its 2015 fiscal year, the governmental funds reported a combined fund deficit of $64.3 million, when compared with the prior year fund deficit of $52.6 million, is an increase in the deficit of $11.7 million or 22.3%. This increase is due in large part to the prolonged decline of general revenues, without an equivalent, corresponding reduction in governmental expenditures.

Individual fund highlights include:

- For the year ended September 30, 2015, the General Fund's total fund deficit increased by $10.8 million or 13.3%, to a total fund deficit of $92.3 million, while the total unassigned fund deficit decreased by $13.3 million or 11.9%, for a total unassigned fund deficit of $97.8 million.
- The Grants Assistance Fund's revenues and expenditures netted to a $229 increase in fund balance, providing a remaining fund balance for grant expenditures of $5.3 million.
- The Saipan Amusement Fund accounts for casino license fees and other electronic gaming fees. Revenues and expenditures netted a $4.1 million decrease in fund balance, providing a fund balance of $1.3 million.
- The Pension and Other Employee Benefit Trust Fund's fiduciary net position decreased by $410 thousand or 1.5% for the year. This fund type includes the retirement fund and the group health and life insurance trust fund.

General Fund Budgetary Highlights

Original and final revenue and expenditure estimates remained constant at $169.1 million and $169.4 million, respectively. The General Fund's actual revenues of $160.6 million were less than the final estimates by $8.5 million, a variance of 5.0%. The General Fund's actual expenditures of $180.3 million exceeded appropriations by $10.9 million, a variance of 6.4%, due mainly to unanticipated judgment expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2015, the CNMI had $157.6 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). This represents a net decrease of $1,866,246 or 1.0% from last year.

	Governmental Activities		
	2015	2014	Change
Infrastructure, net	$ 30,654,481	$ 30,476,209	$ 178,272
Buildings and improvements, net	68,343,243	71,850,680	(3,507,437)
Machinery and equipment, net	8,052,888	7,746,429	306,459
Land	30,064,154	30,064,154	-
Construction in progress	20,496,136	19,339,676	1,156,460
Total	**$ 157,610,902**	**$ 159,477,148**	**$ (1,866,246)**

See note 6 to the financial statements for more detailed information on the CNMI's capital assets and changes therein.

Long- Term Debt

At year end, the CNMI had $84.8 million in long-term debt outstanding, which represents a net decrease of $4 million or 4.6% from the prior year. The CNMI's changes in long-term debt outstanding are as follows:

	Governmental Activities		
	2015	2014	Change
Bonds payable	$ 84,783,757	$ 88,840,077	$ (4,056,320)

As of September 30, 2015, 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, 2015. However, the CNMI has estimated the aggregate assessed valuation of real property to be $1,596,236,822 as of September 30, 2015. This estimation was based on the 1995 CNMI Mid-Decade Census.

See note 10 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

Economic factors continue to play a large role in developing the tax and other revenue budgets for the General Fund of the CNMI. The local economy has declined by the effects of a decrease in tourism and has continued to follow a trend of decreasing revenues. The prospects for fiscal year 2016 are expected to reverse this trend with a significant investment in the CNMI as a result of the awarding of an exclusive gaming license to an investor. The project is in its construction phase, but the opening of a temporary gaming facility that will serve as a training center for staff while operating as a gaming facility is expected to infuse additional revenue into the economy well in advance of the project.

CONTACTING THE CNMI'S FINANCIAL MANAGEMENT

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 CHRB, Saipan, MP 96950 or phone (670) 664-1100.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Net Position
September 30, 2015

	Primary Government	Component Units
ASSETS AND DEFERRED OUTFLOWS		
Current assets:		
Cash and cash equivalents	$ 17,469,253	$ 65,512,605
Time certificates of deposit	2,735,957	3,445,628
Receivables, net of allowance for uncollectibles	17,281,035	74,293,634
Due from primary government	-	5,429,855
Due from component unit	970,057	-
Inventories	1,226,387	12,412,307
Advances	636,805	-
Other assets	-	9,490,678
Restricted assets:		
Cash and cash equivalents	9,479,778	17,420,200
Time certificates of deposit	-	4,000,000
Investments	1,081,901	87,890,548
Total current assets	50,881,173	279,895,455
Noncurrent assets:		
Investments	2,500,000	7,125,131
Receivables:		
Loans, net of allowance for uncollectibles	-	14,026,697
Notes, net of allowance for uncollectibles	-	5,958,149
Other	-	1,542,266
Foreclosed real estate	-	2,985,655
Nondepreciable capital assets	50,560,290	134,964,008
Depreciable capital assets, net of accumulated depreciation	107,050,612	272,182,566
Total noncurrent assets	160,110,902	438,784,472
Deferred outflows from cost of refunding debt	5,575,075	751,892
Total assets and deferred outflows	216,567,150	719,431,819
LIABILITIES AND DEFERRED INFLOWS		
Current liabilities:		
Current portion of bonds payable	4,301,320	2,010,000
Current portion of notes payable	4,503,661	7,168,113
Current portion of dividends payable	-	3,420,000
Current portion of claims and judgments payable	36,606,394	-
Current portion of compensated absences	3,401,914	2,527,345
Stipulated order penalties assessed	-	41,041,000
Accounts payable	12,247,117	28,871,989
Tax rebates payable	43,608,935	-
Recovery rebate payable	398,683	-
Accrued interest payable	1,748,417	823,145
Other liabilities and accruals	5,634,730	42,603,119
Due to component units	15,225,166	-
Due to primary government	-	6,505,370
Unearned revenues	4,459,453	3,579,033
Total current liabilities	132,135,790	138,549,114
Noncurrent liabilities:		
Obligations under Settlement Agreement	200,749,160	-
Bonds payable, net of current portion	80,482,437	38,083,526
Notes payable, net of current portion	-	8,101,544
Claims and judgments payable, net of current portion	10,000,000	-
Dividends payable, net of current portion	-	1,980,000
Compensated absences, net of current portion	3,634,824	2,298,402
Due to Pension (and Other Employee Benefit) Trust Fund	-	546,679
Due to primary government	-	7,156,374
Accrued interest payable	-	3,414,064
Unearned fuel purchase obligation rebate	-	5,031,316
Unearned revenues, net of current portion	-	11,190,808
Landfill closure	4,962,578	-
Total noncurrent liabilities	299,828,999	77,802,713
Deferred inflows of resources	-	2,894,793
Total liabilities and deferred inflows of resources	431,964,789	219,246,620
Commitments and contingencies		
NET POSITION		
Net investment in capital assets	78,402,220	363,305,380
Restricted for:		
Expendable:		
Capital projects	4,340,551	-
Retirement of indebtedness	2,366,791	-
Federal programs and projects	1,288,213	-
Public works and highway projects	369,408	
Other purposes	4,690	181,600,672
Unrestricted	(302,169,512)	(44,720,853)
Total net position	$ (215,397,639)	$ 500,185,199

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government	Net (Expenses) Revenues and Changes in Net Position: Component Units
Primary government:						
Governmental activities:						
Health	$ 37,899,640	$ 1,800	$ 22,268,674	$ 3,372,261	$ (12,256,905)	$ -
Public safety and law enforcement	26,410,787	703,358	7,288,172	-	(18,419,257)	-
General government	18,084,035	13,687,153	5,871,295	443,093	1,917,506	-
Community and social services	24,159,731	-	20,042,897	-	(4,116,834)	-
Other elected officials	8,979,415	-	-	-	(8,979,415)	-
Utilities	2,767,521	-	-	335,749	(2,431,772)	-
Utilities - Capital Projects	1,909,119	-	-	1,909,119	-	-
Public works	13,768,355	472,801	556,408	7,776,564	(4,962,582)	-
Lands and natural resources	16,781,505	6,115,960	6,633,106	-	(4,032,439)	-
Legislative branch	5,292,562	-	-	-	(5,292,562)	-
Judicial branch	4,923,725	659,777	64,000	-	(4,199,948)	-
Education	3,993,543	-	76,001	21,039	(3,896,503)	-
Interest and fiscal charges	5,019,352	-	-	-	(5,019,352)	-
Economic development	5,429,207	1,882,192	1,136,869	1,473,080	(937,066)	-
Education:						
Payments to Public School System	34,163,957	-	319,055	-	(33,844,902)	-
Payments to Northern Marianas College	5,414,454	-	52,720	-	(5,361,734)	-
Payments to Commonwealth Healthcare Corporation	1,208,675	-	-	-	(1,208,675)	-
Payments to Marianas Visitors Authority	10,023,045	-	-	-	(10,023,045)	-
Payments to Pension (and Other Employee Benefit) Trust Fund	9,655,526	-	-	-	(9,655,526)	-
Payments to Settlement Fund	19,415,811	16,280,639	-	-	(3,135,172)	-
Total primary government	$ 255,299,965	$ 39,803,680	$ 64,309,197	$ 15,330,905	(135,856,183)	-
Component units:						
Commonwealth Ports Authority	$ 28,891,491	$ 13,250,127	$ -	$ 7,671,967	-	(7,969,397)
Commonwealth Development Authority	9,647,707	1,049,035	7,185,360	-	-	(1,413,312)
Commonwealth Utilities Corporation	92,067,052	76,585,109	-	7,136,143	-	(8,345,800)
Marianas Public Land Trust	3,036,424	-	-	-	-	(3,036,424)
Northern Marianas College	15,701,511	648,287	9,590,521	-	-	(5,462,703)
Public School System	66,484,587	900,473	32,159,244	-	-	(33,424,870)
Marianas Visitors Authority	12,775,902	60,958	80,832	-	-	(12,634,112)
Commonwealth Healthcare Corporation	52,686,419	58,666,380	11,960	13,102,042	-	19,093,963
Total component units	$ 281,291,093	$ 151,160,369	$ 49,027,917	$ 27,910,152	-	(53,192,655)
General revenues:						
Taxes:						
Income					36,518,473	-
Gross receipts					61,807,623	-
Excise					21,597,609	-
Hotel					14,106,184	-
Fuel					4,087,496	-
Cigarette					5,178,832	-
Other taxes					6,423,321	-
Unrestricted investment earnings and dividends					212,185	511,958
Contributions from primary government					-	48,981,938
Other					4,788,436	22,083,439
Total general revenues					154,720,159	71,577,335
Special items:						
Recoveries (notes 10 and 15)					5,754,730	-
Write-off of receivables					(739,840)	-
					5,014,890	-
Total general revenues and special items					159,735,049	71,577,335
Change in net position					23,878,866	18,384,680
Net position - beginning, as previously reported					(239,276,505)	456,373,445
Prior period adjustment (note 17)					-	25,427,074
Net position - beginning, as restated					(239,276,505)	481,800,519
Net position - ending					$ (215,397,639)	$ 500,185,199

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Balance Sheet
Governmental Funds
September 30, 2015

	General	Grants Assistance	Saipan Amusement	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	$ 14,178,271	$ -	$ -	$ 3,290,981	$ 17,469,252
Time certificates of deposit	-	-	-	2,735,957	2,735,957
Investments	2,500,000	-	-	-	2,500,000
Restricted cash and cash equivalents	7,350,284	2,122,548	-	6,947	9,479,779
Restricted investments	-	-	-	1,081,901	1,081,901
Receivables, net:					
Federal agencies	6,409,493	423,378	-	284,562	7,117,433
Taxes	6,616,174	-	-	-	6,616,174
General	1,100,872	-	-	1,223,896	2,324,768
Other	-	12,831	-	1,209,829	1,222,660
Due from other funds	3,398,548	8,107,629	1,430,190	19,195,109	32,131,476
Due from component units	-	-	-	970,057	970,057
Advances	636,805	-	-	-	636,805
Inventories	232,387	994,000	-	-	1,226,387
	$ 42,422,834	$ 11,660,386	$ 1,430,190	$ 29,999,239	$ 85,512,649
Liabilities and Fund Balances (Deficit)					
Liabilities:					
Accounts payable	$ 6,298,958	$ 3,835,425	$ 81,794	$ 2,030,940	$ 12,247,117
Tax rebates payable	43,608,935	-	-	-	43,608,935
Recovery rebates payable	398,683	-	-	-	398,683
Other liabilities and accruals	4,313,726	203,195	-	1,117,809	5,634,730
Claims and judgments payable	31,606,394	-	-	-	31,606,394
Notes payable	4,503,661	-	-	-	4,503,661
Due to other funds	28,732,928	1,372,521	-	2,026,027	32,131,476
Due to component units	15,225,166	-	-	-	15,225,166
Unearned revenues	-	994,000	-	3,465,453	4,459,453
Total liabilities	134,688,451	6,405,141	81,794	8,640,229	149,815,615
Fund balances (deficit):					
Non-spendable	2,732,387	-	-	-	2,732,387
Restricted	2,823,446	5,255,245	-	747,617	8,826,308
Committed	-	-	1,348,396	21,684,887	23,033,283
Unassigned:					
General fund	(97,821,450)	-	-	-	(97,821,450)
Special revenue funds	-	-	-	(435,783)	(435,783)
Capital projects funds	-	-	-	(637,711)	(637,711)
Total fund balances (deficit)	(92,265,617)	5,255,245	1,348,396	21,359,010	(64,302,966)
	$ 42,422,834	$ 11,660,386	$ 1,430,190	$ 29,999,239	$ 85,512,649

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2015

Total fund deficit - governmental funds		$ (64,302,966)
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		5,575,075
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	20,496,136	
Depreciable capital assets and infrastructure, net of $200,554,793 of accumulated depreciation	107,050,612	
Capital assets, net of accumulated depreciation		157,610,902
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:		
Obligations under Settlement Agreement	(200,749,160)	
Bonds payable	(84,783,757)	
Claims and judgments payable	(15,000,000)	
Accrued interest payable	(1,748,417)	
Compensated absences payable	(7,036,738)	
Landfill closure and postclosure costs	(4,962,578)	
Long-term liabilities		(314,280,650)
Net position of governmental activities		$ (215,397,639)

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Governmental Funds
For the Year Ended September 30, 2015

	General	Grants Assistance	Saipan Amusement	Other Governmental Funds	Total
Revenues:					
Taxes	$ 144,116,151	$ -	$ -	$ 5,603,387	$ 149,719,538
Federal contributions	-	68,351,629	-	3,609,510	71,961,139
Licenses and fees	9,469,286	1,999,576	16,280,639	5,642,430	33,391,931
Charges for sales and services	639,997	-	-	5,493,604	6,133,601
Contributions from component units	4,700,737	-	-	738,191	5,438,928
Interest and dividends	161,162	229	7,132	43,662	212,185
Other	2,948,047	216,966	-	4,141,606	7,306,619
Total revenues	162,035,380	70,568,400	16,287,771	25,272,390	274,163,941
Expenditures:					
Current:					
Health	6,714,839	31,030,958	-	153,843	37,899,640
General government	14,066,709	1,613,651	985,181	606,009	17,271,550
Public safety and law enforcement	22,185,974	5,929,719	-	964,717	29,080,410
Community and social services	3,544,684	19,997,183	-	282,052	23,823,919
Lands and natural resources	3,694,179	6,750,490	-	6,101,264	16,545,933
Utilities	2,431,772	335,749	-	-	2,767,521
Other elected officials	8,895,795	-	-	83,620	8,979,415
Legislative branch	5,275,766	-	16,796	-	5,292,562
Judicial branch	4,619,328	-	-	13,123	4,632,451
Education	1,868,519	97,040	-	2,027,984	3,993,543
Economic development	836,324	2,954,950	-	1,637,933	5,429,207
Payments to:					
Public School System	33,844,902	319,055	-	-	34,163,957
Marianas Visitors Authority	9,747,519	-	-	275,526	10,023,045
Northern Marianas College	5,361,734	52,720	-	-	5,414,454
Commonwealth Healthcare Corporation	1,208,675	-	-	-	1,208,675
Pension (and Other Employee Benefit) Trust Fund	9,655,526	-	-	-	9,655,526
Settlement Fund	27,000,000	-	19,415,811	-	46,415,811
Debt service:					
Interest and fiscal charges	4,793,903	-	-	-	4,793,903
Principal retirement	4,050,000	-	-	-	4,050,000
Capital outlay:					
Public works	3,843,113	3,812,545	-	7,098,072	14,753,730
Utilities - Capital Projects	-	1,909,119	-	-	1,909,119
Total expenditures	173,639,261	74,803,179	20,417,788	19,244,143	288,104,371
Excess (deficiency) of revenues over (under) expenditures	(11,603,881)	(4,234,779)	(4,130,017)	6,028,247	(13,940,430)
Other financing sources (uses):					
Operating transfers in	4,027,043	5,390,023	-	627,762	10,044,828
Operating transfers out	(5,845,059)	(1,155,015)	-	(3,044,754)	(10,044,828)
Total other financing sources (uses), net	(1,818,016)	4,235,008	-	(2,416,992)	-
Special items:					
Recoveries	2,954,730	-	-	-	2,954,730
Write-off of receivables	(347,200)	-	-	(392,640)	(739,840)
Total special items	2,607,530	-	-	(392,640)	2,214,890
Net change in fund balances (deficit)	(10,814,367)	229	(4,130,017)	3,218,615	(11,725,540)
Fund balances (deficit) at beginning of year	(81,451,250)	5,255,016	5,478,413	18,140,395	(52,577,426)
Fund balances (deficit) at end of year	$ (92,265,617)	$ 5,255,245	$ 1,348,396	$ 21,359,010	$ (64,302,966)

See accompanying notes to financial statements.

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, 2015

Total net change in fund balances - governmental funds		$ (11,725,540)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts consist of:		
Capital outlays	8,523,263	
Depreciation expense	(10,389,509)	
		(1,866,246)
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 obligations under Settlement Agreement	27,000,000	
Repayment of bonds	4,050,000	
Amortization of bond premiums	6,320	
Amortization of deferred amount on refunding	(309,727)	
		30,746,593
Special item - recovery reported in the statement of activities does not represent revenue and therefore is not reported in governmental funds		2,800,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. For the current year, these activities consist of:		
Change in accrued interest payable	77,958	
Change in landfill closure and postclosure care costs	(381,737)	
Change in compensated absences payable	(772,162)	
Change in claims and judgments payable	5,000,000	
		3,924,059
Change in net position of governmental activities		$ 23,878,866

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2015

	Pension (and Other Employee Benefit) Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	$ 3,897,778	$ 1,232,912
Receivables:		
Mortgage home loan	3,015,971	-
Agency	594,167	-
Other	12,191	-
	3,622,329	-
Due from CNMI	1,362,499	-
Due from autonomous agencies	631,058	-
Defined contribution plan investments	22,053,621	-
Foreclosed real estate	209,095	-
Restricted assets	-	1,531,391
Capital assets	-	-
Total assets	31,776,380	$ 2,764,303
Liabilities and Fiduciary Net Position		
Accounts payable and accrued expenses	594,744	-
Health insurance payable	1,752,412	-
Life insurance payable	462,491	
Deposits payable	-	2,764,303
Due to Settlement Fund	1,234,225	-
Due to CNMI	465,731	-
Total liabilities	4,509,603	$ 2,764,303
Fiduciary net position:		
Held in trust for pension benefits	25,718,256	
Held in trust for medical and life insurance benefits	1,548,521	
Total fiduciary net position	$ 27,266,777	

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2015

	Pension (and Other Employee Benefit) Trust Fund
Additions:	
Employee contributions	$ 4,609,417
Employer contributions	1,693,698
	6,303,115
Investment income:	
Net depreciation in the fair value of investments	(1,515,771)
Interest and dividend income	156,734
Total investment loss	(1,359,037)
Less management and custodial fees	(218,439)
Net investment loss	(1,577,476)
Life and health insurance surcharge	24,389
Interest and fees on loans	330,762
Other	4,266
Total additions	5,085,056
Deductions:	
Benefits and refund payments:	
Withdrawal and refunds	5,018,437
Retirement benefits	234,715
Health and life insurance premiums	42,993
Transfers and rollovers	30,453
Survivor benefits	8,712
Total benefits and refund payments	5,335,310
Cost of medical claims	1,574
Administrative expenses:	
Salaries and wages	67,253
Employee benefits	15,798
Professional fees	9,798
Miscellaneous	23,173
Total administrative expenses	116,022
Total deductions	5,452,906
Nonoperating revenues (expenses):	
Gain on foreclosure	3,494
Other	(45,907)
Total nonoperating revenues (expenses), net	(42,413)
Net decrease	(410,263)
Fiduciary net position held in trust:	
Beginning of year	27,677,040
End of year	$ 27,266,777

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Net Position
Component Units
September 30, 2015

	Commonwealth Ports Authority	Commonwealth Development Authority	Commonwealth Utilities Corporation	Marianas Public Land Trust	Northern Marianas College	Public School System	Marianas Visitors Authority	Commonwealth Healthcare Corporation	Total
ASSETS AND DEFERRED OUTFLOWS									
Current assets:									
Cash and cash equivalents	$ 23,831,433	$ 2,414,217	$ 16,684,792	$ 1,524,867	$ 6,667,554	$ 6,897,988	$ 4,475,547	$ 3,016,207	$ 65,512,605
Time certificates of deposit	-	2,750,000	-	-	695,628	-	-	-	3,445,628
Receivables, net of allowance for uncollectibles:									
Loans	-	3,010,797	-	-	-	-	-	-	3,010,797
Notes	-	-	95,811	5,167,172	-	-	-	-	5,262,983
Federal agencies	615,647	-	2,442,567	-	1,965,288	1,273,703	-	-	6,297,205
General	3,860,647	-	5,699,668	-	1,876,838	-	-	43,407,157	54,844,310
Interest and dividends	-	445,507	-	342,500	-	-	-	-	788,007
Other	1,360,586	288,945	-	1,660,473	-	562,400	10,404	207,524	4,090,332
Due from primary government	-	-	-	-	177,561	132,298	3,245,632	1,874,364	5,429,855
Inventories	-	-	9,384,817	-	699,081	-	-	2,328,429	12,412,307
Other assets	1,384,056	3,000	7,187,938	6,006	66,318	-	50,000	793,360	9,490,678
Restricted assets:									
Cash and cash equivalents	-	6,679,345	10,740,855	-	-	-	-	-	17,420,200
Time certificates of deposit	-	4,000,000	-	-	-	-	-	-	4,000,000
Investments	18,681,827	-	-	69,208,721	-	-	-	-	87,890,548
Total current assets	49,734,196	19,591,811	52,236,448	77,909,739	12,148,248	8,866,389	7,781,583	51,627,041	279,895,455
Noncurrent assets:									
Investments	-	-	-	-	7,125,131	-	-	-	7,125,131
Receivables:									
Loans, net	-	14,026,697	-	-	-	-	-	-	14,026,697
Notes, net	-	-	115,800	5,842,349	-	-	-	-	5,958,149
Other	-	1,542,266	-	-	-	-	-	-	1,542,266
Nondepreciable capital assets	68,223,246	7,472,530	19,234,190	116,000	1,113,376	36,647,850	-	2,156,816	134,964,008
Depreciable capital assets, net of accumulated depreciation	123,947,751	1,660,164	64,841,809	176,844	2,357,294	41,292,072	147,358	37,759,274	272,182,566
Foreclosed real estate	-	2,354,655	-	631,000	-	-	-	-	2,985,655
Total noncurrent assets	192,170,997	27,056,312	84,191,799	6,766,193	10,595,801	77,939,922	147,358	39,916,090	438,784,472
Deferred outflows from cost of refunding debt	751,892	-	-	-	-	-	-	-	751,892
Total assets and deferred outflows	242,657,085	46,648,123	136,428,247	84,675,932	22,744,049	86,806,311	7,928,941	91,543,131	719,431,819
LIABILITIES AND DEFERRED INFLOWS									
Current liabilities:									
Current portion of bonds payable	2,010,000	-	-	-	-	-	-	-	2,010,000
Current portion of notes payable	262,477	186,289	2,619,347	-	-	1,100,000	-	3,000,000	7,168,113
Current portion of dividends payable	-	-	3,420,000	-	-	-	-	-	3,420,000
Accounts payable	6,860,813	1,857,990	7,011,387	1,653,009	906,749	3,060,360	1,878,574	5,643,107	28,871,989
Compensated absences	232,125	-	913,633	-	280,934	1,087,126	13,527	-	2,527,345
Stipulated order penalties assessed	-	-	41,041,000	-	-	-	-	-	41,041,000
Due to primary government	1,735,380	-	-	-	-	-	-	4,769,990	6,505,370
Other liabilities and accruals	2,611,090	4,564,793	11,083,936	1,619,520	466,145	-	1,085,848	21,171,787	42,603,119
Accrued interest payable	-	-	823,145	-	-	-	-	-	823,145
Unearned revenues	1,243,154	814,222	-	-	1,357,020	-	-	164,637	3,579,033
Total current liabilities	14,955,039	7,423,294	66,912,448	3,272,529	3,010,848	5,247,486	2,977,949	34,749,521	138,549,114
Noncurrent liabilities:									
Bonds payable, net of current portion	38,083,526	-	-	-	-	-	-	-	38,083,526
Notes payable, net of current portion	4,237,083	369,043	754,216	-	-	2,741,202	-	-	8,101,544
Dividends payable, net of current portion	-	-	1,980,000	-	-	-	-	-	1,980,000
Compensated absences, net of current portion	314,503	-	-	-	332,211	1,547,288	104,400	-	2,298,402
Due to primary government	-	-	7,156,374	-	-	-	-	-	7,156,374
Due to Pension and (Other Employee Benefit) Trust Fund	-	-	3,414,064	-	-	-	-	-	3,414,064
Accrued interest payable	546,679	-	-	-	-	-	-	-	546,679
Unearned fuel purchase obligation rebate	-	-	5,031,316	-	-	-	-	-	5,031,316
Unearned revenues, net of current portion	-	8,972,250	2,218,558	-	-	-	-	-	11,190,808
Total noncurrent liabilities	43,181,791	9,341,293	20,554,528	-	332,211	4,288,490	104,400	-	77,802,713
Deferred inflows of resources	-	-	1,667,267	-	145,908	1,081,518	100	-	2,894,793
Total liabilities and deferred inflows of resources	58,136,830	16,764,587	89,134,243	3,272,529	3,488,967	10,617,494	3,082,449	34,749,521	219,246,620
NET POSITION									
Net investment in capital assets	148,329,803	9,132,694	84,075,999	292,844	3,470,670	77,939,922	147,358	39,916,090	363,305,380
Restricted	18,681,827	20,750,842	44,408,814	81,110,559	7,125,131	2,281,353	4,699,134	2,543,012	181,600,672
Unrestricted	17,508,625	-	(81,190,809)	-	8,659,281	(4,032,458)	-	14,334,508	(44,720,853)
Total net position	$ 184,520,255	$ 29,883,536	$ 47,294,004	$ 81,403,403	$ 19,255,082	$ 76,188,817	$ 4,846,492	$ 56,793,610	$ 500,185,199

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Revenues, Expenses, and Changes in Net Position
Components Units
Year Ended September 30, 2015

	Commonwealth Ports Authority	Commonwealth Development Authority	Commonwealth Utilities Corporation	Marianas Public Land Trust	Northern Marianas College	Public School System	Marianas Visitors Authority	Commonwealth Healthcare Corporation	Total
Operating revenues:									
Charges for services and fees	$ 13,250,127	$ 1,049,035	$ 76,585,109	$ -	$ 648,287	$ 900,473	$ 60,958	$ 58,666,380	$ 151,160,369
Grants and contributions	-	7,185,360	-	-	9,590,521	32,159,244	80,832	11,960	49,027,917
Other	8,805,273	253,807	-	(1,945,898)	561,222	-	22,563	518,273	8,215,040
	22,055,400	8,488,002	76,585,109	(1,945,898)	10,800,030	33,059,717	164,353	59,196,613	208,403,326
(Provision for) recovery of uncollectible receivables	268,653	863,843	(7,128,107)	2,113	-	-	-	-	(5,993,498)
Total operating revenues	22,324,053	9,351,845	69,457,002	(1,943,785)	10,800,030	33,059,717	164,353	59,196,613	202,409,828
Operating expenses:									
Cost of services	8,064,542	5,005,018	49,674,152	-	12,825,496	58,262,027	7,273,654	15,415,248	156,520,137
Depreciation and amortization	12,442,982	192,696	7,591,231	37,902	1,818,196	1,832,189	41,657	-	23,956,853
Administration	5,817,324	3,519,399	20,753,951	911,177	1,057,819	6,390,371	5,460,591	25,099,904	69,010,536
Total operating expenses	26,324,848	8,717,113	78,019,334	949,079	15,701,511	66,484,587	12,775,902	40,515,152	249,487,526
Operating income (loss)	(4,000,795)	634,732	(8,562,332)	(2,892,864)	(4,901,481)	(33,424,870)	(12,611,549)	18,681,461	(47,077,698)
Nonoperating revenues (expenses):									
Contributions from the primary government	-	-	-	-	4,361,698	33,614,198	9,797,367	1,208,675	48,981,938
Contributions to the primary government	-	(880,058)	(402,289)	(2,087,345)	-	-	-	-	(3,369,692)
Unrestricted investment earnings	257,444	24,191	460,694	-	(230,371)	-	-	-	511,958
Interest expense	(2,566,643)	(42,549)	(1,156,640)	-	-	-	-	(192,658)	(3,958,490)
Amortization of fuel purchase obligation rebate	-	-	1,100,000	-	-	-	-	-	1,100,000
Stipulated order penalties	-	-	(5,000,000)	-	-	-	-	-	(5,000,000)
Other expenses	-	(7,987)	(360,682)	-	-	-	-	(11,978,609)	(12,347,278)
Other revenues	4,916,724	302,843	222,340	5,000,000	-	-	-	-	10,441,907
Nonoperating revenues (expenses), net	2,607,525	(603,560)	(5,136,577)	2,912,655	4,131,327	33,614,198	9,797,367	(10,962,592)	36,360,343
Income (loss) before change in recovery of fuel costs	(1,393,270)	31,172	(13,698,909)	19,791	(770,154)	189,328	(2,814,182)	7,718,869	(10,717,355)
Change in recovery of fuel costs	-	-	1,191,883	-	-	-	-	-	1,191,883
Income (loss) before capital contributions and federal grants	(1,393,270)	31,172	(12,507,026)	19,791	(770,154)	189,328	(2,814,182)	7,718,869	(9,525,472)
Capital contributions and federal grants	7,671,967	-	7,136,143	-	-	-	-	13,102,042	27,910,152
Change in net position	6,278,697	31,172	(5,370,883)	19,791	(770,154)	189,328	(2,814,182)	20,820,911	18,384,680
Net position - beginning, as previously reported	179,716,754	29,852,364	52,664,887	81,383,612	20,025,236	49,097,219	7,660,674	35,972,699	456,373,445
Prior period adjustment (note 17)	(1,475,196)	-	-	-	-	26,902,270	-	-	25,427,074
Net position - beginning, as restated	178,241,558	29,852,364	52,664,887	81,383,612	20,025,236	75,999,489	7,660,674	35,972,699	481,800,519
Net position - ending	$ 184,520,255	$ 29,883,536	$ 47,294,004	$ 81,403,403	$ 19,255,082	$ 76,188,817	$ 4,846,492	$ 56,793,610	$ 500,185,199

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The accompanying basic financial statements of the Commonwealth of the Northern Mariana Islands (CNMI) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the CNMI's accounting policies are described below.

A. Reporting Entity

The Government of the CNMI is a constitutional government comprised of three branches: the Legislative Branch (the Legislature), consisting of a nine-member Senate and an eighteen-member House of Representatives elected by eligible voters; the Executive Branch, with the Governor as the chief executive officer; and the Judicial Branch made up of two Commonwealth courts (the Appeals Court and the Trial Court).

For financial reporting purposes, the CNMI has included all funds, organizations, agencies, boards, commissions and institutions. The CNMI has also considered all potential component units for which it is financially accountable as well as other entities for which the nature and significance of their relationship with the CNMI are such that exclusion would cause the CNMI's basic financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the CNMI, as the primary government, has appointed a voting majority of an organization's governing body and either has the ability to impose its will on that organization or there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the CNMI. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

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

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

(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.* The component units' column of the basic financial statements includes the financial data of the following discretely presented component units:

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

- The Commonwealth Development Authority (CDA) functions to stimulate the economic development of the CNMI. It serves as the administrator of United States economic assistance for economic development loans and aids in the financing of capital improvement projects undertaken by the CNMI and its autonomous public agencies. CDA is governed by a seven-member Board of Directors appointed by the Governor. The CNMI has the ability to impose its will on CDA.

- The 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 for the use of public lands and distributes net income to the general fund of the CNMI. Additionally, MPLT is responsible for maintaining a separate trust fund for the development and maintenance of American Memorial Park. MPLT is governed by a five-member Board of Trustees appointed by the Governor. The CNMI has the ability to impose its will on MPLT.

- The Northern Marianas College (NMC) serves as the state agency for higher education and adult education programs within the CNMI. NMC is governed by a seven-member Board of Regents appointed by the Governor. The CNMI provides financial support to NMC through legislative appropriations.

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

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

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

- The Commonwealth Healthcare Corporation (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.

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

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

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

Commonwealth Healthcare Corporation
P.O. Box 500409
Saipan, MP 96950-0409

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

- The Northern Mariana Islands Retirement Fund (NMIRF), a Fiduciary Fund Type - Pension (and Other Employee Benefit) Trust Fund, exists to provide retirement security and other benefits to government employees, their spouses and dependents, former Governors and Lieutenant Governors, and to provide for an actuarially sound, locally funded pension system within the CNMI. NMIRF is governed by the CNMI.

- The CNMI Group Health and Life Insurance Trust Fund (GHLITF), a Fiduciary Fund Type - Pension (and Other Employee Benefit) Trust Fund, is responsible for administering the life and health insurance programs for CNMI government employees. GHLITF is governed by the CNMI. The GHLITF health benefit administration was privatized on November 1, 2007.

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

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

CNMI Group Health and Life Insurance Trust Fund
P.O. Box 5234 CHRB
Saipan, MP 96950

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Omitted Component Units

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

The CNMI has omitted the Commonwealth Government Employees Credit Union (CGECU) from the basic financial statements due to the lack of available financial information. CGECU serves as a credit union for all CNMI government employees. CGECU is governed by a five-member Board of Directors appointed by the Governor. The financial activities of this omitted component unit are not considered material to the basic financial statements.

Program and Other Revenue Recognition

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

B. Government-Wide Financial Statements

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

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

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

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements, Continued

- *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 $8,369,653 of restricted net position, of which $4,690 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.

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.

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

Government-Wide Financial Statements, Continued:

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

Governmental Fund 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 sixty 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. Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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:

Discretely presented component units distinguish operating revenues from nonoperating items. Operating revenues generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues are reported as nonoperating. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

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

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

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

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

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

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, 2015, 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.

(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 on the government-wide financial statements, when assessed or levied. Tax revenue is recognized on the governmental fund 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" on the governmental balance sheet and statement of net position. Interfund receivables and payables have been eliminated from the statement of net position.

(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 $994,000 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 activity 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.

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

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

(1) Summary of Significant Accounting Policies, Continued

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 restricted for Capital Projects.

"Restricted for retirement of indebtedness" - identifies amounts restricted for debt service.

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

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

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the CNMI Legislature, the CNMI's highest level of decision making authority, and does not lapse at year-end. Formal action of the CNMI Legislature is required to remove the limitations of committed fund balances.
- Unassigned includes negative fund balances in other governmental funds.

(1) Summary of Significant Accounting Policies, Continued

M. Fund Equity/Net Position, Continued

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, 2015. However, the CNMI has estimated the aggregate assessed valuation of real property to be $1,596,236,822 as of September 30, 2015. This estimation was based on the 1995 CNMI Mid-Decade Census.

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, 2015, is $7,036,738.

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

P. Unearned Revenues

In the government-wide financial statements, unearned revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period .under the modified accrual basis of accounting. Unearned revenues also arise when resources are received by the CNMI before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the CNMI has a legal claim to the resources, the liability for unearned revenue is removed from the governmental fund balance sheet and revenue is recognized.

(1) Summary of Significant Accounting Policies, Continued

Q. Casino License and Application Fees

Public Law 18-38, as amended by Public Law 18-43 and Public Law 18-56 was enacted to authorize, establish and regulate an exclusive gaming license within the CNMI. Public laws allow the Commonwealth Lottery 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 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. Further, the casino license agreement, pursuant to the terms of Public Law 18-56, requires the Licensee to deliver a sum of $30,000,000 into a third party independent escrow account designated by the CNMI Treasurer as a deposit for the annual license fee for the first and fifth years of the total license term.

During the year ended September 30, 2015, the CNMI recorded casino license fee of $15,000,000, which represents license fees for the second year of the total license term. Accordingly, during the year, the CNMI recorded payment to NMISF related to the 25% reduction of the retirees and the beneficiaries' pension (see note 16).

R. Bond Premiums, Discounts and Issuance Costs

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

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

(1) Summary of Significant Accounting Policies, Continued

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. 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. New Accounting Standards

During fiscal year 2015, the following pronouncement was implemented:

(1) Summary of Significant Accounting Policies, Continued

V. New Accounting Standards, Continued

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* and in November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of* GASB *Statement No. 68,* which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits through plans that are administered through trusts. The provisions in Statements No. 68 and No. 71 are effective for fiscal years beginning after June 15, 2014. Management acknowledges the requirement to restate the CNMI's 2014 government-wide financial statements to recognize net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. However, the CNMI did not record the effects of GASB Statements No. 68 and No. 71 as of and for the year ended September 30, 2015 as the amounts are not available. In addition, management is of the opinion that the required supplementary information related to pension must be obtained from NMISF. As of September 30, 2015, the financial statements of NMISF were not included within the CNMI's financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application,* which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement No. 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements.

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 No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(1) Summary of Significant Accounting Policies, Continued

V. New Accounting Standards, Continued

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

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

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(1) Summary of Significant Accounting Policies, Continued

W. Estimates

The preparation of financial statements in conformity 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 the tax rebate payable.

In determining the 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.

X. Encumbrances

The CNMI utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2015, the CNMI has significant encumbrances summarized as follows:

General	Grants Assistance	Saipan Amusement	Other Governmental Funds	Total
$ 6,695,401	$ 43,769,609	$ 371,004	$ 8,612,778	$ 59,448,792

Y. 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, 2014 from which summarized information was derived.

(2) Deposits and Investments

Deposit and Investment Policy

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

Cash and Cash Equivalents and Time Certificates of Deposit

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

(2) Deposits and Investments, Continued

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

As of September 30, 2015, the carrying amount of the primary government's total unrestriced cash and cash equivalents and time certificates of deposit were $20,205,209 and the corresponding bank balances were $16,576,891. Of the bank balance amounts, $15,284,988 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of $1,291,903 represents amounts maintained in a non-FDIC insured bank.

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, 2015 amounted to $9,479,779 and the corresponding bank balances were $8,586,083. Of the bank balance amounts, $6,007,744 is maintained in financial institutions subject to FDIC insurance. The remaining amount of $2,578,339 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, 2015. As of September 30, 2015, bank deposits in the amount of $1,000,000 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, 2015, is presently not determinable. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2015, the carrying amount of the fiduciary fund's total cash and cash equivalents was $5,130,690 and the corresponding bank balances were $5,147,019, which are maintained in financial institutions subject to FDIC insurance. As of September 30, 2015, bank deposits in the amount of $1,000,000 were FDIC insured. CNMI law does not require component units to collateralize their bank accounts and thus NMIRF's deposits in excess of FDIC insurance are uncollateralized. Accordingly, the deposits are exposed to custodial credit risk.

As of September 30, 2015, the carrying amount of the discretely presented component units' restricted and unrestricted cash and cash equivalents and time certificates of deposit were $90,378,433 and the corresponding bank balances were $80,361,708. Of the bank balance amounts, $78,776,461 is maintained in financial institutions subject to FDIC insurance and $171,714 represents amounts maintained in a non-FDIC insured bank. The remaining amount of $1,413,533 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, 2015, bank deposits in the amount of $14,688,088 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

(2) Deposits and Investments, Continued

Investments

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

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the CNMI.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the CNMI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The CNMI's investments are held and administered by trustees in accordance with various bond indentures for the purpose of funding various capital projects, land settlement claims and future debt service requirements. Based on negotiated trust and custody contracts, all of these investments were held in the CNMI's name by the CNMI's custodial financial institutions at September 30, 2015.

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.

A. Governmental Funds

As of September 30, 2015, the General Fund holds 13% and 11% of the shares of the Pacific Islands Development Bank and the United Micronesia Development Association, Inc. in the amount of $1,000,000 and $1,500,000, respectively. As the fair market value of these investments is not readily available, such have been recorded at cost.

Investments of Other Governmental Funds are held by a bank administered trust company. Investments at September 30, 2015, are as follows:

Stock mutual fund	$ 702,235
Mutual bond funds	350,693
Money market placements	28,973
	$ 1,081,901

The following is a listing of fixed income securities of Other Governmental Funds at September 30, 2015:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Mutual bond funds	$ 350,693	$ 350,693	$ -	$ -	$ -	Unrated

(2) Deposits and Investments, Continued

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, 2015. As of September 30, 2015, investments at fair value consist of investments in U.S. Government money market placements amounting to $18,681,827.

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, 2015.

As of September 30, 2015, investments at fair value are as follows:

Mutual funds	$ 7,152,926
Fixed income securities:	
Domestic fixed income	31,592,405
Other investments:	
Domestic equities	27,893,686
International equities	2,569,704
	$ 69,208,721

The following is a listing of MPLT's fixed income securities at September 30, 2015:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Asset and mortgage backed securities	$ 15,015	$ -	$ -	$ -	$ 15,015	AAA
Asset and mortgage backed securities	10,623,385	260,256	7,724,227	1,088,664	1,550,238	AA+
Asset and mortgage backed securities	1,641,379	1,641,379	-	-	-	A
Government bonds	11,698,921	-	4,454,448	-	7,244,473	AA+
Corporate bonds	458,728	-	-	458,728	-	AA+
Corporate bonds	324,595	-	-	324,595	-	AA
Corporate bonds	940,524	-	-	940,524	-	A+
Corporate bonds	277,187	-	-	277,187	-	A
Corporate bonds	1,698,181	-	-	1,698,181	-	A
Corporate bonds	34,225	-	-	34,225	-	BBB
Corporate bonds	447,696	-	76,616	371,080	-	BBB
Corporate bonds	461,284	-	150,589	310,695	-	BB+
Corporate bonds	563,502	-	108,022	455,480	-	BB
Corporate bonds	660,297	-	149,245	511,052	-	BB
Corporate bonds	645,784	-	66,700	579,084	-	B+
Corporate bonds	290,245	-	141,410	148,835	-	B
Corporate bonds	476,582	-	143,692	332,890	-	B
Corporate bonds	334,875	-	33,540	273,362	27,973	CCC+
	$ 31,592,405	$ 1,901,635	$ 13,048,489	$ 7,804,582	$ 8,837,699	

(2) Deposits and Investments, Continued

Investments, Continued

B. Discretely Presented Component Units, Continued

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, 2015.

As of September 30, 2015, investments at fair value are as follows:

Fixed income securities:	
Domestic fixed income	$ 1,908,132
Other investments:	
Domestic equities	4,075,070
Cash and cash equivalents	1,141,929
	$ 7,125,131

The following is a listing of NMC's fixed income securities at September 30, 2015:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Government and GSE bonds	$ 1,371,827	$ -	$ 1,084,782	$ 160,148	$ 126,897	AAA
Government and GSE bonds	3,786	3,786	-	-	-	No rating
Corporate bonds	39,811	-	-	39,811	-	A
Corporate bonds	62,345	-	17,210	-	45,135	A
Corporate bonds	41,226	-	20,512	20,714	-	AA+
Corporate bonds	19,815	-	-	-	19,815	AA
Corporate bonds	78,063	-	19,104	20,295	38,664	BBB
Corporate bonds	99,545	-	-	61,112	38,433	BBB
Corporate bonds	185,187	19,129	-	88,829	77,229	BBB+
Corporate bonds	6,527	6,527	-	-	-	No rating
	$ 1,908,132	$ 29,442	$ 1,141,608	$ 390,909	$ 346,173	

(3) Receivables

Governmental Funds

Receivables as of September 30, 2015, for the primary government's individual major governmental funds and nonmajor governmental funds in the aggregate, including allowances for uncollectible accounts, are as follows:

(3) Receivables, Continued

Governmental Funds, Continued

	General	Grants Assistance	Saipan Amusement	Other Governmental Funds	Total
Receivables:					
Federal agencies	$ 6,409,493	$ 8,711,111	$ -	$ 2,687,198	$ 17,807,802
Other	3,103,594	-	-	20,789	3,124,383
Taxes	6,616,174	-	-	-	6,616,174
General	2,962,390	12,831	-	23,326,435	26,301,656
Gross receivables	19,091,651	8,723,942	-	26,034,422	53,850,015
Less allowance for uncollectibles	(4,965,112)	(8,287,733)	-	(23,316,135)	(36,568,980)
Net receivables	$ 14,126,539	$ 436,209	$ -	$ 2,718,287	$ 17,281,035

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. Certain receivables were written-off during the year ended September 30, 2015 in the amount of $739,840, which is presented as a special item in the accompanying financial statements.

Fiduciary Funds

Receivables as of September 30, 2015, for the fiduciary funds, including allowances for uncollectible accounts, are as follows:

	NMIRF	GHLITF	Defined Contribution Plan	Total
Receivables:				
Notes	$ 3,808,869	$ -	$ -	$ 3,808,869
Agency	-	-	594,167	594,167
Other	12,135	56	-	12,191
Gross receivables	3,821,004	56	594,167	4,415,227
Less allowance for uncollectibles	(792,898)	-	-	(792,898)
Net receivables	$ 3,028,106	$ 56	$ 594,167	$ 3,622,329

Discretely Presented Component Units

Receivables as of September 30, 2015, for the discretely presented component units, including allowances for uncollectible accounts are as follows:

	CPA	CDA	CUC	MPLT	NMC	PSS	MVA	CHCC	Total
Receivables:									
Loans	$ 3,385,131	$ 56,079,343	$ -	$ -	$ -	$ -	$ -	$ -	$ 59,464,474
Notes	-	-	300,360	15,929,676	-	-	-	-	16,230,036
Federal agencies	615,647	-	2,442,567	-	1,965,288	1,273,703	-	-	6,297,205
General	5,279,502	-	48,934,607	-	3,797,849	-	-	67,548,224	125,560,182
Interest and dividends	-	2,199,659	-	342,500	-	-	-	-	2,542,159
Other	1,360,586	1,831,211	-	1,660,473	-	769,981	10,404	207,524	5,840,179
Gross receivables	10,640,866	60,110,213	51,677,534	17,932,649	5,763,137	2,043,684	10,404	67,755,748	215,934,235
Less allowance for uncollectibles	(4,803,986)	(40,796,001)	(43,323,688)	(4,920,155)	(1,921,011)	(207,581)	-	(24,141,067)	(120,113,489)
Net receivables	$ 5,836,880	$ 19,314,212	$ 8,353,846	$ 13,012,494	$ 3,842,126	$ 1,836,103	$ 10,404	$ 43,614,681	$ 95,820,746

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

(3) Receivables, Continued

Discretely Presented Component Units, Continued

CPA:	
Loan receivable from CUC, bearing interest at 6.25% per annum over a term of five years, commencing on July 1, 2008 as reimbursement for project costs paid by CPA for the Sewerline Project and loan receivable from CUC, bearing interest at 6.25% per annum, for repayment of wharfage fees. CPA's utility charges can be offset in lieu of payments. Due to the potential uncollectibility, the amount has been fully allowed for.	$ 3,385,131
CDA:	
Economic development loans for commercial purposes due within various periods not to exceed thirty (30) years. The interest rates charged are based on the economic purpose of the loan. Production development loans bear interest at 7% to 9% per annum, marine and agriculture loans bear interest at 4.5% per annum, commercial development loans bear interest at 7% to 9% per annum, and microloans bear interest at 7% to 12% per annum. In October 2007, CDA initiated a "Debt Relief Program", which provides for reduction of interest to two percent and extension of term up to thirty years with a mandated three year callable provision where warranted and justified.	$ 39,149,231
NMHC housing loans for the specific purpose of providing residents of the Northern Mariana Islands with approved low-cost housing. The loans have terms from ten to thirty-three years in duration at interest rates of 4.5% to 12% per annum.	12,430,550
Loan receivable from CPA, bearing interest at 2.5% per annum, with quarterly principal and interest payments in the amount of $204,113, with maturity date of November 16, 2014. Proceeds were used for the Saipan Harbor Project. On June 29, 2010, the note was revised with monthly principal and interest payments in the amount of $31,000, with a maturity date of June 15, 2030.	4,499,562
	$ 56,079,343
CUC:	
Notes receivable from customers, bearing interest at 12% per annum, with terms ranging from six months to ten years.	$ 300,360

(3) 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.	$ 7,284,607
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.	90,155
Note receivable from CDA, interest at 6.5% per annum, due on June 1, 2018, collateralized by future distributable net income for the maintenance and development of the American Memorial Park and is to be repaid from earnings of the investments pursuant to CNMI Public Law 11-72.	554,914
Note receivable from the CNMI Government, with interest at 7% per annum, due on December 28, 2019. Public Law 18-71 earmarks and appropriates from future interest income distribution starting fiscal year 2016 until the note is fully reimbursed. Interest is due annually.	5,000,000
Note receivable from CHCC, interest at 5% per annum, due on June 10, 2016, collateralized by future distributable income of fiscal year 2015 and CHCC's real properties for CHCC's operational and bridge capital pursuant to CNMI Public Law 17-76.	3,000,000
	$ 15,929,676

(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, 2015, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 2,026,027
General	Grants Assistance	1,372,521
Grants Assistance	General	8,107,629
Saipan Amusement	General	1,430,190
Nonmajor governmental	General	19,195,109
		$ 32,131,476

(4) Interfund Receivables and Payables, Continued

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.

Balances reflected as due to/from component units as of September 30, 2015, are summarized as follows:

Due From	Due To	Amount
MPLT	General	$ 5,000,000
CUC	General	6,484,832
MVA	General	3,245,632
PSS	General	237,906
NMC	General	177,561
CHCC	General	79,235
DPL	MPLT	970,057
		$ 16,195,223

The amount recorded as due from component units of the primary government of $970,057 does not equal the corresponding due to primary government of the discretely presented component units of $6,505,370 due to CPA, CHCC and CUC recording 1% public auditor fee of $1,735,380, $1,546,373 and $7,156,374, respectively, for which the primary government recorded a corresponding allowance. The remaining differences are due to CHCC's contribution to the DB Plan of $3,223,617, which was not recorded by the primary government due to uncertainty in collection and DPL's advances to MPLT of $970,057, which was not recorded by MPLT.

The amount recorded as due from primary government of the discretely presented component units of $5,429,855 does not equal the corresponding due to component units of the primary government of $15,225,166 by $9,795,311. The difference of $5,000,000 with MPLT is due to the amount recorded as notes receivable by MPLT. The difference of $105,608 with PSS is due to timing differences. The difference of $1,795,129 with CHCC is due to unreconciled amounts. The remaining difference of $6,484,832 with CUC is due to amounts recorded as general receivables by CUC.

(5) Restricted Assets

Governmental Funds

Restricted assets of $7,350,284 recorded in the General Fund represents cash and cash equivalents of $2,520,125 for State Small Business Credit Initiative to strengthen programs that support private financing to small business and small manufacturers and is funded by US Department of Treasury; $2,358,893 restricted for various Federal programs and projects; $104,475 for the purpose of funding ongoing vocational educational curricula and program development by the CNMI and is funded by US Department of Homeland Security; and $2,366,791 restricted for future debt service requirements.

Restricted assets of $2,122,548 recorded in the Grants Assistance Fund represents cash and cash equivalents restricted for capital projects.

(5) Restricted Assets, Continued

Governmental Funds, Continued

Restricted assets of $1,088,848 recorded in the Other Governmental Funds represent cash and cash equivalents of $6,947 for other purposes and investments of $1,081,901 for the purpose of compensating for injury increasing disability in accordance with §(f) of Section 9308 of Public Law 10-19.

Fiduciary Fund Type - Agency Fund

Restricted assets of $1,531,391 as of September 30, 2015, represent deposits of foreign investors required by law to operate a business in the CNMI.

Discretely Presented Component Units

CPA:

Restricted assets of CPA as of September 30, 2015, represent the unused proceeds of the Airport Revenue Bonds and the Seaport Revenue Bonds, both issued on March 26, 1998, deposited with the Trustee. The Trustee is a commercial lending institution and the securities are held in the name of CPA. Disbursements from unused bond proceeds are to be made solely for the purpose of paying the costs of the projects, and pursuant to the Act establishing CPA (Public Law No. 2-48), payment of the costs of issuance and the payment of bond principal and interest to the extent provided in the Indenture.

Fund	Airport Revenue Bonds	Seaport Revenue Bonds	Total
Bond Reserve Fund	$ 1,591,970	$ 3,479,833	$ 5,071,803
Supplemental Reserve Fund	-	7,991,935	7,991,935
Construction Fund	-	7,179	7,179
Reimbursement Fund	-	5,808	5,808
Bond Fund	832,110	1,683,890	2,516,000
Maintenance and Operation	2,001,170	1,074,295	3,075,465
Optional Redemption Fund	12,102	-	12,102
Revenue Fund	724	811	1,535
	$ 4,438,076	$ 14,243,751	$ 18,681,827

CDA:

Restricted assets of CDA's Development Banking Division of $4,707,638 represent the proceeds of Covenant funding and liquidated revenue bonds derived from pledged Covenant funding to be used for capital development purposes.

Restricted assets of CDA's Development Corporation Division of $983,027 represent funds for the State Small Business Credit Initiative loan program maintained by CDA as the disbursing agent deposited with commercial lending institutions held in the name of CDA.

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

(5) Restricted Assets, Continued

Discretely Presented Component Units, Continued

CDA, Continued:

Escrow and savings account maintained as a guarantee for any deficiency in foreclosure proceeds related to USDA Rural Development Loans	$ 3,541,127
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development	200,588
Savings account maintained as a guarantee of housing loans made by a CNMI savings and loan	61
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	979,235
Other depository accounts reserved for various purposes	267,669
	$ 4,988,680

CUC:

Restricted cash and cash equivalents of $10,740,855 at September 30, 2015 represent customer deposits.

MPLT:

Restricted assets of $69,208,721 represent investments held and administered by trustees in accordance with trust and custody agreements for purposes of investment and distribution to the CNMI General Fund in accordance with provisions of the CNMI Constitution.

(6) Capital Assets and Depreciation

Capital asset activities for the year ended September 30, 2015, are as follows:

Primary Government

	Balance October 1, 2014	Additions	Reclassifications	Balance September 30, 2015
Assets not being depreciated:				
Land	$ 30,064,154	$ -	$ -	$ 30,064,154
Construction in progress	19,339,676	6,499,242	(5,342,782)	20,496,136
	49,403,830	6,499,242	(5,342,782)	50,560,290
Depreciable assets:				
Buildings and other improvements	123,980,328	-	750,001	124,730,329
Machinery and equipment	30,996,379	2,024,021	1,789,821	34,810,221
Infrastructure	145,261,895	-	2,802,960	148,064,855
	300,238,602	2,024,021	5,342,782	307,605,405
Accumulated depreciation:				
Buildings and other improvements	(52,129,648)	(4,257,438)	-	(56,387,086)
Machinery and equipment	(23,249,950)	(3,507,383)	-	(26,757,333)
Infrastructure	(114,785,686)	(2,624,688)	-	(117,410,374)
Total accumulated depreciation	(190,165,284)	(10,389,509)	-	(200,554,793)
Depreciable assets, net	110,073,318	(8,365,488)	5,342,782	107,050,612
	$ 159,477,148	$ (1,866,246)	$ -	$ 157,610,902

(6) Capital Assets and Depreciation, Continued

Primary Government, Continued

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

Public Works	$ 4,478,565
Public Safety and Law Enforcement	3,351,010
Community and Social Services	1,419,398
General Government	556,180
Judicial Branch	291,274
Lands and Natural Resources	293,082
Total depreciation expense - governmental activities	$ 10,389,509

Discretely Presented Component Units

	Estimated Useful Lives	Balance at October 1, 2014	Additions and Transfers	Retirements	Balance at September 30, 2015
Assets not being depreciated:					
Land		$ 45,814,185	$ -	$ -	$ 45,814,185
Construction in progress		77,076,736	13,124,534	(1,051,447)	89,149,823
		122,890,921	13,124,534	(1,051,447)	134,964,008
Depreciable assets:					
Housing projects	30 years	7,977,392	-	-	7,977,392
Buildings	5 - 50 years	102,605,707	1,167,164	(2,647,889)	101,124,982
Harbor facilities	20 years	63,601,422	-	-	63,601,422
Infrastructure	30 years	4,420,636	-	-	4,420,636
Terminal facilities	20 years	101,688,291	22,987	-	101,711,278
Runway and improvements	20 years	113,856,055	-	-	113,856,055
Terminal equipment	2 - 10 years	9,533,118	7,465	(21,708)	9,518,875
Electric plant	20 years	129,733,086	174,443	(378,982)	129,528,547
Water plant	20 years	67,952,180	982,043	(170,218)	68,764,005
Sewer plant	20 years	48,315,973	4,418,337	(2,499,311)	50,234,999
Other improvements	3 - 20 years	27,273,810	209,796	-	27,483,606
Fire and rescue	2 - 8 years	11,574,506	16,423	(21,710)	11,569,219
Office furniture and fixtures	2 - 10 years	12,974,950	1,461,102	(714,445)	13,721,607
General transportation	3 - 5 years	8,648,941	342,828	(451,257)	8,540,512
Other equipment	3 - 5 years	4,373,783	23,803	(28,640)	4,368,946
Ground maintenance and shop equipment	2 - 5 years	354,910	15,900	(21,600)	349,210
		714,884,760	8,842,291	(6,955,760)	716,771,291
Less accumulated depreciation		(425,073,652)	(23,833,740)	4,318,667	(444,588,725)
Depreciable assets net		289,811,108	(14,991,449)	(2,637,093)	272,182,566
		$ 412,702,029	$ (1,866,915)	$ (3,688,540)	$ 407,146,574

(7) Note Payable

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 - Special Revenue Fund, to finance debt service on the loan.

(7) Note Payable, 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. Accordingly, the Judicial Building Fund was transferred from Other Governmental Funds - Special Revenue Fund to the General Fund. At September 30, 2015, principal and interest outstanding and payable are $4,503,661 and $66,898, respectively.

(8) 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 $43,608,935 as of September 30, 2015. 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.

(9) 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 $398,683 recorded in the General Fund represents the remaining undisbursed funds as of September 30, 2015.

(10) Long-Term Debt Obligations

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.

At September 30, 2015, Series 2003A bonds outstanding of $37,400,000 are considered defeased.

$57,800,000 Bond Issue

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

Amount outstanding and payable as of September 30, 2015, consist of the following:

Series 2007A general obligations refunding bonds	$ 44,200,000
Unamortized premium on bond issuance	67,490
	$ 44,267,490

$42,690,000 Bond Issue

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

(10) Long-Term Debt Obligations, Continued

$42,690,000 Bond Issue, Continued

Amount outstanding and payable as of September 30, 2015, consist of the following:

Series 2007B general obligations refunding bonds	$ 40,470,000
Unamortized premium on bond issuance	46,267
	$ 40,516,267

Changes in long-term liabilities for the year ended September 30, 2015, are as follows:

	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015	Due Within One Year
Loans and bonds payable:					
2007 Series A Bonds	$ 46,995,000	$ -	$ (2,795,000)	$ 44,200,000	$ 2,940,000
2007 Series B Bonds	41,725,000	-	(1,255,000)	40,470,000	1,355,000
	88,720,000	-	(4,050,000)	84,670,000	4,295,000
Deferred amounts:					
Unamortized premium on bonds issued	120,077	-	(6,320)	113,757	6,320
	88,840,077	-	(4,056,320)	84,783,757	4,301,320
Other:					
Obligations under Settlement Agreement	227,749,160	-	(27,000,000)	200,749,160	-
Claims and judgments	22,800,000	-	(7,800,000)	15,000,000	5,000,000
Compensated absences	6,264,576	772,162	-	7,036,738	3,401,914
Landfill closure	4,580,841	381,737	-	4,962,578	-
	261,394,577	1,153,899	(34,800,000)	227,748,476	8,401,914
	$ 350,234,654	$ 1,153,899	$ (38,856,320)	$ 312,532,233	$ 12,703,234

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

Year ending September 30,	Principal	Interest	Total
2016	$ 4,295,000	$ 4,199,625	$ 8,494,625
2017	4,440,000	3,984,875	8,424,875
2018	4,700,000	3,760,375	8,460,375
2019	4,960,000	3,522,875	8,482,875
2020	5,235,000	3,272,375	8,507,375
2021 - 2025	21,535,000	12,970,000	34,505,000
2026 - 2030	27,650,000	6,941,500	34,591,500
2031 - 2034	11,855,000	1,215,125	13,070,125
	$ 84,670,000	$ 39,866,750	$ 124,536,750

(10) Long-Term Debt Obligations, Continued

Obligations Under Settlement Agreement

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 and as determined by an independent actuary appointed by the Trustee and approved by the District Court. The Parties project that the minimum annual payments necessary to enable the Settlement Fund to pay 75% of Class Members' Full Benefits each year will likely be at least:

2016	$ 30,000,000
2017	$ 33,000,000
2018	$ 45,000,000
2019	$ 44,000,000
2020	$ 43,000,000
2021	$ 42,000,000
2022	$ 41,000,000
2023	$ 40,000,000
2024	$ 39,000,000

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.

As a result of the Settlement, the CNMI recorded a liability of $200,749,160 to NMISF equivalent to the amount of judgment for Civil Case No. 06-0367 less payments made to NMISF pursuant to the Settlement. The CNMI is awaiting the actuarial determination for the amount of liability and, as a result, the effect on the accompanying financial statements has not been determined.

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:

(10) Long-Term Debt Obligations, Continued

Claims and Judgments, Continued

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 Department of Interior's 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. On December 29, 2014, DPL transferred $5,000,000 to MPLT and MPLT entered into a $5,000,000 loan agreement with the CNMI to effectuate the requirements of Public Law 18-71. The loan bears interest at 7% per annum and has a five-year amortization period which will mature on September 30, 2020. The CNMI's future annual payments on the loan could not be determined. Accordingly, the loan was recorded as due to component units in the accompanying financial statements. The CNMI's total interest payments during the year amounted to $262,740.

On December 30, 2014, the CNMI transferred $5,000,000 to the Registry to satisfy its SO2 obligation. On February 5, 2015, the U.S. Department of the Interior (DOI) awarded $2,648,082 to the CNMI for an ATP (Funding No. CNMI-CIP-2015-5 D15AP00012) related to SO2 projects. On February 15, 2015, DOI awarded the CNMI additional funding of $151,958 to its original ATP for management and administration of the SO2 projects. Therefore, the CNMI met its 2015 SO2 obligations. Accordingly, the CNMI recorded the $2,800,000 grant from DOI as a special item in the accompanying government-wide financial statements. As of September 30, 2015, the CNMI's claims and judgment liability related to the SO2 amounted to $15,000,000.

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units

CPA:

Note payable to CDA, interest at 2.5% per annum, with maturity date of June 15, 2030. Principal and interest payments in the amount of $31,000 are due monthly beginning June 15, 2010. The payment of accrued interest totaling $546,679 has been deferred until the maturity of the loan or until the loan is paid off, whichever comes first. $ 4,499,560

CDA:

Note payable to MPLT, bearing interest at 6.5% per annum, due over a fifteen-year term, beginning June 2003. The note is collateralized by the full faith and credit of the CNMI Government held in trust by MPLT, for the purpose of development and maintenance of the American Memorial Park (AMP), and is being repaid from investment earnings of MPLT's AMP Fund pursuant to CNMI Public Law 11-72. 555,332

CUC:

Loan payable to CPA, net of receivable from CPA of $3,385,131, with a remaining unreconciled difference of $11,568. Principal of $3,385,131, interest at 6.5% per annum, with a maturity date of October 31, 2017. Principal and interest payments are due in monthly installments of $38,008 beginning October 31, 2007. 3,373,563

CHCC:

Note payable to MPLT, bearing interest at 5% per annum, due over a one-year term, beginning on June 10, 2015. The note is collateralized by CHCC's accounts receivable, future distributable income in fiscal year 2016 and CHCC's real properties for CHCC's operational and bridge capital pursuant to CNMI Public Law No. 17-76. 3,000,000

$ 11,428,455

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

Year ending September 30,	Principal	Interest	Total
2016	$ 6,068,113	$ 1,033,057	$ 7,101,170
2017	1,169,450	156,450	1,325,900
2018	499,029	103,619	602,648
2019	282,994	89,006	372,000
2020	290,151	81,849	372,000
2021 - 2025	1,564,597	295,402	1,859,999
2026 - 2030	1,554,121	635,179	2,189,300
	$ 11,428,455	$ 2,394,562	$ 13,823,017

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

PSS:

Amounts payable to CUC for utilities expense amounted to $3,841,202, excluding penalties of approximately $2 million. PSS uses its general funds to pay for the long term debt to CUC. Payments will be drawn from the annual appropriation of the CNMI.

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%, on March 15 and September 15 of each year.

Revenue bonds payable as of September 30, 2015, consists of the following:

1998 Senior Series A tax-exempt airport revenue bonds	$ 12,260,000

The 1998 Senior Series A tax-exempt airport revenue bonds are limited obligations of CPA and, except to the extent payable from bond proceeds, are payable solely out of revenues, assets and funds pledged under the Indenture.

CPA $33,775,000 Bond Issue

On March 26, 1998, CPA issued $33,775,000 of Senior Series A tax-exempt seaport revenue bonds which, in part, were used for a current refunding of $22,470,000 of 1995 Series A tax-exempt seaport revenue bonds. The refunding was undertaken to consolidate existing debt with new debt issued for the purpose of financing various seaport projects and to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by $1,345,593. This amount is recorded as a deferred outflow from cost of refunding debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt. At September 30, 2015, deferred outflows from cost of refunding debt amounted to $751,892. 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%, on March 15 and September 15 of each year.

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

CPA $33,775,000 Bond Issue, Continued

Revenue bonds payable as of September 30, 2015, consist of the following:

1998 Senior Series A tax-exempt seaport revenue bonds	$ 22,135,000

Additionally, CPA has resolved to hold $8,000,000 in the Seaport supplemental reserve fund. The supplemental reserve fund was established pursuant to the First Supplemental Indenture dated March 1, 2000 for the purpose of providing funding and maintenance for the 1998 Senior Series A Seaport Bonds. At September 30, 2015, total deposits in the Seaport supplemental reserve fund amounted to $7,991,935.

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% on March 15 and September 15 of each year.

Revenue bonds payable as of September 30, 2015, consist of the following:

2005 Senior Series A tax-exempt seaport revenue bonds	$ 5,775,000
Discount on bonds	(76,474)
	$ 5,698,526

(10) Long-Term Debt Obligations, 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, 2015. Section 6.11 of the Airport and Seaport Bond Indenture Agreements (Indenture) states that CPA shall impose, levy, enforce and collect such dockage, entry and wharfage fees, tariffs, lease rentals, licensing fees and other fees and charges in an aggregate amount with respect to each fiscal year to produce gross revenues of 125% of debt service requirements. Management of CPA has determined that gross revenues consist of total operating revenues, other grant revenue and contributions, interest income and passenger facility charges to meet the Indenture requirements. For fiscal year 2015, management of CPA determined that 100% of passenger facility charges would be considered as gross revenues for these purposes.

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

Year ending September 30,	Principal	Interest	Total
2016	$ 2,010,000	$ 2,480,840	$ 4,490,840
2017	2,135,000	2,348,968	4,483,968
2018	2,285,000	2,208,345	4,493,345
2019	2,415,000	2,058,804	4,473,804
2020	2,565,000	1,900,328	4,465,328
2021 - 2025	15,460,000	6,751,586	22,211,586
2026 - 2030	12,775,000	1,517,816	14,292,816
2031	525,000	14,437	539,437
	$ 40,170,000	$ 19,281,124	$ 59,451,124

Obligations Under Preferred Stock Agreement

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

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

Obligations Under Preferred Stock Agreement, Continued

On May 7, 2009, CUC and CDA, entered into a Preferred Stock Agreement (the Agreement) to effectuate the terms and conditions of the MOA by requiring CUC to issue shares of cumulative, non-convertible and non-transferrable preferred stock of $45,000,000 to CDA and yielding annual dividends of two percent. The Commonwealth Public Utilities Commission approved the Agreement on September 3, 2009. The Agreement provides CUC the right to purchase from CDA up to $16,200,000 of the $45,000,000 preferred stock through offset against CUC's future, internally-funded capital improvement projects. Subject to CUC purchase exception, CDA shall not transfer any of its rights, title or interest to such preferred stocks. 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 are to be paid to CDA beginning October 1, 2012. The Agreement cancels and discharges the indebtedness of CUC to CDA of $61,568,750 in principal and $138,670,797 in accrued interest, including related late charges and any other charges owed by CUC on the capital development loans.

CUC issued to CDA forty-five shares of preferred stock with a par value of $1,000,000 per share for a total aggregate value of $45,000,000 dated September 28, 2009. The preferred stock yields guaranteed dividends at two percent per annum payable quarterly in advance. The dividends of the preferred stock are cumulative from and after October 1, 2009 and bear no interest.

CUC has determined that GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, does not provide a structure to allow preferred stock to be displayed within net assets. As such, CUC and CDA have 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. CUC has treated the Agreement as a troubled debt restructuring and has recorded a long-term liability based on the discounted cash flows of the future dividend payments at 6.27% per annum. At September 30, 2015, CUC has recorded dividends payable to CDA of $5,400,000 and CDA has recorded an investment of $11,309,651, with a corresponding 100% valuation allowance. Future receipts for dividends are as follows:

Year ending September 30,	
2016	$ 3,420,000
2017	180,000
2018	180,000
2019	180,000
2020	180,000
2021 - 2025	900,000
2026 - 2027	360,000
	$ 5,400,000

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

Changes in long-term liabilities of the discretely presented component units for the year ended September 30, 2015, are as follows:

	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015	Due Within One Year
Bonds payable:					
CPA	$ 42,065,000	$ -	$ (1,895,000)	$ 40,170,000	$ 2,010,000
Notes payable:					
CPA	4,757,439	-	(257,879)	4,499,560	262,477
CDA	722,040	-	(166,708)	555,332	186,289
CUC	3,373,563	-	-	3,373,563	2,619,347
CHCC	3,000,000	-	-	3,000,000	3,000,000
PSS	-	3,841,202	-	3,841,202	1,100,000
	53,918,042	3,841,202	(2,319,587)	55,439,657	9,178,113
Deferred amounts:					
CPA:					
Discount	(81,253)	-	4,779	(76,474)	-
	53,836,789	3,841,202	(2,314,808)	55,363,183	9,178,113
Other liabilities:					
Dividends payable:					
CUC	4,500,000	900,000	-	5,400,000	3,420,000
Due to Pension (and Other Employee Benefit) Trust Fund:					
CUC	3,387,153	26,911	-	3,414,064	-
PSS	23,767,066	-	(23,767,066)	-	-
Accrued interest:					
CPA	546,679	122,443	(122,443)	546,679	-
Compensated absences	5,104,026	2,448,959	(2,727,238)	4,825,747	2,527,345
Unearned revenues	12,413,762	1,972,454	(1,834,933)	12,551,283	3,579,033
	$ 103,555,475	$ 9,311,969	$ (30,766,488)	$ 82,100,956	$ 18,704,491

(11) Fund Balances

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

	General	Grants Assistance	Saipan Amusement	Other Governmental Funds	Total
Non-spendable					
Inventories	$ 232,387	$ -	$ -	$ -	$ 232,387
United Micronesia Development Association	1,500,000	-	-	-	1,500,000
Pacific Islands Development Bank	1,000,000	-	-	-	1,000,000
Restricted for:					
Capital projects	-	3,967,032	-	373,519	4,340,551
Public works and highway projects	-	-	-	369,408	369,408
Federal programs and projects	-	1,288,213	-	-	1,288,213
Debt service reserve	2,366,791	-	-	-	2,366,791
Other purposes	456,655	-	-	4,690	461,345
Committed to:					
Saipan Amusement Fund	-	-	1,348,396	-	1,348,396
Public lands	-	-	-	4,467,773	4,467,773
Local senatorial districts	-	-	-	7,475,874	7,475,874
Solid Waste Revolving	-	-	-	2,499,650	2,499,650
Tobacco Control Fund	-	-	-	537,525	537,525
Workers' Compensation Commission	-	-	-	2,129,988	2,129,988
Tobacco Settlement Trust	-	-	-	1,371,667	1,371,667
MVA Trust Fund	-	-	-	503,311	503,311
Infrastructure	-	-	-	1,267,615	1,267,615
Other purposes	-	-	-	1,431,484	1,431,484
Unassigned	(97,821,450)	-	-	(1,073,494)	(98,894,944)
	$ (92,265,617)	$ 5,255,245	$ 1,348,396	$ 21,359,010	$ (64,302,966)

(12) 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, 2015, are as follows:

Source/Recipient	Transfer Out	Transfer In
General Fund		
Grants Assistance Fund	$ 5,390,023	$ 982,289
Nonmajor governmental funds	455,036	3,044,754
	5,845,059	4,027,043
Grants Assistance Fund		
General Fund	982,289	5,390,023
Nonmajor governmental funds	172,726	-
	1,155,015	5,390,023
Nonmajor governmental funds		
General Fund	3,044,754	455,036
Grants Assistance Fund	-	172,726
	3,044,754	627,762
	$ 10,044,828	$ 10,044,828

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 $50,810,131 does not equal the corresponding contributions from the primary government of $48,981,938 by $1,828,193. The difference of $1,052,756 with NMC is due to Compact Impact and Contract Workers funds that were recorded as federal revenue by NMC. The difference of $549,759 with PSS is due to amounts recorded by the CNMI as operating grants and revenue. The difference of $225,678 with MVA is due to timing differences.

(13) 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.

(13) Commitments, Continued

Dedicated Revenues and Pledges

CNMI has pledged all Judicial Building Fund (a Governmental Fund Type - Special Revenue 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 $4,570,559 payable through March 2015. For the year ended September 30, 2015, principal and interest payments were $311,242 and $330,652, respectively, and total Judicial Building Fund revenues were $659,777.

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 are $59,451,124 at September 30, 2015. Pledged gross revenues received during the year ended September 30, 2015 were $22,055,400. Debt service payments during the year ended September 30, 2015 amounted to $4,500,060 representing 20% of pledged gross revenues.

Operating Lease

On August 18, 2003, NMC entered into an assignment of lease with a corporation (Assignor), whereby the Assignor assigns leases and leasehold estate and other rights on the La Fiesta property to NMC for a total payment of $4,000,000 payable in annual installments of $200,000 beginning October 29, 2004. On September 15, 2004, NMC and the CNMI entered into a Memorandum of Agreement for the transfer of the lease assignment. On January 7, 2005, NMC and the CNMI executed an Assignment of Contract Rights whereby NMC assigns and transfers to the CNMI all right, titles and interest to the assignment of leases dated August 18, 2003. Rental expense for this lease for the fiscal year ended September 30, 2015, is $200,000.

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

September 30,	
2016	$ 200,000
2017	200,000
2018	200,000
2019	200,000
2020	200,000
2021 - 2025	1,000,000
	$ 2,000,000

(14) 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 $4,962,578 liability reported as landfill closure and postclosure costs at September 30, 2015 within the accompanying financial statements, represents the cumulative amount reported based on 55% capacity used. The Marpi landfill has an estimated lifespan of eighteen years. The CNMI will recognize the remaining estimated cost of closure and post closure care of $1,908,684 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 2015. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Questioned Costs Under Federally Funded Programs

The CNMI participates in a number of federally assisted grant programs funded by the United States Government. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs of $17,114,454 have been set forth in the CNMI's Single Audit Report for the year ended September 30, 2015. 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 2014 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.

(14) Contingencies, Continued

General Fund Financial Position

The CNMI's General Fund has sustained recurring operating deficits and has an unassigned fund deficit of $97,821,450 at September 30, 2015. In addition, at September 30, 2015, the primary government's current liabilities exceed current assets by $81,254,617, and total liabilities and deferred inflows of resources exceed total assets and deferred outflows of resources by $215,397,639. 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. The CNMI is awaiting the actuarial determination and the effect on the accompanying financial statements has not been determined.

Management believes that the actuarial determination will have a positive effect on the General Fund Financial Position and will commence the process of reducing the abovementioned General Fund deficit position.

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, 2015, is $38,180,614.

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. Environmental Protection Agency (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.

(14) Contingencies, Continued

Stipulated Orders, Continued

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

1. The reformation of CUC's management, finances and operations;
2. The development of a wastewater and drinking water Master Plan; and
3. 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 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.

Fines and penalties related to these Stipulated Orders have accumulated to over $76 million. However, the fines and penalties have never been assessed and billed to or paid for by CUC with the exception of $29,000 and $140,000 which were paid by CUC to the United States Department of Justice on January 2010 and July 2010, respectively. This accrued amount is subject to mitigation and objections. On September 26, 2014, another Stipulated Order concerning the appointment of an EEMC was entered into under which the United States and EPA waived all Stipulated Order Two penalties which have accumulated as of September 25, 2014. The amount waived was calculated to be approximately $40 million of potential liability though no official numerical value was given to the provision.

The parties appeared for status conferences and signed further stipulations dated August 12, 2010, in which CUC has agreed to specific performance dates for required projects. On the status conference on December 9, 2010, CUC had met its deadlines on 31 out of 33 discrete deliverables, and had made substantial progress on the balance. Pursuant to the March 22, 2011 status conference stipulation, the parties agreed to further deadlines for meter change-outs and the pipeline project. The Federal District Court has expressed its satisfaction with CUC's progress on the water metering project.

There have been three major projects of the highest priority to the Federal District Court: the Pipeline, Tank 102, and the Rota Tanks. CUC completed the Rota Tanks in late December 2012. Construction of Tank 102 was completed in June 2016. Construction of the oil pipeline is completed. In March 2016, a Task Order (#5) was issued by the Northern Mariana Islands District Court ordering initiation of work on Tank 103 (Clean, Inspect, Repair. Tank 103).

(14) Contingencies, Continued

Stipulated Orders, Continued

The project will resume under the direction of an Engineering and Environmental Management Company (EEMC) pursuant to the provisions of the Stipulated Order entered on September 26, 2014. Any further penalties and fines which may be assessed are related to CUC's performance under both Stipulated Orders One and Two. To date CUC has not been assessed any penalties and fines under the stipulated orders by EPA. The cumulative balance payable at September 30, 2015 was $41,041,000. These penalties continue to accrue on a daily basis.

Budgetary Compliance

For the year ended September 30, 2015, expenditures of the General Fund exceeded budget at the program area level (i.e., the legal level of budgetary control) as follows:

Program Area	Excess
Executive branch	$ 3,875,512
Second Senatorial District - Tinian	$ 7,084
First Senatorial District - Rota	$ 184,763
Government utilities	$ 2,431,772
Office of the Public Auditor	$ 874,469
Boards and commissions	$ 1,558
Education (payment to PSS, NMC and BOE)	$ 230,998
Health (payment to CHCC)	$ 40,000
Judgments	$ 6,078,245
Debt service	$ 381,477
Disaster expenditures	$ 2,431,979
Miscellaneous/continuing appropriations	$ 456,797

(15) Risk Management

The CNMI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, CNMI management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the CNMI reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Total claims amounted to $8,314,667, $1,363,940 and $435,065 for the years ended September 30, 2015, 2014 and 2013, respectively. Changes in the balance of claims liabilities during the past year are as follows:

	Year ended September 30,
Unpaid claims at beginning of year	$ 58,682,326
Incurred claims	1,993,465
Claim payments	(8,314,667)
Reversals	(5,754,730)
Unpaid claims at end of year	$ 46,606,394

(15) 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 agency fund represents the net amount available after the costs of land acquisitions. Land condemnation proceedings are still in process. At September 30, 2015, the CNMI recorded claims and judgments liability of $1,393,798 related to land condemnation proceedings.

On June 15, 2015, the CNMI and a Corporation organized and operating under the law of the CNMI entered into an agreement to settle and extinguish the Corporation's existing judgment against the CNMI (Civil Action No. 04-0589) of $5,919,850 using tax offsets and credits pursuant to 1 CMC 7207(a) and 1 CMC 7207(a) subsection (b). Of the total judgments, $1,500,000 was assigned to another Corporation organized and operating under the law of the CNMI pursuant to Civil Action No. 02-0566C and was settled through a reduced tax liability credits of $1,000,000; $1,454,730 was offset against delinquent tax liabilities of the Corporation; $2,000,000 was assigned to an Estate pursuant to Civil Action No. 02-0566C and was agreed to be settled as an estate tax liability credits for period October 2015 to April 2017; the remaining amount of $965,120 will be settled as tax liability credits to the Corporation for period May 2017 to September 2017. Accordingly, in fiscal year 2015, the CNMI reversed the $2,954,730 claims and judgment liability as a result of the settlement agreement.

In addition, the CNMI reversed claims and judgement liability of $2,800,000 related to its obligation on SO2 projects (see note 10).

(16) Pension and Other Postemployment Benefits Trust Fund

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

GASB Statement No. 45 requires employers to record other postemployment benefits (OPEB) expense for their contractually required contributions to the OPEB plan. The CNMI has complied with GASB 45 by recording OPEB expense based on the statutorial determined contribution rate of NMISF. The CNMI's OPEB liability is incorporated into the Due to Pension (and Other Employee Benefit) Trust Fund liability amount. It is the understanding of the management of the CNMI that the statutorial determined contribution rate of NMISF incorporates both the pension liability and the OPEB liability. GASB 45 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.

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

Defined Benefit Plan (DB Plan)

The DB Plan provides retirement, disability, security and other benefits to employees of the CNMI Government and CNMI agencies, instrumentalities and public corporations and their spouses and dependents. Benefits are based on the average annual salary of the beneficiary over the term of credited service. Public Law No. 6-17, the Northern Mariana Islands Retirement Fund 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.

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, 2015 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, 2015 is 72.7215% of covered payroll. Public Law No. 15-126, authorizes the CNMI Government to remit only 18% of covered payroll and accrue the remaining as liability to NMIRF for fiscal year 2009. The employer contribution remittance was further reduced by Public Law No. 16-2 to 11% of covered payroll. On June 29, 2009, the CNMI was ordered to pay employer contribution of 16% beginning August 2009. Effective November 2009, the employer contribution was increased to 20%. On November 10, 2010, the CNMI was ordered to remit the employer contribution rate of 30% effective October 1, 2010.

On August 30, 2012, Public Law 17-79 was enacted to amend Title I of the Commonwealth Code to include the intent of the CNMI to participate in the retirement insurance system established by Title II of the U.S. Federal Insurance Contributions Act (FICA) and for participation to be extended to elected officials, employees, political subdivisions and instrumentalities of the CNMI. Authorization of participation has not been obtained from the U.S. Government. On September 11, 2012, Public Law 17-82 *CNMI Pension Reform Recovery Act of 2012* was enacted. Unless specifically exempted or authorized by federal law, Public Law 17-82 provides for mandatory membership of CNMI Government employees and elected officials in the U.S. Social Security system and authorizes employees, who elect to, to buy quarters of service in the U.S. Social Security system from contributions made to the DB plan. In addition, Public Law 17-82 provides active and inactive DB Plan members the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the DC Plan and to participate in the U.S. Social Security system without termination of employment or penalty.

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

Defined Benefit Plan (DB Plan), Continued

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.

For the year ended September 30, 2015, the CNMI contributed to the U.S. Social Security system benefits of $4,092,007. In addition, all but fifty-two active employees voluntarily terminated membership in the DB Plan. For the year ended September 30, 2015, the CNMI recorded payment of interest of $14,684 to active class members who terminated their membership in the DB Plan under Public Law 17-82, as amended by Public Law 18-02.

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. For the year ended September 30, 2015, the CNMI recorded payments to NMISF of $27,000,000 and $19,415,811, which relates to the fiscal year 2015 annual payment pursuant to Section 4 of the Settlement and payment of 25% of the class members full benefits, respectively.

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, 2015, the CNMI recorded contributions to NMISF of $722,289.

Further, 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, 2015, the CNMI has not determined the amount of receivables from autonomous agencies.

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

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. Public Law 17-82 requires the CNMI to contribute to each member's individual account an amount equal to 4% unless the employee ceases to contribute its employee share. The CNMI's recorded DC contributions for the years ended September 30, 2015, 2014 and 2013 were $555,792, $553,304 and $588,012, 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 Plan. Separate actuarial valuations have not been performed for these separate component units.

(17) Restatements

Subsequent to the issuance of the CNMI's 2014 financial statements, it was determined that ending net position of the discretely presented component units were understated by $25,427,074. The understatement related to the correction of prior year errors. As a result of this determination, ending net position of the discretely presented component units have been restated from amounts previously reported as follows:

	As Previously Reported	As Restated
Discretely presented component units:		
Commonwealth Ports Authority	$ 179,716,754	$ 178,241,558
Public School System	$ 49,097,219	$ 75,999,489

In addition, it was determined that ending net position of the fiduciary component units were understated by $124,917 due to correction of prior year errors. As a result, ending net position of the fiduciary component units have been restated from amounts previously reported as follows:

	As Previously Reported	As Restated
Fiduciary component units:		
Northern Mariana Islands Retirement Fund	$ 27,829,885	$ 3,120,147
CNMI Group Health and Life Insurance Trust Fund	$ (277,762)	$ 1,583,462
Defined Contribution Plan	$ -	$ 22,973,431

(18) Subsequent Event

On March 1, 2016, DOI awarded $3,887,161 to the CNMI for an ATP (Funding No. CNMI-CIP-2016-2 D16AP00013) related to SO2 projects. On March 8, 2016, 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, DOI awarded the CNMI additional funding of $730,614 to its original ATP for the "Tank 103 Cleanout, Inspect and Repair" project. Accordingly, these ATPs would satisfy the CNMI's 2016 SO2 obligation.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED SEPTEMBER 30, 2015

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund
Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		
Revenues:				
Taxes	$ 152,600,000	$ 152,600,000	$ 144,116,151	$ (8,483,849)
Charges for sales and services	2,100,000	2,100,000	639,997	(1,460,003)
Licenses and fees	11,335,000	11,335,000	9,469,286	(1,865,714)
Contributions from component units	2,000,000	2,000,000	4,700,737	2,700,737
Other	1,070,000	1,070,000	1,709,209	639,209
Total revenues	169,105,000	169,105,000	160,635,380	(8,469,620)
Expenditures - budgetary basis by function:				
Executive branch	47,616,136	48,810,404	52,685,916	(3,875,512)
Second Senatorial District - Tinian	5,866,414	5,804,262	5,811,346	(7,084)
First Senatorial District - Rota	5,560,860	5,563,120	5,747,883	(184,763)
Government utilities	-	-	2,431,772	(2,431,772)
Legislative branch	5,665,446	5,667,682	5,404,348	263,334
Judicial branch	4,618,121	4,618,121	4,565,555	52,566
Independent programs	2,507,310	1,261,153	1,223,514	37,639
Third Senatorial District - Saipan	2,143,117	2,134,921	2,127,644	7,277
Office of the Public Auditor	1,146,653	1,112,710	1,987,179	(874,469)
Boards and commissions	705,473	700,671	702,229	(1,558)
Education (payment to Public School System, Northern Marianas College and Board of Education	37,975,638	37,975,638	38,206,636	(230,998)
Tourism (payment to Marianas Visitors Authority)	12,720,001	12,720,001	9,747,519	2,972,482
Employee benefits (payment to Pension (and Other Employee Benefit) Trust Fund)	33,083,689	32,687,648	30,015,704	2,671,944
Health (payment to CHCC)	1,208,675	1,208,675	1,248,675	(40,000)
Judgments	7,921	7,921	6,086,166	(6,078,245)
Debt service	8,454,625	8,454,625	8,836,102	(381,477)
Disaster expenditures	1,416	547,429	2,979,408	(2,431,979)
Miscellaneous/continuing appropriations	-	-	456,797	(456,797)
Unallocated	118,025	124,539	41,969	82,570
Total expenditures	169,399,520	169,399,520	180,306,362	(10,906,842)
Deficiency of revenues under expenditures	(294,520)	(294,520)	(19,670,982)	(19,376,462)
Other financing sources (uses):				
Operating transfers in	950,000	950,000	-	(950,000)
Operating transfers out	(4,550,000)	(4,550,000)	(455,036)	4,094,964
Total other financing sources (uses), net	(3,600,000)	(3,600,000)	(455,036)	3,144,964
Deficiency of revenues and other financing sources under expenditures and other financing uses	$ (3,894,520)	$ (3,894,520)	$ (20,126,018) *	$ (16,231,498)

* See note 2.

See Accompanying Notes to Required Supplementary Information - Budgetary Reporting.

(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 16, 2014, the CNMI passed Public Law 18-66 as the Appropriations and Budget Authority Act of 2015 (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 2015 commencing October 1, 2014 and ending September 30, 2015.

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

(2) Explanation of Differences

Total revenues of $162,035,380 reported under GAAP basis does not equal total revenues of $160,635,380 reported under the budgetary basis due to $1,400,000 of contract workers funds received from the U.S. Department of Homeland Security (USDHS) pursuant to US Public Law 110-229 for the purpose of funding ongoing vocational educational curricula and program development by the CNMI. The amount was included as other revenue in the governmental funds but was not included in the budgetary schedule. CNMI management has taken the position that these funds are not considered general funds to be reported under the budgetary basis but are treated as pass-through funds from the USDHS. Of this amount, $500,000 was transferred to PSS; $500,000 was transferred to NMC; and $400,000 was transferred to the Northern Marianas Trade Institute.

The CNMI recognizes recovery based on identification of receivables. The CNMI budget does not reflect bad debts on the modified accrual basis. As of September 30, 2015, recovery amounted to $2,954,730 less write-off of receivables of $347,200.

The amount reported as operating transfers in of $4,027,043 under GAAP basis does not equal the amount reported as operating transfers in of $-0- under the budgetary basis by $4,027,043 due to: (a) $982,289 in Compact Impact funds; and (b) $3,044,754 of transfers pursuant to Public Law 18-66 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 $5,845,059 under GAAP basis does not equal the amount reported as operating transfers out of $455,036 under the budgetary basis due to $5,390,023 in federal grants local match reported as transfers out in the governmental fund financial statements but were reported as expenditures for budgetary purposes.

The following reconciles budget to GAAP differences:

Net change in fund balance (deficit) - budgetary basis	$ (20,126,018)
Recovery	2,954,730
Write-off of receivables	(347,200)
Encumbrances not recognized under GAAP basis	6,704,121
	9,311,651
Net change in fund balance (deficit) - General Fund	$ (10,814,367)

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2015

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Expenditures by Account
Governmental Funds
Year Ended September 30, 2015

	General	Grants Assistance	Saipan Amusement	Other Governmental Funds	Total
Salaries and wages	$ 41,458,951	$ 8,892,069	$ 485,386	$ 2,873,282	$ 53,709,688
Professional services	3,852,044	39,641,729	200,151	3,987,875	47,681,799
Payments to Settlement Fund	27,000,000	-	19,415,811	-	46,415,811
Education:					
Payments to Public School System	34,344,902	126,155	-	-	34,471,057
Payments to Northern Marianas College	4,861,734	52,720	-	-	4,914,454
Employee benefits	12,719,235	1,209,565	59,124	461,733	14,449,657
Food items	777,186	13,604,882	-	16,340	14,398,408
Utilities	6,656,664	705,151	3,888	179,458	7,545,161
Capital outlay:					
Road improvements	-	-	-	1,847,761	1,847,761
Vehicles	264,998	987,715	-	338,031	1,590,744
Furniture and fixtures	114,940	111,044	25,738	1,204,152	1,455,874
Office equipment	171,996	509,247	-	16,998	698,241
Construction in progress	-	-	-	651,283	651,283
Machinery and equipment	96,152	232,937	890	74,108	404,087
Building improvements	143,120	13,404	10,000	-	166,524
Other	186,467	321,482	12,781	95,684	616,414
Payments to Marianas Visitors Authority	9,747,519	-	-	-	9,747,519
Contributions/donations	1,623,901	636,375	4,878	3,193,555	5,458,709
Claims and judgments	5,637,174	-	-	21,750	5,658,924
Interest	4,773,153	-	-	-	4,773,153
Travel	2,860,548	1,194,152	72,476	400,555	4,527,731
Principal repayment	4,050,000	-	-	-	4,050,000
Rentals	2,291,792	506,231	24,718	491,756	3,314,497
Scholarships/grants	1,198,808	52,524	-	1,517,066	2,768,398
Supplies	891,932	1,284,269	24,581	255,673	2,456,455
Payments to Commonwealth Healthcare Corporation	1,208,675	1,110,700	-	-	2,319,375
Repairs and maintenance	871,208	629,714	4,951	386,184	1,892,057
Communications	1,306,018	424,114	4,180	96,864	1,831,176
Fuel and lubrication	1,050,700	305,206	3,699	225,109	1,584,714
Payments to Pension (and Other Employee Benefit) Trust Fund	637,000	-	-	-	637,000
Indirect costs	-	499,375	-	-	499,375
Advertising	37,345	328,112	8,386	40,137	413,980
Printing	183,127	143,305	3,235	19,359	349,026
Dues and subscriptions	276,148	40,530	-	8,504	325,182
Miscellaneous services	147,418	89,139	90	63,646	300,293
Official representation	245,359	-	-	24,547	269,906
Insurance	-	240,354	-	19,948	260,302
Freight	48,464	64,960	-	8,474	121,898
Books and library materials	45,209	55,511	124	2,804	103,648
Licenses and fees	18,668	17,312	300	95	36,375
Other	1,840,706	773,196	52,401	721,412	3,387,715
	$ 173,639,261	$ 74,803,179	$ 20,417,788	$ 19,244,143	$ 288,104,371

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
MAJOR GOVERNMENTAL FUND - GENERAL FUND

September 30, 2015

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, 2015, the project was completed. Revenues generated by the court will be used to finance the debt service on the loan with NMISF.

Tinian Land Condemnation Fund
As part of the U.S. Military's lease of Tinian, the CNMI Government, the former Marianas Public Land Corporation and the U.S. Government, setup an escrow fund pending the obtaining of all the private land holdings on Tinian within the leased area. Subsequently, the escrow was jointly terminated wherein it was mutually agreed the funds could be used by the CNMI to acquire the private land holdings through direct acquisition or legal condemnation proceedings. This agency fund represents the net amount available after the costs of land acquisitions. Land condemnation proceedings are still in process.

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

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Balance Sheet Accounts
General Fund
September 30, 2015

Assets	General	NMTIT Rebate Trust	Commonwealth Museum	Human Resources Development Trust	Micronesian Garment Manufacturing	Debt Service	Judicial Building	Tinian Land Condemnation	Miscellaneous	Eliminations	Total
Cash and cash equivalents	$ 12,784,473	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,393,798	$ -	$ -	$ 14,178,271
Investments	2,500,000	-	-	-	-	-	-	-	-	-	2,500,000
Restricted cash and cash equivalents	4,983,493	-	-	-	-	2,366,791	-	-	-	-	7,350,284
Receivables, net:											
Federal agencies	-	6,409,493	-	-	-	-	-	-	-	-	6,409,493
Taxes	6,616,174	-	-	-	-	-	-	-	-	-	6,616,174
General	1,100,872	-	-	-	-	-	-	-	-	-	1,100,872
Due from other funds	-	-	-	-	-	-	-	-	-	3,398,548	3,398,548
Due to/from General Funds	(32,978,113)	37,199,442	(371,767)	(184,206)	456,655	-	(4,467,655)	-	325,644	-	-
Advances	636,805	-	-	-	-	-	-	-	-	-	636,805
Inventories	232,387	-	-	-	-	-	-	-	-	-	232,387
	$ (4,123,909)	$ 43,608,935	$ (371,767)	$ (184,206)	$ 456,655	$ 2,366,791	$ (4,467,655)	$ 1,393,798	$ 325,644	$ 3,398,548	$ 42,422,834
Liabilities and Fund Balances (Deficit)											
Liabilities:											
Accounts payable	$ 6,211,090	$ -	$ 221	$ 60	$ -	$ -	$ -	$ -	$ 87,567	$ -	$ 6,298,938
Tax rebates payable	-	43,608,935	-	-	-	-	-	-	-	-	43,608,935
Recovery rebates payable	398,683	-	-	-	-	-	-	-	-	-	398,683
Other liabilities and accruals	4,246,460	-	6,574	60,692	-	-	-	-	-	-	4,313,726
Claims and judgments payable	30,212,596	-	-	-	-	-	-	1,393,798	-	-	31,606,394
Notes payable	4,503,661	-	-	-	-	-	-	-	-	-	4,503,661
Due to other funds	24,960,860	-	-	-	-	-	-	-	373,520	3,398,548	28,732,928
Due to component units	15,225,166	-	-	-	-	-	-	-	-	-	15,225,166
Total liabilities	85,758,516	43,608,935	6,795	60,772	-	-	-	1,393,798	461,087	3,398,548	134,688,451
Fund balances (deficit):											
Non-spendable	2,732,387	-	-	-	-	-	-	-	-	-	2,732,387
Restricted	-	-	-	-	456,655	2,366,791	-	-	-	-	2,823,446
Unassigned	(92,614,812)	-	(378,562)	(224,978)	-	-	(4,467,655)	-	(135,443)	-	(97,821,450)
Total fund balances (deficit)	(89,882,425)	-	(378,562)	(224,978)	456,655	2,366,791	(4,467,655)	-	(135,443)	-	(92,265,617)
	$ (4,123,909)	$ 43,608,935	$ (371,767)	$ (184,206)	$ 456,655	$ 2,366,791	$ (4,467,655)	$ 1,393,798	$ 325,644	$ 3,398,548	$ 42,422,834

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
General Fund
For the Year Ended September 30, 2015

	General	NMTIT Rebate Trust	Commonwealth Museum	Human Resources Development Trust	Micronesian Garment Manufacturing	Debt Service	Judicial Building	Miscellaneous	Eliminations	Total
Revenues:										
Taxes	$ 144,116,151	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 144,116,151
Licenses and fees	9,087,657	-	-	-	-	-	381,629	-	-	9,469,286
Contributions from component units	4,700,737	-	-	-	-	-	-	-	-	4,700,737
Charges for sales and services	631,803	-	-	-	-	-	-	8,194	-	639,997
Interest and dividends	160,632	-	-	-	-	61	-	469	-	161,162
Other	2,667,828	-	-	-	-	-	278,148	2,071	-	2,948,047
Total revenues	161,364,808	-	-	-	-	61	659,777	10,734	-	162,035,380
Expenditures:										
Current:										
Public safety and law enforcement	22,185,974	-	-	-	-	-	-	-	-	22,185,974
General government	14,066,709	-	-	-	-	-	-	-	-	14,066,709
Utilities	2,431,772	-	-	-	-	-	-	-	-	2,431,772
Other elected officials	8,895,795	-	-	-	-	-	-	-	-	8,895,795
Legislative branch	5,275,766	-	-	-	-	-	-	-	-	5,275,766
Health	6,714,839	-	-	-	-	-	-	-	-	6,714,839
Judicial branch	4,619,328	-	-	-	-	-	-	-	-	4,619,328
Lands and natural resources	3,665,046	-	-	-	-	-	-	29,133	-	3,694,179
Community and social services	3,398,983	-	91,151	56,550	-	-	-	-	-	3,544,684
Education	1,868,519	-	-	-	-	-	-	-	-	1,868,519
Economic development	836,324	-	-	-	-	-	-	-	-	836,324
Payments to:										
Public School System	33,844,902	-	-	-	-	-	-	-	-	33,844,902
Marianas Visitors Authority	9,747,519	-	-	-	-	-	-	-	-	9,747,519
Commonwealth Healthcare Corporation	1,208,675	-	-	-	-	-	-	-	-	1,208,675
Northern Marianas College	5,361,734	-	-	-	-	-	-	-	-	5,361,734
Pension (and Other Employee Benefit) Trust Fund	9,655,526	-	-	-	-	-	-	-	-	9,655,526
Settlement Fund	27,000,000	-	-	-	-	-	-	-	-	27,000,000
Debt service:										
Interest and fiscal charges	7,800	-	-	-	-	4,417,575	368,528	-	-	4,793,903
Principal retirement	-	-	-	-	-	4,050,000	-	-	-	4,050,000
Capital outlay:										
Public works	3,843,113	-	-	-	-	-	-	-	-	3,843,113
Total expenditures	164,626,324	-	91,151	56,550	-	8,467,575	368,528	29,133	-	173,639,261
Excess (deficiency) of revenues over (under) expenditures	(3,261,516)	-	(91,151)	(56,550)	-	(8,467,514)	291,249	(18,399)	-	(11,603,881)
Other financing sources (uses):										
Operating transfers in	4,027,043	-	-	-	-	8,536,083	-	-	(8,536,083)	4,027,043
Operating transfers out	(14,381,142)	-	-	-	-	-	-	-	8,536,083	(5,845,059)
Total other financing sources (uses), net	(10,354,099)	-	-	-	-	8,536,083	-	-	-	(1,818,016)
Special items:										
Recoveries	2,954,730	-	-	-	-	-	-	-	-	2,954,730
Write-off of receivables	(347,200)	-	-	-	-	-	-	-	-	(347,200)
Total special items	2,607,530	-	-	-	-	-	-	-	-	2,607,530
Net change in fund balances (deficit)	(11,008,085)	-	(91,151)	(56,550)	-	68,569	291,249	(18,399)	-	(10,814,367)
Fund balances (deficit) at beginning of year	(78,874,340)	-	(287,411)	(168,428)	456,655	2,298,222	(4,758,904)	(117,044)	-	(81,451,250)
Fund balances (deficit) at end of year	$ (89,882,425)	$ -	$ (378,562)	$ (224,978)	$ 456,655	$ 2,366,791	$ (4,467,655)	$ (135,443)	$ -	$ (92,265,617)

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
MAJOR GOVERNMENTAL FUND - GRANTS ASSISTANCE FUND

September 30, 2015

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

Federal Grants Fund

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

DOI Capital Projects Fund

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

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet
Grants Assistance Fund
September 30, 2015

	Federal Grants	DOI Capital Projects	Total
Assets			
Restricted cash and cash equivalents	$ -	$ 2,122,548	$ 2,122,548
Receivables, net of allowance for uncollectibles:			
Federal agencies	397,041	26,337	423,378
Other	-	12,831	12,831
Due from other funds	5,614,728	2,492,901	8,107,629
Inventories	994,000	-	994,000
	$ 7,005,769	$ 4,654,617	$ 11,660,386
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 3,450,024	$ 385,401	$ 3,835,425
Other liabilities and accruals	203,195	-	203,195
Due to other funds	1,070,337	302,184	1,372,521
Unearned revenues	994,000	-	994,000
Total liabilities	5,717,556	687,585	6,405,141
Fund balances:			
Restricted	1,288,213	3,967,032	5,255,245
	$ 7,005,769	$ 4,654,617	$ 11,660,386

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Grants Assistance Fund
For the Year Ended September 30, 2015

	Federal Grants	DOI Capital Projects	Total
Revenues:			
Federal contributions	$ 57,368,425	$ 10,983,204	$ 68,351,629
Licenses and fees	1,999,576	-	1,999,576
Interest and dividends	-	229	229
Other	216,966	-	216,966
Total revenues	59,584,967	10,983,433	70,568,400
Expenditures:			
Current:			
Health	27,658,697	3,372,261	31,030,958
Community and social services	19,997,183	-	19,997,183
General government	1,170,558	443,093	1,613,651
Lands and natural resources	6,750,490	-	6,750,490
Public safety and law enforcement	5,929,719	-	5,929,719
Utilities	-	335,749	335,749
Education	76,001	21,039	97,040
Economic development	1,481,870	1,473,080	2,954,950
Payments to:			
Public School System	319,055	-	319,055
Northern Marianas College	52,720	-	52,720
Capital outlay:			
Public works	556,408	3,256,137	3,812,545
Utilities - Capital Projects	-	1,909,119	1,909,119
Total expenditures	63,992,701	10,810,478	74,803,179
(Deficiency) excess of revenues (under) over expenditures	(4,407,734)	172,955	(4,234,779)
Other financing sources (uses):			
Operating transfers in	5,390,023	-	5,390,023
Operating transfers out	(982,289)	(172,726)	(1,155,015)
Total other financing sources (uses), net	4,407,734	(172,726)	4,235,008
Net change in fund balances	-	229	229
Fund balances at beginning of year	1,288,213	3,966,803	5,255,016
Fund balances at end of year	$ 1,288,213	$ 3,967,032	$ 5,255,245

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
MAJOR GOVERNMENTAL FUND - SAIPAN AMUSEMENT FUND

September 30, 2015

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.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2015

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

Department of Public Lands

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 (DPL) 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.

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.
See Accompanying Independent Auditors' Report.

Commonwealth Alien Deportation Fund

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

Local Revenue Fund

This fund accounts for revenues generated under local senatorial district laws for use by the local governments of Saipan, Rota and Tinian. Such revenues are based on Saipan local laws 11-1 and 11-2 and Rota local law 11-1.

Saipan Trust Fund

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

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 Independent Auditors' Report.

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)

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

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.

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 FUNDS - CAPITAL PROJECTS FUNDS

September 30, 2015

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Commonwealth Development Authority Fund

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

Infrastructure Tax Fund

This fund was created by Public Law No. 8-23 which restricts the 2% Developers' Tax for funding of infrastructure by senatorial delegation.

Public Works Grants Fund

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

American Memorial Park Fund

This fund accounts for capital projects at the American Memorial Park. These projects are partially funded by the earnings of the Marianas Public Land Trust - Park Fund, a nonexpendable trust fund.

Local Capital Projects Fund

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

Private Capital Grants Fund

This fund accounts for various capital projects funded by various grants that are not directly from the U.S. government. Included in this fund are transactions relating to capital project grants from CNMI agencies and private business organizations in the CNMI.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2015

	Special Revenue Funds							
	Department of Public Lands	Private Grants	Commonwealth Arts Council	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Local Revenue	Saipan Trust
Assets								
Cash and cash equivalents	$ 3,290,981	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Time certificates of deposit	2,735,957	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	6,947
Restricted investments	-	-	-	-	-	-	-	-
Receivables, net of allowance for uncollectibles:								
Federal	-	284,562	-	-	-	-	-	-
General	1,223,896	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Due from other funds	-	2,590,916	17,935	48,061	-	-	7,571,840	16,518
Due from component units	970,057	-	-	-	-	-	-	-
	$ 8,220,891	$ 2,875,478	$ 17,935	$ 48,061	$ -	$ -	$ 7,571,840	$ 23,465
Liabilities and Fund Balances (Deficit)								
Liabilities:								
Accounts payable	$ 71,184	$ 665,315	$ 5,169	$ -	$ 2,338	$ 9,268	$ 95,966	$ -
Other liabilities and accruals	975,406	-	-	-	-	61	-	19,338
Due to other funds	1,752,420	-	-	-	223,003	-	-	-
Unearned revenues	954,108	2,411,278	-	47,498	-	-	-	-
Total liabilities	3,753,118	3,076,593	5,169	47,498	225,339	9,329	95,966	19,338
Commitments and contingencies								
Fund balances (deficit):								
Restricted	-	-	-	563	-	-	-	4,127
Committed	4,467,773	-	12,766	-	-	-	7,475,874	-
Unassigned	-	(201,115)	-	-	(225,339)	(9,329)	-	-
Total fund balances (deficit)	4,467,773	(201,115)	12,766	563	(225,339)	(9,329)	7,475,874	4,127
	$ 8,220,891	$ 2,875,478	$ 17,935	$ 48,061	$ -	$ -	$ 7,571,840	$ 23,465

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet, Continued
Nonmajor Governmental Funds
September 30, 2015

	Special Revenue Funds										
	Tobacco Settlement Trust	Tobacco Control	Solid Waste Revolving	Managaha Landing Fee	Qualifying Certificate Reserve	MVA Trust	CNMI Scholarship	CNMI Workers' Compensation Commission	Judiciary Legal Services	Miscellaneous	Total Special Revenue Funds
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,290,981
	-	-	-	-	-	-	-	-	-	-	2,735,957
	-	-	-	-	-	-	-	-	-	-	6,947
	-	-	-	-	-	-	-	1,081,901	-	-	1,081,901
	-	-	-	-	-	-	-	-	-	-	284,562
	-	-	-	-	-	-	-	-	-	-	1,223,896
	1,209,829	-	-	-	-	-	-	-	-	-	1,209,829
	161,838	543,141	2,724,554	39,580	49,548	509,442	350,590	1,049,227	64,569	926,467	16,664,226
	-	-	-	-	-	-	-	-	-	-	970,057
	$ 1,371,667	$ 543,141	$ 2,724,554	$ 39,580	$ 49,548	$ 509,442	$ 350,590	$ 2,131,128	$ 64,569	$ 926,467	$ 27,468,356
	$ -	$ 5,616	$ 166,904	$ -	$ -	$ 6,131	$ -	$ -	$ -	$ 12,036	$ 1,039,925
	-	-	58,000	-	-	-	-	1,140	-	-	1,053,945
	-	-	-	-	-	-	-	-	-	-	1,975,423
	-	-	-	-	-	-	-	-	-	-	3,412,884
	-	5,616	224,904	-	-	6,131	-	1,140	-	12,036	7,482,177
	-	-	-	-	-	-	-	-	-	-	4,690
	1,371,667	537,525	2,499,650	39,580	49,548	503,311	350,590	2,129,988	64,569	914,431	20,417,272
	-	-	-	-	-	-	-	-	-	-	(435,783)
	1,371,667	537,525	2,499,650	39,580	49,548	503,311	350,590	2,129,988	64,569	914,431	19,986,179
	$ 1,371,667	$ 543,141	$ 2,724,554	$ 39,580	$ 49,548	$ 509,442	$ 350,590	$ 2,131,128	$ 64,569	$ 926,467	$ 27,468,356

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet, Continued
Nonmajor Governmental Funds
September 30, 2015

	Capital Projects Funds							
	Commonwealth Development Authority	Infrastructure Tax	Public Works Grants	American Memorial Park	Local Capital Projects	Private Capital Grants	Total Capital Projects Funds	Total Nonmajor Governmental Funds
Assets								
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,290,981
Time certificates of deposit	-	-	-	-	-	-	-	2,735,957
Restricted cash and cash equivalents	-	-	-	-	-	-	-	6,947
Restricted investments	-	-	-	-	-	-	-	1,081,901
Receivables, net of allowance for uncollectibles:								
Federal	-	-	-	-	-	-	-	284,562
General	-	-	-	-	-	-	-	1,223,896
Other	-	-	-	-	-	-	-	1,209,829
Due from other funds	52,405	1,324,337	735,823	6,869	6,356	405,093	2,530,883	19,195,109
Due from component units	-	-	-	-	-	-	-	970,057
	$ 52,405	$ 1,324,337	$ 735,823	$ 6,869	$ 6,356	$ 405,093	$ 2,530,883	$ 29,999,239
Liabilities and Fund Balances (Deficit)								
Liabilities:								
Accounts payable	$ -	$ 56,722	$ 309,420	$ -	$ 593,299	$ 31,574	$ 991,015	$ 2,030,940
Other liabilities and accruals	-	-	56,995	6,869	-	-	63,864	1,117,809
Due to other funds	-	-	-	-	50,604	-	50,604	2,026,027
Unearned revenues	52,569	-	-	-	-	-	52,569	3,465,453
Total liabilities	52,569	56,722	366,415	6,869	643,903	31,574	1,158,052	8,640,229
Fund balances (deficit):								
Restricted	-	-	369,408	-	-	373,519	742,927	747,617
Committed	-	1,267,615	-	-	-	-	1,267,615	21,684,887
Unassigned	(164)	-	-	-	(637,547)	-	(637,711)	(1,073,494)
Total fund balances (deficit)	(164)	1,267,615	369,408	-	(637,547)	373,519	1,372,831	21,359,010
	$ 52,405	$ 1,324,337	$ 735,823	$ 6,869	$ 6,356	$ 405,093	$ 2,530,883	$ 29,999,239

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) Nonmajor Governmental Funds For the Year Ended September 30, 2015

	Special Revenue Funds							
	Department of Public Lands	Private Grants	Commonwealth Arts Council	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Local Revenue	Saipan Trust
Revenues:								
Federal contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Taxes	-	-	-	-	-	-	-	-
Licenses and fees	496,778	-	-	-	75	-	4,587,982	-
Interest and dividends	9,016	-	-	58	-	-	-	-
Charges for sales and services	5,262,782	-	-	-	-	-	-	-
Other	109,268	2,023,089	39,391	-	-	-	32,049	-
Total revenues	5,877,844	2,023,089	39,391	58	75	-	4,620,031	-
Expenditures by account:								
Current:								
Education	-	-	-	-	-	-	1,678,742	-
Economic development	-	1,597,659	-	-	-	-	3,435	-
Public safety and law enforcement	-	485,878	-	-	225,414	-	-	-
Community and social services	-	71,192	31,674	-	-	-	182,963	-
Health	-	69,455	-	-	-	-	84,386	-
Lands and natural resources	5,836,960	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	350,528	-
Judicial branch	-	-	-	-	-	-	-	-
Other elected officials	-	-	-	-	-	-	83,620	-
Payment to Marianas Visitors Authority	-	-	-	-	-	-	-	-
Capital outlay:								
Public works	-	-	-	-	-	-	59,025	-
Total expenditures	5,836,960	2,224,184	31,674	-	225,414	-	2,422,701	-
Excess (deficiency) of revenues over (under) expenditures	40,884	(201,115)	7,717	58	(225,339)	-	2,197,330	-
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	-	-	-	-
Bad debts	(392,640)	-	-	-	-	-	-	-
Net change in fund balances (deficit)	(351,756)	(201,115)	7,717	58	(225,339)	-	2,197,330	-
Fund balances (deficit) at beginning of year	4,819,529	-	5,049	505	-	(9,329)	5,278,544	4,127
Fund balances (deficit) at end of year	$ 4,467,773	$ (201,115)	$ 12,766	$ 563	$ (225,339)	$ (9,329)	$ 7,475,874	$ 4,127

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit), Continued
Nonmajor Governmental Funds
For the Year Ended September 30, 2015

Special Revenue Funds										
Tobacco Settlement Trust	Tobacco Control	Solid Waste Revolving	Managaha Landing Fee	Qualifying Certificate Reserve	MVA Trust	CNMI Scholarship	CNMI Workers' Compensation Commission	Judiciary Legal Services	Miscellaneous	Total Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	2,186,460	1,746,199	-	-	356,246	-	-	-	-	4,288,905
-	-	472,801	-	-	-	-	-	-	60,346	5,617,982
46	-	-	-	-	-	-	34,466	-	-	43,586
-	-	-	-	-	-	-	-	-	230,822	5,493,604
1,606,665	-	-	-	-	-	36,827	464	77,692	15,899	3,941,324
1,606,711	2,186,460	2,219,000	-	-	356,246	36,827	34,930	77,692	307,067	19,385,401
-	92,736	-	-	-	-	-	-	-	-	1,771,478
-	-	-	-	-	-	-	-	-	-	1,601,094
-	-	-	-	-	-	-	10,000	-	48,978	768,270
-	-	-	-	-	-	-	-	-	15,789	281,618
-	-	-	-	-	-	-	-	-	-	153,843
-	-	-	-	-	-	-	-	-	264,304	6,101,264
-	-	-	-	-	-	5,481	-	-	-	356,009
-	-	-	-	-	-	-	-	13,123	-	13,123
-	-	-	-	-	-	-	-	-	-	83,620
-	-	-	-	-	275,526	-	-	-	-	275,526
-	-	2,381,825	-	-	-	-	-	-	-	2,440,850
-	92,736	2,381,825	-	-	275,526	5,481	10,000	13,123	327,071	13,846,695
1,606,711	2,093,724	(162,825)	-	-	80,720	31,346	24,930	64,569	(20,004)	5,538,706
-	-	-	-	-	346,800	108,236	-	-	-	455,036
(1,606,666)	(1,438,088)	-	-	-	-	-	-	-	-	(3,044,754)
(1,606,666)	(1,438,088)	-	-	-	346,800	108,236	-	-	-	(2,589,718)
-	-	-	-	-	-	-	-	-	-	(392,640)
45	655,636	(162,825)	-	-	427,520	139,582	24,930	64,569	(20,004)	2,556,348
1,371,622	(118,111)	2,662,475	39,580	49,548	75,791	211,008	2,105,058	-	934,435	17,429,831
$ 1,371,667	$ 537,525	$ 2,499,650	$ 39,580	$ 49,548	$ 503,311	$ 350,590	$ 2,129,988	$ 64,569	$ 914,431	$ 19,986,179

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit), Continued
Nonmajor Governmental Funds
For the Year Ended September 30, 2015

	Capital Projects Funds							
	Commonwealth Development Authority	Infrastructure Tax	Public Works Grants	American Memorial Park	Local Capital Projects	Private Capital Grants	Total Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:								
Federal contributions	$ -	$ -	$ 3,609,510	$ -	$ -	$ -	$ 3,609,510	$ 3,609,510
Taxes	-	1,314,482	-	-	-	-	1,314,482	5,603,387
Licenses and fees	-	18,742	-	-	5,706	-	24,448	5,642,430
Contributions from component units	-	-	-	-	738,191	-	738,191	738,191
Interest and dividends	-	76	-	-	-	-	76	43,682
Charges for sales and services	-	-	-	-	-	-	-	5,493,604
Other	-	200,282	-	-	-	-	200,282	4,141,606
Total revenues	-	1,533,582	3,609,510	-	743,897	-	5,886,989	25,272,390
Expenditures by account:								
Current:								
Education	-	6,506	-	-	250,000	-	256,506	2,027,984
Economic development	-	-	-	-	36,839	-	36,839	1,637,933
Public safety and law enforcement	-	196,447	-	-	-	-	196,447	964,717
Community and social services	-	434	-	-	-	-	434	282,052
Health	-	-	-	-	-	-	-	153,843
Lands and natural resources	-	-	-	-	-	-	-	6,101,284
General government	-	-	-	-	250,000	-	250,000	606,009
Judicial branch	-	-	-	-	-	-	-	13,123
Other elected officials	-	-	-	-	-	-	-	83,620
Payment to Marianas Visitors Authority	-	-	-	-	-	-	-	275,526
Capital outlay:								
Public works	-	62,580	3,577,311	-	1,017,331	-	4,657,222	7,098,072
Total expenditures	-	265,967	3,577,311	-	1,554,170	-	5,397,448	19,244,143
Excess (deficiency) of revenues over (under) expenditures	-	1,267,615	32,199	-	(810,273)	-	489,541	6,028,247
Other financing sources (uses):								
Operating transfers in	-	-	-	-	172,726	-	172,726	627,762
Operating transfers out	-	-	-	-	-	-	-	(3,044,754)
Total other financing sources (uses), net	-	-	-	-	172,726	-	172,726	(2,416,992)
Bad debts	-	-	-	-	-	-	-	(392,640)
Net change in fund balances (deficit)	-	1,267,615	32,199	-	(637,547)	-	662,267	3,218,615
Fund balances (deficit) at beginning of year	(164)	-	337,209	-	-	373,519	710,564	18,140,395
Fund balances (deficit) at end of year	$ (164)	$ 1,267,615	$ 369,408	$ -	$ (637,547)	$ 373,519	$ 1,372,831	$ 21,359,010

See Accompanying Independent Auditors' Report.

Pension and Other Employee Benefits Trust Funds

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

Northern Mariana Islands Settlement Fund (NMISF)

On September 30, 2013, the Settlement Agreement for Civil Case No. 09-00023 was approved by District Court. Accordingly, the Settlement Agreement created the NMISF to accept the transfer of NMIRF assets, receive annual contributions and payments from the CNMI and to effectuate the terms of the Settlement Agreement. NMISF is governed by a Trustee appointed by District Court. As of September 30, 2015, NMISF was not included in the Pension Trust Fund due to the lack of available financial information.

Northern Mariana Islands Retirement Fund (NMIRF)

NMIRF was established as a public corporation on January 18, 1980, under Public Law No. 1-43, amended by Public Law Nos. 2-18, 2-47, 3-99 and 4-20, and Constitutional Amendment No. 19 to provide pension benefits to all government civil service employees including those working for government autonomous agencies, CNMI elected officials, and employees of the former Trust Territory of the Pacific Islands, who are U.S. citizens pursuant to the CNMI Constitution. On May 7, 1989, Public Law No. 6-17, the Northern Mariana Islands Retirement Fund Act of 1988, repealed the above mentioned laws and re-established NMIRF as an autonomous agency and a public corporation of the CNMI to provide retirement security and other benefits to government employees, their spouses and dependents, former Governors and Lieutenant Governors, and to provide for an actuarially sound, locally funded pension system pursuant to the Agreement of the Special Representative on Future United States Financial Assistance for the Northern Mariana Islands, and in accordance with Constitutional provisions protecting the rights of government employees. Public Law No. 6-17 was later amended by Public Law Nos. 6-41, 8-24, 8-30, 8-31, 8-39, 9-25, 9-45, 10-8, 10-19, 11-9 11-95, 13-60, 15-14, 15-70, 15-126, 16-2, 16-36, 17-79, 17-82 and 18-02. NMIRF is governed by the CNMI.

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 is governed by the CNMI. GHLITF health benefit administration was privatized on November 1, 2007.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2015

	Pension (and Other Employee Benefit) Trust Fund				
	Northern Mariana Islands Retirement Fund	CNMI Group Health and Life Insurance Trust	Defined Contribution Plan	Elimination	Total
Assets					
Cash and cash equivalents	$ 2,842,063	$ 1,055,715	$ -	$ -	$ 3,897,778
Receivables:					
Mortgage home loan	3,015,971	-	-	-	3,015,971
Agency	-	-	594,167	-	594,167
Other	12,135	56	-	-	12,191
Total receivables, net	3,028,106	56	594,167	-	3,622,329
Due from retirement fund	-	736,713	-	(736,713)	-
Due from CNMI	-	1,362,499	-	-	1,362,499
Due from autonomous agencies	-	631,058	-	-	631,058
Defined contribution plan investments	-	-	22,053,621	-	22,053,621
Foreclosed real estate	209,095	-	-	-	209,095
Total assets	6,079,264	3,786,041	22,647,788	(736,713)	31,776,380
Liabilities and Fiduciary Net Position					
Accounts payable and accrued expenses	572,127	22,617	-	-	594,744
Health insurance payable	-	1,752,412	-	-	1,752,412
Life insurance payable	-	462,491	-	-	462,491
Due to Settlement Fund	1,234,225	-	-	-	1,234,225
Due to Trust Fund	736,713	-	-	(736,713)	-
Due to CNMI	465,731	-	-	-	465,731
Total liabilities	3,008,796	2,237,520	-	(736,713)	4,509,603
Fiduciary net position:					
Held in trust for pension benefits	3,070,468	-	22,647,788	-	25,718,256
Held in trust for medical and life insurance benefits	-	1,548,521	-	-	1,548,521
Total fiduciary net position	$ 3,070,468	$ 1,548,521	$ 22,647,788	$ -	$ 27,266,777

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2015

	Pension (and Other Employee Benefit) Trust Fund			
	Northern Mariana Islands Retirement Fund	CNMI Group Health and Life Insurance Trust Fund	Defined Contribution Plan	Total
Additions:				
Employee contributions	$ 2,392	$ -	$ 4,607,025	$ 4,609,417
Employer contributions	-	-	1,693,698	1,693,698
	2,392	-	6,300,723	6,303,115
Investment income:				
Net depreciation in the fair value of investments	-	-	(1,515,771)	(1,515,771)
Interest and dividend income	-	-	156,734	156,734
Total investment loss	-	-	(1,359,037)	(1,359,037)
Less management and custodial fees	-	-	(218,439)	(218,439)
Net investment loss	-	-	(1,577,476)	(1,577,476)
Life and health insurance surcharge	-	24,389	-	24,389
Interest and fees on loans	330,762	-	-	330,762
Other	1,048	3,218	-	4,266
Total additions	334,202	27,607	4,723,247	5,085,056
Deductions:				
Benefits and refund payments:				
Withdrawal and refunds	-	-	5,018,437	5,018,437
Retirement benefits	234,715	-	-	234,715
Health and life insurance premiums	42,993	-	-	42,993
Transfers and rollovers	-	-	30,453	30,453
Survivor benefits	8,712	-	-	8,712
Total benefits and refund payments	286,420	-	5,048,890	5,335,310
Cost of medical claims	-	1,574	-	1,574
Administrative expenses:				
Salaries and wages	67,253	-	-	67,253
Employee benefits	15,798	-	-	15,798
Professional fees	7,350	2,448	-	9,798
Miscellaneous	22,554	619	-	23,173
Total administrative expenses	112,955	3,067	-	116,022
Total deductions	399,375	4,641	5,048,890	5,452,906
Nonoperating revenues (expenses):				
Gain on foreclosure	3,494	-	-	3,494
Other	12,000	(57,907)	-	(45,907)
Total nonoperating revenues (expenses), net	15,494	(57,907)	-	(42,413)
Net decrease	(49,679)	(34,941)	(325,643)	(410,263)
Fiduciary net position held in trust:				
Beginning of year	3,120,147	1,583,462	22,973,431	27,677,040
End of year	$ 3,070,468	$ 1,548,521	$ 22,647,788	$ 27,266,777

See Accompanying Independent Auditors' Report.

Security Deposit Fund

The Security Deposit Fund was established to account for security deposits received from persons licensed to engage in the business of selling foreign currency notes or receiving money for the purpose of transmitting the same or its equivalent to any country outside the CNMI (pursuant to 1 CMC 2, Section 2454 and 4 CMC 6, Sections 6351 and 6108) and for security deposits received from alien insurers (pursuant to Public Law No. 3-107).

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Assets and Liabilities
Fiduciary Funds - Agency
September 30, 2015

	Security Deposit
Assets	
Cash and cash equivalents	$ 1,232,912
Restricted assets	1,531,391
Total assets	$ 2,764,303
Liabilities	
Deposits payable	$ 2,764,303
Total liabilities	$ 2,764,303

See Accompanying Independent Auditors' Report.

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

INDEPENDENT AUDITORS' REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2015

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

INDEPENDENT AUDITORS' REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2015

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (CNMI) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the CNMI's basic financial statements, and have issued our report thereon dated February 8, 2017. Our report includes explanatory paragraphs concerning the correction of errors and going concern, and was modified due to the lack of adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, the financial statements of the Northern Mariana Islands Settlement Fund not being included in the financial statements, our inability to determine the propriety of the Commonwealth Utilities Corporation's fixed assets and inventories, our inability to quantify the impact of typhoon damages on the Commonwealth Utilities Corporation's financial statements, our inability to determine the propriety of the Commonwealth Healthcare Corporation's receivables, advances, inventories, due to/from CNMI, capital assets, accounts payable, due to related parties, accrued taxes and other liabilities and related revenues, expenses and non-operating income (expense) due to the lack of physical inventory of capital assets and inadequacies of accounting records and the financial statements for the Pension Trust Fund (comprised of the Northern Mariana Islands Retirement Fund and the CNMI Group Health and Life Insurance Trust Fund) not being audited. Our report includes a reference to other auditors who audited the financial statements of the Commonwealth Utilities Corporation, the Marianas Public Land Trust, the Northern Marianas College, the Public School System and the Marianas Visitors Authority, as described in our report on the CNMI's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Commonwealth Ports Authority, the Commonwealth Development Authority, and the Commonwealth Healthcare Corporation which were audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the entities that were audited by us. Other auditors issued separate reports on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the Commonwealth Utilities Corporation, Marianas Public Land Trust, the Northern Marianas College, the Public School System and the Marianas Visitors Authority. The findings, if any, included in those reports are not included herein.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 through 2015-004, 2015-007, 2015-008, 2015-010, and 2015-011 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-005, 2015-006, 2015-009, 2015-012, and 2015-014 to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CNMI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-013.

The CNMI's Responses to Findings

The CNMI's responses to the findings identified in our audit are described in the Schedule of Findings and Questioned Costs. The CNMI's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Deloitte & Touche LLC

February 8, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Commonwealth of the Northern Mariana Islands' (CNMI's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the CNMI's major federal programs for the year ended September 30, 2015. The CNMI's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in Note 2b to the Schedule of Expenditures of Federal Awards, the CNMI's financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2015. Our audit, described below, did not include the operations of the entities identified in Note 2b as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the CNMI's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the CNMI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Basis for Qualified Opinion on Each Major Federal Program

As described in items 2015-015, 2015-017 through 2015-019, 2015-022 through 2015-025, 2015-027 through 2015-030, and 2015-034 through 2015-036 in the accompanying Schedule of Findings and Questioned Costs, the CNMI did not comply with requirements regarding the following:

Finding #	*CFDA #*	*Program (or Cluster) Name*	*Compliance Requirement*
2015-015	10.551	Supplemental Nutrition Assistance Program	Reporting
2015-017	11.419	Coastal Zone Management Administration Awards	Allowable Costs/Cost Principles
2015-018	11.419	Coastal Zone Management Administration Awards	Equipment and Real Property Management
2015-019	11.419	Coastal Zone Management Administration Awards	Program Income
2015-022	11.482	Coral Reef Conservation Program	Allowable Costs/Cost Principles
2015-023	11.482	Coral Reef Conservation Program	Matching, Level of Effort, Earmarking
2015-024	11.482	Coral Reef Conservation Program	Reporting
2015-025	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Allowable Costs/Cost Principles
2015-027	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Period of Availability of Federal Funds
2015-028	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Procurement and Suspension and Debarment
2015-029	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Reporting
2015-030	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Subrecipient Monitoring
2015-036	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Equipment and Real Property Management
2015-036	20.205	Highway Planning and Construction	Equipment and Real Property Management
2015-034	93.778	Medical Assistance Program	Reporting
2015-035	93.778	Medical Assistance Program	Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for the CNMI to comply with the requirements applicable to each program.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Each Major Federal Program paragraph, the CNMI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-014, 2015-016, 2015-020, 2015-021, 2015-026, 2015-031 through 2015-033, 2015-036, and 2015-037 regarding the following:

Finding #	*CFDA #*	*Program (or Cluster) Name*	*Compliance Requirement*
2015-014	None	None	Other - SEFA
2015-016	10.551	Supplemental Nutrition Assistance Program	Special Tests and Provisions
2015-036	10.551	Supplemental Nutrition Assistance Program	Equipment and Real Property Management
2015-020	11.419	Coastal Zone Management Administration Awards	Reporting
2015-021	11.419	Coastal Zone Management Administration Awards	Special Tests and Provisions
2015-026	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Cash Management
2015-031	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Special Tests and Provisions
2015-032	93.778	Medical Assistance Program	Activities Allowed or Unallowed
2015-033	93.778	Medical Assistance Program	Eligibility
2015-037	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Cash Management

Our opinion on each major federal program is not modified with respect to these matters.

The CNMI's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The CNMI's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the CNMI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the CNMI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the CNMI's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-015, 2015-017 through 2015-019, 2015-022 through 2015-025, 2015-27 through 2015-030, and 2015-034 through 2015-036 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-014, 2015-016, 2015-020, 2015-021, 2015-026, 2015-031 through 2015-033, and 2015-036 to be significant deficiencies.

The CNMI's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The CNMI's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the CNMI as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the CNMI's basic financial statements. We issued our report thereon dated February 8, 2017, which contained explanatory paragraphs concerning the correction of errors and going concern, and was modified due to the lack of adoption of GASB Statements No. 68 and No. 71, the financial statements of the Northern Mariana Islands Settlement Fund not being included in the financial statements, our inability to determine the propriety of the Commonwealth Utilities Corporation's fixed assets and inventories, our inability to quantify the impact of typhoon damages on the Commonwealth Utilities Corporation's financial statements, our inability to determine the propriety of the Commonwealth Healthcare Corporation's receivables, advances, inventories, due to/from CNMI, capital assets, accounts payable, due to related parties, accrued taxes and other liabilities and related revenues, expenses and non-operating income (expense) due to the lack of physical inventory of capital assets and inadequacies of accounting records and the financial statements for the Pension Trust Fund (comprised of the Northern Mariana Islands Retirement Fund and the CNMI Group Health and Life Insurance Trust Fund) not being audited. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (pages 8 through 13) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Because of the significance of the matters discussed above, it is inappropriate to, and we do not, express an opinion on the Schedule of Expenditures of Federal Awards.

Deloitte & Touche LLC

February 8, 2017

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Summary of Schedule of Expenditures of Federal Awards by Grantor
Federal Grants Fund
Year Ended September 30, 2015

Federal Agency	Expenditures
U.S. Department of Agriculture	$ 15,148,043
U.S. Department of Commerce	2,914,894
U.S. Department of Defense	33,006
U.S. Department of the Interior	5,673,943
U.S. Department of Justice	1,357,485
U.S. Department of Labor	1,281,206
U.S. Department of Transportation	1,916,345
U.S. National Endowment for the Arts	(17,728)
Institute of Museum and Library Services	126,797
U.S. Environmental Protection Agency	2,232,794
U.S. Department of Energy	843,114
U.S. Department of Education	957,781
U.S. Department of Health and Human Services	24,469,344
U.S. Department of Homeland Security	2,615,467
Unallocated cash receipts/expenditures	335,447
TOTAL FEDERAL GRANTS FUND	$ 59,887,938

Note: All awards are received direct from the Federal agency.

Reconciliation:	
Expenditures per above	$ 59,887,938
Local match	5,390,023
	$ 65,277,961
Expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit)	$ 63,992,701
Operating transfers out	982,289
Expenditures accrued through proposed audit adjustment in fiscal year 2015	302,971
	$ 65,277,961

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2015

CFDA #	Federal Agency/Program	Expenditures
	U.S. DEPARTMENT OF AGRICULTURE	
10.170	Specialty Crop Block Grant Program - Farm Bill	$ 69,716
10.551	Supplemental Nutrition Assistance Program	14,715,941
10.664	Cooperative Forestry Assistance	287,841
10.676	Forest Legacy Program	4,071
10.766	Community Facilities Loans and Grants	70,474
	TOTAL U.S. DEPARTMENT OF AGRICULTURE	15,148,043
	U.S. DEPARTMENT OF COMMERCE	
11.YA132309CN0062	2010 Census	3,126
11.300	Investments for Public Works and Economic Development Facilities	925,393
11.307	Economic Adjustment Assistance	42,516
11.407	Interjurisdictional Fisheries Act of 1986	4,530
11.419	Coastal Zone Management Administration Awards	1,008,056
11.426	Financial Assistance for National Centers for Coastal Ocean Science	(39,155)
11.437	Pacific Fisheries Data Program	242,278
11.454	Unallied Management Projects	61,712
11.482	Coral Reef Conservation Program	608,481
11.558	ARRA - State Broadband Data and Development Grant Program	57,957
	TOTAL U.S. DEPARTMENT OF COMMERCE	2,914,894
	U.S. DEPARTMENT OF DEFENSE	
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	33,006
	U.S. DEPARTMENT OF THE INTERIOR	
	Fish and Wildlife Cluster:	
15.605	Sport Fish Restoration Program	912,410
15.611	Wildlife Restoration and Basic Hunter Education	530,632
	Subtotal Fish and Wildlife Cluster	1,443,042
15.615	Cooperative Endangered Species Conservation Fund	445,984
15.634	State Wildlife Grants	105,806
15.657	Endangered Species Conservation Recovery Implementation Funds	2,732
15.875	Economic, Social, and Political Development of the Territories:	
	Development of TTPI Islands	975,370
	Compact Impact	2,502,262
15.904	Historic Preservation Fund Grants-In-Aid	198,747
	TOTAL U.S. DEPARTMENT OF THE INTERIOR	5,673,943
	U.S. DEPARTMENT OF JUSTICE	
16.017	Sexual Assault Services Formula Program	15,817
16.523	Juvenile Accountability Block Grants	16,651
16.540	Juvenile Justice and Delinquency Prevention_Allocation to States	63,430
16.550	State Justice Statistics Program for Statistical Analysis Centers	44,036
16.575	Crime Victim Assistance	220,213
16.588	Violence Against Women Formula Grants	556,237
16.727	Enforcing Underage Drinking Laws Program	70,319
16.738	Edward Byrne Memorial Justice Assistance Grant Program	204,452
16.750	Support for Adam Walsh Act Implementation Grant Program	166,330
	TOTAL U.S. DEPARTMENT OF JUSTICE	1,357,485
	U.S. DEPARTMENT OF LABOR	
	WIA Cluster:	
17.258	WIA/WIOA Adult Program	422,999
17.259	WIA/WIOA Youth Activities	237,414
17.278	WIA/WIOA Dislocated Worker Formula Grants	173,532
	Subtotal WIA Cluster	833,945

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards, Continued
Federal Grants Fund, Continued
Year Ended September 30, 2015

CFDA #	Federal Agency/Program	Expenditures
	U.S. DEPARTMENT OF LABOR, CONTINUED	
17.235	Senior Community Service Employment Program	289,080
17.273	Temporary Labor Certification for Foreign Workers	64,961
17.504	Consultation Agreements	93,220
	TOTAL U.S. DEPARTMENT OF LABOR	1,281,206
	U.S. DEPARTMENT OF TRANSPORTATION	
20.218	National Motor Carrier Safety	241,624
20.500	Federal Transit_Capital Investment Grants	44,090
20.509	Formula Grants for Rural Areas	783,765
20.514	Public Transportation Research, Technical Assistance, and Training	4,865
20.600	State and Community Highway Safety	798,520
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	43,481
	TOTAL U.S. DEPARTMENT OF TRANSPORTATION	1,916,345
	U.S. NATIONAL ENDOWMENT FOR THE ARTS	
45.025	Promotion of the Arts_Partnership Agreements	(17,728)
	INSTITUTE OF MUSEUM AND LIBRARY SERVICES	
45.310	Grants to States	126,797
	U.S. ENVIRONMENTAL PROTECTION AGENCY	
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	2,195,672
66.818	Brownfield Assessment and Cleanup Cooperative Agreements	37,122
	TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY	2,232,794
	U.S. DEPARTMENT OF ENERGY	
81.041	State Energy Program	215,471
81.041	ARRA - State Energy Program	465,444
81.042	Weatherization Assistance for Low-Income Persons	8,431
81.042	ARRA - Weatherization Assistance for Low-Income Persons	88,039
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	65,729
	TOTAL U.S. DEPARTMENT OF ENERGY	843,114
	U.S. DEPARTMENT OF EDUCATION	
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	776,426
84.169	Independent Living_State Grants	16,097
84.177	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	45,526
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	26,902
84.224	Assistive Technology	76,001
84.265	Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	16,829
	TOTAL U.S. DEPARTMENT OF EDUCATION	957,781
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
	Aging Cluster:	
93.044	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	138,057
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services	382,205
93.053	Nutrition Services Incentive Program	27,831
	Subtotal Aging Cluster	548,093
93.041	Special Programs for the Aging_Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	2,979
93.042	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	9,914

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards, Continued
Federal Grants Fund, Continued
Year Ended September 30, 2015

CFDA #	Federal Agency/Program	Expenditures
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, CONTINUED	
93.043	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	3,572
93.052	National Family Caregiver Support, Title III, Part E	64,930
93.127	Emergency Medical Services for Children	86,135
93.136	Injury Prevention and Control Research and State and Community Based Programs	28,694
93.369	ACL Independent Living State Grants	12,728
93.464	ACL Assistive Technology	38,945
93.556	Promoting Safe and Stable Families	176,443
93.568	Low-Income Home Energy Assistance	215,585
93.569	Community Services Block Grant	469,437
93.575	Child Care and Development Block Grant	1,867,027
93.590	Community-Based Child Abuse Prevention Grants	164,025
93.630	Developmental Disabilities Basic Support and Advocacy Grants	210,320
93.643	Children's Justice Grants to States	64,569
93.645	Stephanie Tubbs Jones Child Welfare Services Program	159,749
93.667	Social Services Block Grant	49,851
93.669	Child Abuse and Neglect State Grants	45,362
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	133,521
93.767	Children's Health Insurance Program	864,169
93.778	Medical Assistance Program	19,242,315
93.994	Maternal and Child Health Services Block Grant to the States	10,981
		23,921,251
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	24,469,344
	U.S. DEPARTMENT OF HOMELAND SECURITY	
97.012	Boating Safety Financial Assistance	416,634
97.042	Emergency Management Performance Grants	680,660
97.067	Homeland Security Grant Program	954,834
97.089	Driver's License Security Grant Program	563,339
	TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY	2,615,467
	Unallocated cash receipts/expenditures	335,447
	TOTAL FEDERAL GRANTS FUND	$ 59,887,938

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards, Continued
Capital Projects Funds
Year Ended September 30, 2015

CFDA #	Federal Agency/Program	Expenditures
	U.S. DEPARTMENT OF THE INTERIOR	
15.875	Economic, Social, and Political Development of the Territories: Capital Improvement Projects:	
	FY96 - FY02 Appropriations Act Grant	$ 741,953
	FY04 Appropriations Act Grant	10,099,394
	TOTAL CAPITAL PROJECTS FUND	$ 10,841,347

Reconciliation:

Federal awards expenditures, as stated above	$ 10,841,347
Expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit)	$ 10,810,478
Expenditures accrued through proposed audit adjustment in fiscal year 2015	30,869
	$ 10,841,347

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards, Continued
Public Works Grants Fund
Year Ended September 30, 2015

CFDA #	Federal Agency/Program	Expenditures
	U.S. DEPARTMENT OF TRANSPORTATION	
20.205	Highway Planning and Construction	$ 3,577,311
Reconciliation:		
	Federal awards expenditures, as stated above	$ 3,577,311
	Expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit)	$ 3,577,311
	Expenditures accrued through proposed audit adjustment in fiscal year 2015	-
		$ 3,577,311
	GRAND TOTAL FEDERAL AWARDS	**$ 74,306,596**

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

(1) Scope of Review

The Commonwealth of the Northern Mariana Islands (CNMI) is a governmental entity governed by its own Constitution. All significant operations of the CNMI are included in the scope of the OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of the Interior has been designated as the CNMI's cognizant agency for the Single Audit.

Programs Subject to Single Audit

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

- U.S. Department of Agriculture (USDA)
- U.S. Department of Commerce (USDOC)
- U.S. Department of Defense
- U.S. Department of Energy (USDOE)
- U.S. Department of Education (USED)
- U.S. Department of Health and Human Services (USHHS)
- U.S. Department of Homeland Security (USDHS)
- U.S. Department of the Interior (USDOI)
- U.S. Department of Justice (USDOJ)
- U.S. Department of Labor (USDOL)
- U.S. Department of Transportation (USDOT)
- U.S. Environmental Protection Agency (USEPA)
- U.S. National Endowment for the Arts
- Institute of Museum and Library Services

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the CNMI and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. All expenditures and capital outlays are reported as expenditures.

b. Reporting Entity

The CNMI, for purposes of the financial statements, includes all of the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

(2) Summary of Significant Accounting Policies, Continued

b. Reporting Entity, Continued

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, the CNMI's reporting entity is defined in Note 1A to its September 30, 2015 basic financial statements; except that the Northern Mariana Islands Settlement Fund, the Northern Mariana Islands Retirement Fund and the CNMI Group Health and Life Insurance Trust Fund, and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by the CNMI, as defined above, for the year ended September 30, 2015.

The CNMI's financial statements include the operations of the Commonwealth Ports Authority, the Northern Marianas Housing Corporation (a division of the Commonwealth Development Authority), the Commonwealth Utilities Corporation, the Northern Marianas College, the Public School System and the Commonwealth Healthcare Corporation which expended $7,911,149, $11,706,333, $8,564,235, $9,590,521, $31,419,624 and $11,364,496, respectively, in federal awards which are not included in the Schedule of Expenditures of Federal Awards during the year ended September 30, 2015. Our audit did not include the operations of the entities identified above as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

c. Subgrantees

Certain program funds are passed through the CNMI to subgrantee organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subgrantees, outside of the CNMI's control, utilized the funds. However, the CNMI is considered to have responsibility for any questioned costs which could result from Single Audits of these entities.

d. Indirect Cost Allocation

For fiscal year 2015, the CNMI has the following approved indirect cost rates:

Programs which directly charged utilities	3.64%
Programs not directly charging utilities	13.81%
ARRA programs which directly charged utilities	No rate
ARRA programs not directly charging utilities	No rate

(2) Summary of Significant Accounting Policies, Continued

e. CFDA #15.875

CFDA # 15.875 represents the Office of Insular Affairs (OIA), U.S. Department of the Interior. Funding from this source is subject to varying rules and regulations since OIA administers the Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands, which is an agreement, and is not a federal program. Additionally, each funding component of the agreement is governed by varying rules and regulations, depending on the reason for the designated aid. To maximize audit coverage of OIA funding, the OIG has recommended that programs administered under CFDA # 15.875 be grouped by like compliance requirements and such groupings be separately evaluated for purposes of determining major programs.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of auditors' report issued: Unmodified, Disclaimer and Adverse

Internal control over financial reporting:

2. Material weakness(es) identified? Yes
3. Significant deficiency(ies) identified? Yes

4. Noncompliance material to the financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

5. Material weakness(es) identified? Yes
6. Significant deficiency(ies) identified? Yes

7. Type of auditors' report issued on compliance for major federal programs: Qualified

8. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes

9. Identification of major federal programs:

CFDA Number	Name of Federal Program
10.551	Supplemental Nutrition Assistance Program
11.419	Coastal Zone Management Administration Awards
11.482	Coral Reef Conservation Program
15.875	Economic, Social, and Political Development of the Territories: Compact Impact
93.778	Medical Assistance Program
15.875	Economic, Social, and Political Development of the Territories: Capital Improvement Projects
20.205	Highway Planning and Construction

10. Dollar threshold used to distinguish between Type A and Type B Programs: $2,229,198

11. Auditee qualified as a low-risk auditee? No

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference Number	Findings
2015-001-002	External Financial Reporting
2015-003	Revenue/Receipts - Tobacco Settlement Resources
2015-004	Cash and Cash Equivalents
2015-005-006	Receivables
2015-007	Tax Rebates Payable
2015-008	Notes Payable - Judicial Building Loan
2015-009	Compensated Absences
2015-010	Fund Balance - Encumbrances
2015-011	Commonwealth Healthcare Corporation
2015-012	CNMI Workers' Compensation Commission
2015-013	CNMI Local Noncompliance
2015-014	Schedule of Expenditures of Federal Awards

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number	CFDA Number	Findings	Questioned Costs
2015-014	-	Schedule of Expenditures of Federal Awards	$ -
2015-015	10.551	Reporting	-
2015-016	10.551	Special Tests and Provisions	-
2015-036	10.551	Equipment and Real Property Management	-
2015-017	11.419	Allowable Costs/Cost Principles	3,231
2015-018	11.419	Equipment and Real Property Management	-
2015-019	11.419	Program Income	-
2015-020	11.419	Reporting	-
2015-021	11.419	Special Tests and Provisions	12,866
2015-022	11.482	Allowable Costs/Cost Principles	-
2015-023	11.482	Matching, Level of Effort, Earmarking	46,367
2015-024	11.482	Reporting	-
2015-025	15.875	Allowable Costs/Cost Principles	504,498
2015-026	15.875	Cash Management	-
2015-027	15.875	Period of Availability of Federal Funds	192,196
2015-028	15.875	Procurement and Suspension and Debarment	1,903,948
2015-029	15.875	Reporting	-
2015-030	15.875	Subrecipient Monitoring	-
2015-031	15.875	Special Tests and Provisions	433,619
2015-036	15.875	Equipment and Real Property Management	-
2015-036	20.205	Equipment and Real Property Management	-
2015-032	93.778	Activities Allowed or Unallowed	-
2015-033	93.778	Eligibility	101,528
2015-034	93.778	Reporting	-
2015-035	93.778	Special Tests and Provisions	-
2015-037	Nonmajor Program	Cash Management	-

External Financial Reporting

Finding No. 2015-001

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 61, *the Financial Reporting Entity: Omnibus,* requires the financial statements of the reporting entity to include financial statements of component units for which the primary government is financially accountable or for which exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Condition: CNMI management determined that the Northern Mariana Islands Settlement Fund (NMISF) is a component unit of the CNMI; however, as of September 30, 2015, the CNMI's financial statements do not include the financial statements of NMISF.

Cause: The cause of the above condition is the lack of audited financial statements of NMISF.

Effect: The effect of the above condition is noncompliance with GASB Statement No. 61 and an adverse opinion on the financial statements of the CNMI.

Recommendation: We recommend that the CNMI obtain audited financial statements of NMISF for inclusion in the CNMI's financial statements.

Prior Year Status: The lack of audited financial statements of NMISF was reported as a finding in the CNMI Single Audit for fiscal year 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Larrisa Larson, Secretary of Finance and Edward Manibusan, Attorney General

Corrective Action: The Department of Finance (DOF) and the Office of the Attorney General (OAG) are currently in discussions with NMISF about their lack of financial statements. NMISF has taken the position that it is not a component unit of the CNMI Government and is also not a pension fund. This matter is currently under legal review by the OAG and the CNMI Government and a course of action regarding this matter is still ongoing. The Administration will be taking a position once the legal review has been completed and address this matter upon deciding on whether it agrees or disagrees with this position.

Proposed Completion Date: FY 2017

External Financial Reporting

Finding No. 2015-002

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of* GASB *Statement No. 68,* revise and establish new financial reporting requirements for governments that provide their employees with pension benefits through plans that are administered through trusts. GASB Statements No. 68 and No. 71 require the recognition of net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources, as applicable to the financial statements.

Condition: The CNMI contributed to the Northern Mariana Islands Retirement Fund's defined benefit plan (DB Plan), a cost-sharing, multi-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. Audited GASB Statement No. 68 required schedules and actuarial valuation reports of NMISF could not be provided. Accordingly, the CNMI was unable to record the net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources, as applicable, in the financial statements as of September 30, 2015.

Cause: The cause of the above condition is the lack of audited NMISF-GASB Statement No. 68 required schedules and the actuarial valuation.

Effect: The effect of the above condition is noncompliance with GASB Statement No. 68 and an adverse opinion on the CNMI financial statements.

Recommendation: We recommend that the CNMI obtain audited NMISF GASB Statement No. 68 required schedules and actuarial valuations and determine the net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources, as applicable as of September 30, 2015.

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Larrisa Larson, Secretary of Finance and Edward Manibusan, Attorney General

Corrective Action: NMISF has taken the position that it is not a pension fund and not a component unit of the CNMI Government. They have agreed to provide schedules, but as they believe they are not a pension fund, they also believe they do not need to provide actuarial schedules in compliance with GASB 68. This matter is under legal review and once a position is taken, a decision will be made by the Administration as far as pursuit of this information.

Proposed Completion Date: FY 2017

Revenues/Receipts - Tobacco Settlement Resources

Finding No. 2015-003

Criteria: GASB Technical Bulletin (TB) 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, clarifies recognition guidance for transactions and payments made to settling governments pursuant to the Master Settlement Agreement with major tobacco companies. GASB TB 2004-1 requires the recognition of estimated receivables and revenues based on domestic sales/shipments of cigarettes.

Condition: For fiscal year 2015, the CNMI recognized $1,606,665 in tobacco settlement resources (TSR) revenues (ref. fund 7067; account 45640) based on cash received. The CNMI was unable to provide a relevant analysis or schedules to support compliance with GASB TB 2004-1.

Cause: The cause of the above condition is the lack of established estimation techniques to determine accrued tobacco settlement receivables and revenues.

Effect: The effect of the above condition is nonconformity with GASB TB 2004-1.

Recommendation: We recommend the CNMI take reasonable steps to meet the requirements of GASB TB 2004-1.

Prior Year Status: The lack of established estimation techniques to determine accrued tobacco settlement receivables and revenues was reported as a finding in the CNMI Single Audits for fiscal years 2009 through 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Larrisa Larson, Secretary of Finance and Edward Manibusan, Attorney General

Corrective Action: The CNMI accepted proposed audit adjustments for FY2015 and will establish estimation techniques in conjunction with the OAG who will pursue these revenues to determine accrued tobacco settlement receivables and revenues. The CNMI will record the transactions in the accounting records in future years.

Proposed Completion Date: FY 2017

Cash and Cash Equivalents

Finding No. 2015-004

Criteria: Bank reconciliations should be timely performed and reconciling items should be timely adjusted.

Condition: Tests of bank reconciliations noted the following:

1. Bank reconciliations for the following accounts were prepared two to four months after fiscal year end.

Bank Code	Account Name
11220	Supreme Court Imprest Fund
11230	Food Stamps
11400	NMIT Rebate Trust Fund
11410	Special Disability Imprest Fund
11420	Payroll Account
11430	General Fund
11540	Capital Improvement Projects
11570	Federal Grants

2. A bank reconciliation for one account (bank code 11411) was not provided:

3. Bank reconciling items for the following accounts were not recorded in the general ledger at September 30, 2015:

Bank Code	Account Name	Amount of Reconciling Items
11230	Food Stamps	$ (255,473)
11420	Payroll Account	$ 164,525
11430	General Fund	$ 1,599,661

The above condition was corrected through a proposed audit adjustment.

4. Bank reconciliations for the following accounts did not indicate evidence of preparer and/or reviewer approval:

Account Name
Office of the Clerk of Court
CNMI Superior Court R & T Fiduciary
Office of the Clerk of Court Civil
Office of the Clerk of Court Criminal
Judiciary Legal Services Revolving Fund
Office Clerk Court Superior Court

5. At September 30, 2015, a $65,050 security deposit was comprised of one time certificate of deposit (bank code 15050); however, we were not able to verify the validity of the account as the bank confirmation or the related bank statement was not provided.

Finding No. 2015-004, Continued

Condition, Continued:

6. At September 30, 2015, the CNMI recorded cash clearing accounts of $687,076. These accounts are expected to be zero at fiscal year-end. An audit adjustment was proposed to correct $665,358 of the amount; however, correcting entries for the remaining $21,718 could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.

7. At September 30, 2015, the CNMI recorded a $263,751 cash account (GL #1010.11980) related to federal grants offset against CNMI's payable to various federal agencies. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.

8. At September 30, 2015, the CNMI recorded non-CNMI cash accounts of $11,860 (bank code 11340) and $(23,100,228) (bank code 11431). An audit adjustment was proposed for bank code 11431 to zero out the account; however, correcting entries for bank code 11340 could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.

Cause: The cause of the above condition is the lack of adherence to policies and procedures related to timely preparation of bank reconciliations, updating bank account authorized signatories, recording of bank reconciling items in the general ledger and the cash clearing accounts being reconciled and adjusted at fiscal year end.

Effect: The effect of the above condition is the possibility of misstated cash balances throughout the year.

Recommendation: We recommend that the CNMI adhere to established policies and procedures over timely reconciliation of bank accounts and that reconciling items be timely adjusted. Further, we recommend that cash clearing accounts be adjusted and reconciled at fiscal year-end and bank account authorized signatories be updated.

Prior Year Status: The lack of adherence to policies and procedures related to timely preparation of bank reconciliations, recording of bank reconciling items in the general ledger and the cash clearing accounts being reconciled and adjusted at fiscal year end was reported as a finding in the CNMI Single Audits for fiscal years 2003 through 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Asuncion Agulto, CNMI Treasurer and Bernadita Palacios, Director, Division of Finance & Accounting

Corrective Action: DOF acknowledges this finding and will reconcile and clear all cash accounts before the end of the fiscal year. They will also work towards timely reconcilliation in order to meet monthly and year end deadlines

Proposed Completion Date: FY 2017

Receivables

Finding No. 2015-005

Criteria: Receivables should be identified, recorded and reconciled. Further, transfers of assets from component units should be documented.

Condition: Section 8.1 of the Settlement Agreement for Civil Case No. 09-000023 assigns the CNMI rights to collect deficient employer defined benefit contributions and related costs as of August 6, 2013 from autonomous agencies. As of September 30, 2015, the Northern Mariana Islands Retirement Fund confirmed the transfer of receivables from autonomous agencies of $46,051,656 to the CNMI. The CNMI has not obtained details of these receivables and has not assessed collectability. In addition, no written document supported the transfer. The transfer has not been recorded as of September 30, 2015. No audit adjustment was proposed due to the uncertainty of collection.

Cause: The cause of the above condition is the lack of established policies and procedures to identify, record and reconcile valid receivables and the lack of written documentation supporting the transfer of receivables.

Effect: The effect of the above condition is possible unrecorded receivables.

Recommendation: We recommend that policies and procedures be established to identify, record and reconcile valid receivables. Further, we recommend coordination with NMIRF to document the transfer.

Prior Year Status: The lack of established policies and procedures to identify, record and reconcile valid receivables and the lack of written documentation supporting the transfer of receivables was reported as a finding in the CNMI Single Audit for fiscal year 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Larrisa Larson, Secretary of Finance

Corrective Action: Staff have been hired by NMIRF to address the outstanding issues that have been pending since the seperation of NMIRF and NMISF. Work is ongoing to not only establish policies and procedures related to these outstanding receivables, but also to obtain details of these receivables and determine collectability.

Proposed Completion Date: Ongoing

Receivables

Finding No. 2015-006

Criteria: Receivables should be reconciled, assessed and monitored for collectability.

Condition: Public Law 9-66 requires public corporations or other autonomous agencies to pay to the CNMI Treasurer an amount no less than one percent of their total operations budget, and such funds will be deposited into a special account within the CNMI general fund to be solely used for the operations and activities of the Office of the Public Auditor (OPA). Receivables related to one percent of OPA fees recorded in the general ledger and reported in a schedule obtained from OPA did not agree to payables recorded in corresponding component units' financial statements. Further, collectability of these receivables was not assessed at year-end. Additionally, consideration of the application of the statute of limitations to these receivables has not occurred.

Component Unit (CU)	Receivables Per OPA Schedule	Payables Reported in CU's Financial Statements	Difference	Comments
Commonwealth Development Authority	$ 55,272	$ -	$ 55,272	not reported in CU's financial statements
Commonwealth Healthcare Corporation	1,329,715	1,546,373	(216,658)	
Commonwealth Ports Authority	3,183,024	2,200,757	982,267	
Commonwealth Utilities Corporation	12,366,632	7,049,078	5,317,554	
Marianas Public Land Trust	141,526	-	141,526	not reported in CU's financial statements
Northern Marianas College	1,416,464	-	1,416,464	not reported in CU's financial statements
Public School System	1,843,754	-	1,843,754	not reported in CU's financial statements
	$ 20,336,387	$ 10,796,208	$ 9,540,179	

As of September 30, 2015, receivables related to OPA fees are fully allowed for.

Cause: The cause of the above condition is the lack of established policies and procedures to reconcile receivables and to assess collectability.

Effect: The effect of the above condition is a possible misstatement of receivables and related revenue.

Recommendation: We recommend that the CNMI record receivables based on the updated calculation and reconcile to payable balances recorded by component units.

Prior Year Status: The lack of established policies and procedures to reconcile receivables and to assess collectability was reported as a finding in the CNMI Single Audit for fiscal year 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Larrisa Larson, Secretary of Finance

Corrective Action: DOF will work with the OAG to determine collectability on all arrears due to the CNMI. DOF will also work with both the Office of the Public Auditor and OAG to draft legislation to ensure that agencies comply with the mandated 1%.

Proposed Completion Date: Ongoing

Tax Rebates Payable

Finding No. 2015-007

Criteria: The *Covenant to Establish the Commonwealth of the Northern Mariana Islands in Political Union with the United States of America* (the Covenant) adopted the Internal Revenue Code of the United States of America as the local income tax. Percentages of income tax due to the CNMI from CNMI source income are rebated at 90%, 70% or 50%, based on specified tax brackets for corporate and individual income taxes paid. The rebate liability is therefore estimated at the end of each fiscal year.

In addition, in accordance with Public Law 9-22, §1713, Interest on Overpayments, interest allowed by NMTIT §6611 on an overpayment shall be calculated only on the amount not already rebated.

Condition: At September 30, 2015, tax rebates payable aggregated $43,608,935. The balance consists of the following:

Estimated 2015 liability based on fiscal year 2015 collections	$ 1,171,259
Additional Child Tax Credit (ACTC)	6,077,120
2014 and prior rebates unpaid as of September 30, 2015	36,360,556
	$ 43,608,935

Tests of tax rebates payable noted the following:

1. For unpaid tax year 2014 and prior rebates, we noted the following:

   a. Of twenty-three unmatched filings relating to individual and corporate tax rebate payables of $4,482,627, the following were noted:

      i. Seven totaling $1,865,397 did not agree to tax returns by $1,125,640. The variances were substantially due to miscalculation of rebate taxes, incorrect tax forms used and data entry errors.

Assigned No.	Tax Year	Rebate Payable Per Detailed Reports	Rebate Payable Per Return	Variance
C-0626	2002	$ 465,940	$ 236,366	$ 229,574
C-0659	2003	556,738	286,132	270,606
C-0840	2007	88,000	77,282	10,718
C-0960	2012	25,229	25,253	(24)
I-37349	2009	748	371	377
I-38695	2011	11,788	11,615	173
I-40537	2013	716,954	102,738	614,216
		$ 1,865,397	$ 739,757	$ 1,125,640

      ii. Tax returns were not provided for five totaling $35,520:

Finding No. 2015-007, Continued

Condition, Continued:

Assigned No.	Tax Year	Rebate Payable Per Detailed Reports
C-0708	2004	$ 24,570
I-24134	2001	$ 1,169
I-26800	2003	$ 939
I-30455	2005	$ 2,829
I-34933	2007	$ 6,013

iii. The rebate amounts on the tax returns were left blank for three totaling $1,146,302. Further, the related tax returns were filed incomplete, a different tax form was used and/or the taxpayer did not submit relevant documentation to calculate taxes.

Assigned No.	Tax Year	Rebate Payable Per Detailed Reports
C-0739	2005	$ 1,024,000
C-0863	2008	$ 60,508
C-0999	2014	$ 61,794

b. Of fifteen assessed filings tested relating to individual and corporate tax rebate payables of $1,073,349, the following were noted:

i. Three totaling $536,498 did not agree to tax returns by $9,252 pending review and evaluation by the Division of Revenue and Taxation.

Assigned No.	Tax Year	Rebate Payable Per Detailed Reports	Rebate Payable Per Return	Variance
C-0342	2006	$ 1,817	$ -	$ 1,817
C-0463	2010	522,799	542,742	(19,943)
I-12111	2013	11,882	3,008	8,874
		$ 536,498	$ 545,750	$ (9,252)

ii. Tax returns were not provided for seven totaling $296,497:

Assigned No.	Tax Year	Rebate Payable Per Detailed Reports
C-0101	2002	$ 55,000
C-0144	2003	$ 177,286
C-0369	2007	$ 50,481
I-1465	2003	$ 341
I-2823	2004	$ 973
I-4921	2004	$ 300
I-15290	2005	$ 12,116

iii. The rebate amounts on the tax returns were left blank for two totaling $201,586. Further, the related tax returns were filed incomplete, a different tax form was used and/or the taxpayer did not submit relevant documentation to calculate taxes.

Assigned No.	Tax Year	Rebate Payable Per Detailed Reports
C-0049	2001	$ 113,056
C-0199	2004	$ 88,530

Finding No. 2015-007, Continued

Condition, Continued:

2. Further, no interest is calculated or paid on overpayments. Additionally, no details or totals of rebate payables relating to tax years 2011 and prior are available from the Division of Revenue and Taxation.

Cause: The cause of the above condition is the lack of periodic review of rebate payable reports to determine accuracy and completeness and the lack of established policies and procedures to assess the reasonableness of estimated rebates payable. Further, there is a lack of compliance with Public Law 9-22 relating to interest calculations on tax overpayments.

Effect: The effect of the above condition is the possible misstatement of tax rebates payable; however, since the CNMI calculates an estimated tax liability based on current information, the amount recorded as tax rebate payable is a best estimate. In addition, the CNMI has taken the approach of recording unmatched return variances as liabilities until the items listed above are resolved. The effect is also mitigated by a corresponding permanent tax reserve to offset disputes or claims.

Recommendation: We recommend that policies and procedures be established requiring periodic review of tax rebate payable reports to assess the accuracy and completeness. We also recommend that policies and procedures be established to assess the reasonableness of estimated rebates payable. Additionally, we recommend that the Division of Revenue and Taxation properly file and maintain tax forms. We also recommend that recorded rebates payable be reconciled with the liability indicated on the tax forms and significant variances, if any, be investigated, monitored, documented and timely addressed.

Prior Year Status: A lack of detailed reports supporting analyses performed and a lack of compliance with Public Law 9-22 relating to interest calculation on tax overpayments was reported as a finding in the CNMI Single Audits for fiscal years 2004 through 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Maria T. White and Canice M. Diaz, Division of Revenue and Taxation

Corrective Action: Procedures are in place to address these issues. The Division of Revenue and Taxation is actively recruiting personnel to fill much needed vacancies to address tax issues including accuracy and completion of tax reportings which will in turn improve data entry, reconciliation and reporting by the Division. Personnel hired will also address record retention issues and increase efficiency and effectiveness of the Division. To address the issue of policies and procedures, each section of the Division will consolidate their policies and procedures in one centralized location.

Proposed Completion Date: Ongoing

Notes Payable - Judicial Building Loan

Finding No. 2015-008

Criteria: Public Law 9-3 authorized the CNMI to secure a loan from the Northern Mariana Islands Retirement Fund (NMIRF) as a general obligation, for the purpose of funding the construction of a Judicial Complex on Saipan. On February 28, 1995, the CNMI entered into a $15,000,000 loan agreement with the NMIRF. The loan was initially for a period of fifteen years and is due on February 28, 2010 with interest at 7.50% per annum. On July 15, 1999, the loan was amended to extend the term to twenty years and to increase the interest rate to 7.75% per annum. Repayment of the loan is based on an assignment of future receipts from the CNMI courts; however, the CNMI is required to pay any shortfall through the budgetary process. 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.

Condition: At September 30, 2015, principal and interest payable to NMISF amounted to $4,503,661 and $66,898, respectively which is due on March 1, 2015. The CNMI has not provided a modification of the loan agreement and has not developed a formal plan to pay its obligation.

Cause: .The cause of the above condition is the lack of a formal plan to pay the CNMI's current obligation.

Effect: The effect of the above condition is noncompliance with Public Law 9-3 and the loan agreement.

Recommendation: We recommend that the CNMI develop and implement a formal plan to pay its current obligation.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Larrisa Larson, Secretary of Finance

Corrective Action: The Judicial Branch is currently in the final stages of a loan application with the U.S. Department of Agriculture (USDA) to address the loan agreement with NMISF for the Judicial Complex. Authorized by Public Law 19-67, the loan will pay off this obligation to NMISF and also address critical issues that the Judiciary faces. The existing revolving account that only covers a portion of the existing loan payments at the current rates will adequately cover the USDA loan's monthly payment requirements.

Proposed Completion Date: FY 2017

Compensated Absences

Finding No. 2015-009

Criteria: Accrued annual leave is limited to 45 days or 360 hours, as amounts in excess of 45 days transfer to sick leave at the end of the leave year. Further, an effective system of internal control requires that accrued annual leave for employees who are separated from the entity be identified and reviewed for validity. The payroll records should be timely updated for annual leave balances that do not represent valid obligations.

Condition: At September 30, 2015, compensated absences payable per the subsidiary ledger aggregated $9,266,760. Of this amount, $1,148,104 represents accrued leave of inactive, terminated, resigned or retired employees. Also, $1,280,839 represents accrued leave in excess of the 45 days/360 hours limit. The balance at September 30, 2015 is net of individual debit balances of $198,856.

The above condition was corrected through a proposed audit adjustment.

Cause: The cause of the above condition is the lack of adequate procedures and controls to determine that accrued annual leave is reviewed for validity and the lack of timely update of payroll records.

Effect: The effect of the above condition is the misstatement of compensated absences payable and related expenditures.

Recommendation: We recommend DOF record valid charges in compensated absences payable.

Prior Year Status: The lack of adequate procedures and controls to determine that accrued annual leave balances are reviewed for validity and the lack of timely updating of payroll records was reported as a finding in the CNMI Single Audits for fiscal years 2008 through 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Bernadita Palacios, Director, Division of Finance & Accounting

Corrective Action: DOF will establish a calendar of review of these leave balances and ensure timely update of payroll records. DOF will also record valid charges in compensated absences payable on a more frequent basis.

Proposed Completion Date: FY 2017

Fund Balance - Encumbrances

Finding No. 2015-010

Criteria: A system of internal control provides for adequate monitoring and tracking of commitments related to open purchase orders and unfulfilled contracts. Encumbrances should be reviewed and adjusted for balances that are no longer valid.

Condition: Tests of encumbrances noted the following:

General Fund

1. Encumbrances in the subsidiary ledger of $6,704,121 differed from the general ledger of $6,605,407 at September 30, 2015. The difference of $98,714 was corrected through a proposed audit reclassification

2. The encumbrance aging includes a balance of $270,079 which has been outstanding for more than five years. There was no evidence of DOF review of the outstanding encumbrances.

3. Ten expenditures totaling $194,575 were not accrued at year-end but had been deducted from the related encumbrance:

Fund	Business Unit	General Ledger Account	Obligating Document No.	APV Reference	General Ledger Amount
01010	1160	62060	545604 OC	682228	$ 4,875
01010	1160	62060	545604 OC	685123	$ 4,700
01015	1505	62060	599549 OC	1254501	$ 15,000
01015	1505	62060	599549 OC	1254502	$ 30,000
01015	1505	62060	599549 OC	1254503	$ 30,000
01015	1505	62060	599549 OC	1258218	$ 20,000
01015	1505	62060	599549 OC	1258219	$ 20,000
01015	1505	62060	599549 OC	1262168	$ 30,000
01015	1505	62060	599549 OC	1262170	$ 10,000
01015	1505	62060	599549 OC	1268548	$ 30,000

4. Three contracts and/or vouchers were not provided:

Fund	Business Unit	General Ledger Account	Obligating Document No.
01010	1011	62060	594246 OC
01010	1677	62420	599122 OP
01010	1975	62500	306475 OT

Grants Assistance Funds

1. Encumbrances in the subsidiary ledger of $52,552,062 are net of debit balances of $3,952,182 at September 30, 2015. Debit balances result from expenditures which are recorded when related encumbrances were not established, encumbrances were cancelled and/or contract change orders occurred. The subsidiary ledger balance was corrected for debit balances resulting in a general ledger amount which was $3,875,497 lower than the corrected subsidiary ledger balance. This condition was corrected through a proposed audit reclassification.

Finding No. 2015-010, Continued

Condition, Continued:

Grants Assistance Funds, Continued

2. The encumbrance aging includes a balance of $3,761,110 which has been outstanding for more than five years. There was no evidence of DOF review of outstanding encumbrances.

3. Of thirty-five encumbrances tested, aggregating $37,487,332, the following were noted:

   a. Nine encumbrances totaling $2,110,484 did not indicate activity for more than three years:

Fund	Business Unit	Obligating Document No.	Amount	Last Date of Transaction
04044	4863	304837 OS	$ 147,366	07/20/00
04045	4901	70169 OS	$ (491,181)	05/27/97
04045	4934	60328 OS	$ 39,793	05/08/97
04052	5134	153 OS	$ 24,939	09/17/03
04052	5145	311 OS	$ 102,742	07/25/07
04058	5615	458 OS	$ (13,677)	02/11/09
04058	5634	486 OS	$ 253,946	03/02/09
04058	5648	543 OS	$ 1,385,277	09/16/10
04058	5654	534 OS	$ 661,279	07/28/10

   b. Nine contracts and/or vouchers were not provided:

Fund	Business Unit	General Ledger Account	Obligating Document No.
02020	A5551L	63020	596948 OM
02020	A5551L	63020	598010 OM
02020	A5551Q	63020	598130 OM
02020	A5551Q	63020	598900 OM
02020	A5551Q	63020	598910 OM
04058	5634	64100.64080	486 OS
04058	5648	64100.64320	543 OS
04058	5654	64100.64030	534 OS
04058	5663A	64100.64320	595568 OM

   c. Thirty-one expenditures totaling $1,145,601 were not accrued at year-end but had been deducted from the related encumbrance:

Fund	Business Unit	General Ledger Account	Obligating Document No.	APV Reference	General Ledger Amount
02020	A5551L	63020	598010 OM	1255140	$ 394,852
02020	C3307A	64100.64320	595292 OC	1257300	$ 95,688
02020	H4575B	62060	595662 OP	1249556	$ 950
02020	H4575B	62060	595662 OP	1249557	$ 1,400
02020	H4575B	62060	595662 OP	1249559	$ 1,650
02020	H4575B	62060	595662 OP	1249560	$ 1,300
02020	H4575B	62060	595662 OP	1249561	$ 650
02020	H4575B	62060	595662 OP	1249562	$ 1,000
02020	H4575B	62060	595662 OP	1249563	$ 567
02020	H4575B	62060	595662 OP	1249564	$ 900
02020	H4575B	62060	595662 OP	1249565	$ 400

Finding No. 2015-010, Continued

Condition, Continued:

Grants Assistance Funds, Continued

Fund	Business Unit	General Ledger Account	Obligating Document No.	APV Reference	General Ledger Amount
02020	H4575B	62060	595662 OP	1249570	$ 7,869
02020	H4575B	62060	595662 OP	1249571	$ 1,250
02020	H4575B	62060	595662 OP	1249572	$ 23,700
02020	H4575B	62060	595662 OP	1249573	$ 700
02020	H4575B	62060	595662 OP	1249574	$ 6,907
02020	H4575B	62060	595662 OP	1249576	$ 4,250
02020	H4575B	62060	595662 OP	1249577	$ 650
02020	H4575B	62060	595662 OP	1249578	$ 6,400
02020	H4575B	62060	595662 OP	1249581	$ 7,382
02020	H4575B	62060	595662 OP	1249582	$ 7,250
02020	H4575B	62060	595662 OP	1249583	$ 11,100
02020	H4575B	62060	595662 OP	1249584	$ 1,576
04058	5629	64100.64320	663 OS	1250046	$ 78,546
04058	5629	64100.64320	663 OS	1265431	$ 62,889
04058	5638	64100.64320	629 OS	1250299	$ 83,129
04058	5668	64100.64250	631 OS	1247777	$ 3,170
04058	5690	64100.64050	639 OS	1249439	$ 171,848
04058	5690	64100.64050	639 OS	1250384	$ 107,455
04058	5653C	64100.64590	637 OS	1257460	$ 11,337
04058	5679A	64100.64320	657 OS	1252939	$ 48,836

Saipan Amusement Fund

1. Encumbrances in the subsidiary ledger of $482,455 are net of debit balances of $109,441 at September 30, 2015. Debit balances result from expenditures which are recorded when related encumbrances were not established, encumbrances were cancelled and/or contract change orders occurred. The subsidiary ledger balance was corrected for debit balances resulting in a general ledger amount which was $109,646 lower than the corrected subsidiary ledger balance. This condition was corrected through a proposed audit reclassification.

2. Two contracts were not provided:

Fund	Business Unit	General Ledger Account	Obligating Document No.
07069	7170	61100	597482 OM
07069	7174E	61100	593556 OM

Nonmajor Governmental Funds

1. The encumbrance aging includes a $1,447,926 balance which has been outstanding for more than five years. There was no evidence of DOF review of outstanding encumbrances.

2. Four expenditures totaling $111,102 were not accrued at year-end but had been deducted from the related encumbrance:

Finding No. 2015-010, Continued

Condition, Continued:

Nonmajor Governmental Funds, Continued

Fund	Business Unit	General Ledger Account	Obligating Document No.	APV Reference	General Ledger Amount
02080	2082	62060	564732 OC	1248474	$ 10,206
02080	2082	62060	579270 OC	1248472	$ 39,288
04042	4961O	64670	585500 OC	1251524	$ 38,756
04043	T9205J	62060	532048 OC	1252552	$ 22,852

3. Three encumbrances totaling $758,750 did not indicate activity for more than three years:

Fund	Business Unit	Obligating Document No.	Amount	Last Date of Transaction
02043	3067	540505 OP	$ 2,500	12/19/11
04042	4633	391 OS	$ 86,770	03/02/06
04043	T85164	333747 OC	$ 669,480	02/15/02

4. Three contracts were not provided:

Fund	Business Unit	General Ledger Account	Obligating Document No.
02043	3067	62060	540505 OP
04042	4633	64300.64570	391 OS
04042	4961R	64300.64590	591970 OC

Cause: The cause of the above condition is the lack of established policies and procedures to monitor recorded encumbrance reserves and inadequate file maintenance.

Effect: The effect of the above condition is the potential misstatement of disclosure requirements relative to the reserve for encumbrances and may result in incorrect budgetary financial statements.

Recommendation: We recommend that DOF support all encumbrances with encumbering documents and update encumbrances for actual expenditures. Long outstanding encumbrances and debit balances should be examined for validity. DOF should take reasonable steps to timely adjust the subsidiary ledger to include valid encumbrances at year end.

Prior Year Status: The lack of policies and procedures to monitor recorded reserves for encumbrances and inadequate file maintenance was reported as a finding in the CNMI Single Audits for fiscal years 2009 through 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Larrisa Larson, Secretary of Finance

Finding No. 2015-010, Continued

Auditee Response and Corrective Action Plan, Continued:

Corrective Action: We agree that encumbrances need to be reviewed and adjusted. Technical assistance has been requested and additional staff will be hired to address this issue. Many of the encumbrances that are referenced in this finding are very old or otherwise encumbered for CIP and non-lapsing accounts. The technical assistance to address system limitations that prevent correction of this issue will address this long standing issue and the additional staffing will ensure proper entry and reduce, if not prevent, future occurences of this issue.

Proposed Completion Date: Ongoing

Commonwealth Healthcare Corporation

Finding No. 2015-011

Criteria: Transfers of assets and liabilities that attach to discretely presented component units should be documented.

Condition: CNMI Public Law 16-51 created the Commonwealth Healthcare Corporation (CHCC), which is responsible for providing healthcare services in the CNMI, as of October 1, 2011. Healthcare services had previously been accounted for within the General Fund. As of September 30, 2015, transfers of associated receivables, inventory and obligations had not occurred.

Cause: The cause of the above condition is the lack of coordination of transfer of assets and liabilities.

Effect: The effect of the above condition is the non-transfer of associated assets and liabilities.

Recommendation: We recommend that the transfer of receivables, inventory and obligations as of October 1, 2011 be documented in writing between the CNMI and CHCC.

Prior Year Status: The lack of coordination of the transfer of assets and liabilities by CNMI and CHCC officials was reported as a finding in the CNMI Single Audits for fiscal years 2012 through 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Larrisa Larson, Secretary of Finance, Esther Muna, CHCC Chief Executive Officer and Derek Sasamoto, CHCC Chief Financial Officer

Corrective Action: The CNMI and CHCC have been working to transition CHCC from the Executive Branch to an independent corporation. With the hiring of a new Chief Financial Officer, any pending matters related to the transition are expected to be addressed this fiscal year.

Proposed Completion Date: FY 2017

CNMI Workers' Compensation Commission

Finding No. 2015-012

Criteria: Transfers of assets and liabilities from component units should be documented. In addition, an effective system of internal control over financial reporting includes maintenance of a separate general ledger system that records transactions and generates timely, reliable, and relevant financial information.

Condition: On November 9, 2012, Public Law 17-88, transferred administrative functions of the CNMI Workers' Compensation Commission (WCC) from NMIRF to the CNMI Department of Commerce (DOC). CNMI management determined that WCC be included within its Special Revenue Funds. As of September 30, 2015, transfers of WCC's cash and cash equivalents, certificates of deposit, investments and receivable accounts were not documented.

In addition, tests of WCC accounts noted the following:

1. Bank reconciliations at September 30, 2015 were not prepared for WCC cash accounts aggregating $174,616.

2. WCC maintains an investment with a market value of $1,081,901 at September 30, 2015; however, an investment policy was not provided. In addition, fiscal year 2015 investment transactions were not recorded, reconciled and monitored.

Audit adjustments were proposed to record WCC's transactions during fiscal year 2015.

Cause: The cause of the above condition is the lack of coordination of the transfer of WCC accounts between NMIRF and the CNMI and the lack of established procedures over financial reporting.

Effect: The effect of the above condition is the possible misstatement of WCC's funds.

Recommendation: We recommend that transfers of WCC's assets be documented in writing and the CNMI establish or assign separate general ledger accounts for WCC funds. Further, bank reconciliations should be prepared for all cash accounts. Lastly, we recommend that an investment policy be established.

Prior Year Status: The lack of coordination of the transfer of WCC accounts between NMIRF and the CNMI and the lack of established procedures over financial reporting was reported as a finding in the CNMI Single Audit for fiscal year 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Larrisa Larson, Secretary of Finance and Mark Rabauliman, Secretary of Commerce

Corrective Action: DOF and DOC will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for WCC funds. A consultant has been hired to assist with this matter. An investment policy is currently under review and will be finalized and in place this fiscal year.

Proposed Completion Date: FY 2017

CNMI Local Noncompliance

Finding No. 2015-013

Criteria: Budgets are a vital tool for establishing public policy and maintaining control over the management of public resources.

Condition: On September 16, 2014, the CNMI passed Public Law 18-66 as the Appropriations and Budget Authority Act of 2015. The following activity levels reported expenditures in excess of budget allotments for the year ended September 30, 2015.

	Budgeted Level of Expenditures	Actual Expenditures	Over Expenditure
Executive branch	$ 48,810,404	$ 52,685,916	$ 3,875,512
Second Senatorial District - Tinian	$ 5,804,262	$ 5,811,346	$ 7,084
First Senatorial District - Rota	$ 5,563,120	$ 5,747,883	$ 184,763
Government utilities	$ -	$ 2,431,772	$ 2,431,772
Office of the Public Auditor	$ 1,112,710	$ 1,987,179	$ 874,469
Boards and commissions	$ 700,671	$ 702,229	$ 1,558
Education (payment to PSS, NMC and BOE)	$ 37,975,638	$ 38,206,636	$ 230,998
Health (payment to CHCC)	$ 1,208,675	$ 1,248,675	$ 40,000
Judgments	$ 7,921	$ 6,086,166	$ 6,078,245
Debt service	$ 8,454,625	$ 8,836,102	$ 381,477
Disaster expenditures	$ 547,429	$ 2,979,408	$ 2,431,979
Miscellaneous/continuing appropriations	$ -	$ 456,797	$ 456,797

Cause: The cause of the above condition is the authorization of expenditures in excess of budget allotments.

Effect: The effect of the above condition is expenditures in excess of budget allotments.

Recommendation: We recommend that DOF examine issues attendant to the over expenditures and assess the propriety of budgeted levels.

Prior Year Status: Expenditures in excess of budget allotments was reported as a finding in the CNMI Single Audits for fiscal years 2000 through 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Larrisa Larson, Secretary of Finance and Virginia C. Villagomez, Special Assistant for Management and Budget

Corrective Action: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health and welfare are an issue such as medical referral for patients requiring urgent health care not available in the CNMI and overtime for salaries of law enforcement officers whose responsibility is public welfare and safety often require resources beyond what has been budgeted. As investment increases in the CNMI, it is anticipated that revenue will continue to rise and address these areas where the CNMI often experiences budgetary shortfalls. In the meantime, measures are in place to work towards keeping agencies that do not play a role in the public safety and welfare of the community to spend within their operating budgets.

Proposed Completion Date: Ongoing

Schedule of Expenditures of Federal Awards

Finding No. 2015-014

Criteria: In accordance with applicable federal regulations, the auditee shall prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

(1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

(4) Include notes that describe the significant accounting policies used in preparing the schedule.

(5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

(6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Condition: The September 30, 2015 SEFA includes an unallocated amount of $335,447 for the Federal Grants Fund. The amount relates to unidentified grant expenditures. CFDA or other identifying numbers could not be provided for the difference.

Cause: The cause of the above condition is the lack of awareness and incorporation of applicable regulations.

Effect: The effect of the above condition is noncompliance with federal SEFA requirements. No questioned costs are presented as we were unable to determine if drawdowns were made for these expenditures.

Recommendation: We recommend that the SEFA be prepared in accordance with federal requirements.

Prior Year Status: The lack of awareness and incorporation of applicable regulations on the SEFA was reported as a finding in the CNMI Single Audits for fiscal years 2011 through 2014.

Finding No. 2015-014, Continued

Auditee Response and Corrective Action Plan:

Name of Contact Person: Larrisa Larson, Secretary of Finance

Corrective Action: Hiring and training of accounting personnel is ongoing. Training of staff in this critical area is ongoing and will continue in order to meet all federal requirements and prepare a SEFA in accordance with federal requirements.

Proposed Completion Date: Ongoing

Finding No.:	2015-015
Federal Agency:	U.S. Department of Agriculture
CFDA Program:	10.551 Supplemental Nutrition Assistance Program
Federal Award No.:	7NM4004NM
Area:	Reporting
Questioned Costs:	$-0-

Criteria: The memorandum of understanding (MOU) between the Food and Nutrition Service (FNS) and the CNMI Department of Community and Cultural Affairs (DCCA) for fiscal year 2015 states that the CNMI shall report on the CNMI-269, Financial Status Report, due December 30 following the close of the Fiscal Year.

Condition: The CNMI-269 report did not include carryover funding of $3,812,027 in the total cumulative amount of Federal funds authorized for fiscal year 2015, resulting in an unobligated negative balance of $2,755,202.

Cause: The cause of the above condition is the lack of effective oversight of the reporting requirements.

Effect: The effect of the above condition is noncompliance with the reporting requirements. No questioned costs are presented as we are unable to quantify the extent of the noncompliance.

Recommendation: We recommend compliance with the reporting requirements.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Walter Macaranas, NAP Administrator

Corrective Action: The CNMI complied with Exhibit G, Part III(E)2 of the MOU between FNS and DCCA. The final CNMI-269 report for FY 2015 was submitted to FNS on December 30, 2015. The grantor's reconciliation of grant and carryover for fiscal year 2015 disclosed carryover funds of $1,056,825.

Proposed Completion Date: Completed December 30, 2015.

Auditor Response: The final CNMI-269 report which includes the carryover funding was not provided.

Finding No.:	2015-016
Federal Agency:	U.S. Department of Agriculture
CFDA Program:	10.551 Supplemental Nutrition Assistance Program
Federal Award No.:	7NM4004NM
Area:	Special Tests and Provisions - EBT Reconciliation
Questioned Costs:	$-0-

Criteria: Reconciliation should be performed between program benefits redeemed and the general ledger balance.

Condition: Tests of program benefits redeemed noted a variance of $54,539 between benefits redeemed of $13,377,471 and the general ledger balance of $13,322,932.

Cause: The CNMI did not perform a reconciliation between program coupons redeemed and the general ledger balance amount.

Effect: The effect of the above condition is noncompliance with special tests and provisions requirements. No questioned costs are presented as we are unable to quantify the extent of the noncompliance.

Recommendation: We recommend that reconciliation be performed on coupons redeemed against general ledger balances.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Walter Macaranas, NAP Administrator

Corrective Action: NAP will coordinate a reconcilliation with DOF on coupons redeemed against general ledger balances on a regular basis throughout the fiscal year

Proposed Completion Date: FY 2017

Finding No.: 2015-017
Federal Agency: U.S. Department of Commerce
CFDA Program: 11.419 Coastal Zone Management Administration Awards
Federal Award Nos.: NA11NOS4190153 and NA14NOS4190119
Area: Allowable Costs/Cost Principles
Questioned Costs: $3,231

Criteria: In accordance with OMB Circular A-87, to be allowable under federal awards, costs should be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit. Furthermore, costs should not be included as a cost of any other Federal award in either the current or a prior period.

Condition: Tests of expenditures noted the following:

1. Of twelve payroll expenditures, aggregating $15,369 of a population of $598,241, the following were noted:

   a. For two (or 17%), timesheets were signed by employees in June 2016 which is more than a year after the pay period ended. No questioned costs result as the immediate supervisor certified employee time.

Business Unit	Employee No.	Payroll Period Ended	Hours	Pay Rate	Amount
C4419G	103203	04/04/15	80	$ 18.28	$ 1,462
C4419G	103204	02/21/15	80	$ 17.45	1,396
					$ 2,858

   b. For three (or 25%), approved leave for the following employees was either not provided or was approved in June 2016 which is more than a year after the pay period ended:

Business Unit	Employee No.	Payroll Period Ended	Leave Type	Hours	Pay Rate	Approval Date	Questioned Costs
C4419G	103203	04/04/15	Annual	4	$ 18.28	June 2016	$ 73
C4419G	834301	01/10/15	Annual	8	$ 17.31	June 2016	138
C4419H	373557	02/21/15	Annual	8	$ 12.02	not provided	96
							$ 307

   c. For one (or 8%), the employee's position was not included in the approved budget for NA11NOS4190153; however, the employee was paid from this grant award for two pay periods. We were not provided grantor approval to reprogram funds and to create new budget amounts within the previously approved budget.

Business Unit	Employee No.	Payroll Period Ended	Position	Salary
C1419E	835811	10/04/14	Climate & Coastal Hazard Spec.	$ 1,462
C1419E	835811	10/18/14	Climate & Coastal Hazard Spec.	1,462
				$ 2,924

Finding No.:	2015-017, Continued
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.419 Coastal Zone Management Administration Awards
Federal Award Nos.:	NA11NOS4190153 and NA14NOS4190119
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$3,231

Condition, Continued

2. Of four non-payroll expenditures tested, aggregating $43,539 of a population of $409,814, the following was noted:

   a. For one (or 25%), a total of $39,155 in program costs was charged to the Federal award in a prior year under grant year 2009. The grantor disallowed the costs in that prior year and approved the use of FY 2015 program income to repay the disallowed costs; therefore, a questioned cost does not result. However, instead of debiting program income, the Program debited program expenses, resulting in the repayment being reflected in FY 2015 as costs that were already included as a prior period cost of the Federal award.

Cause: CNMI management did not effectively monitor transactions for proper accounting treatment.

Effect: The CNMI is in noncompliance with allowable costs/cost principles requirements, and questioned costs of $3,231 exist for Conditions 1b and 1c.

Recommendation: CNMI management should strengthen monitoring controls over transactions to require that reviews and approvals be documented to substantiate program costs in accordance with applicable allowable costs/cost principles.

Prior Year Status: The lack of control over review and approval of employee timecards, timesheets and leave and compensatory time-off forms, the lack of systematic filing of documents and the lack of adherence with applicable award terms and conditions was reported in the CNMI Single Audit for fiscal year 2014 as Finding No. 2014-20.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Frances A. Castro, Division of Coastal Resources Management (DCRM) Director

Corrective Action:

Condition 1a: Timecards have been provided.

Condition 1b: Timecard, approved leave form and other supporting documents have been provided.

Finding No.:	2015-017, Continued
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.419 Coastal Zone Management Administration Awards
Federal Award Nos.:	NA11NOS4190153 and NA14NOS4190119
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$3,231

Auditee Response and Corrective Action Plan, Continued:

Corrective Action, Continued:

Condition 1c: DCRM was in the process of hiring a Federal Consistency Specialist, but was not able to fill the position before the close of the award period. However, the position of Climate & Coastal Coordinator was orally approved by NOAA and approved for funding for the subsequent grant award. The individual filling the position was able to start earlier than the start of the new fiscal year/new grant period, and since NOAA had approved the position and its salary, they also approved an earlier start date and the use of the salary savings from the Federal Consistency Specialist position to fund the Climate & Coastal Hazards Specialist's salary for those two pay periods. Therefore, since oral approval was provided, DCRM cannot provide documentation to support this finding.

Condition 2a: DCRM requests further clarification regarding this finding.

DCRM has improved its record keeping and administrative procedures and will continue to fine-tune them, and practice tighter controls.

Proposed Completion Date: September 30, 2016.

Auditor Response:

Condition 1a: Timesheets and/or timecards were not timely signed by the employees.

Condition 1b: 103203 and 834301: Leave requests were not timely approved by the immediate supervisor and/or approving authority.

373557: The approved application for leave form covering the period from 02/06/15 to 02/28/15 is for 72 hours, 8 of which were used during the pay period ended 02/07/15. Accordingly, the remaining approved leave hours for pay period ended 02/21/15 are 64; however, the employee was paid a total of 72 hours for this pay period.

Finding No.:	2015-018
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.419 Coastal Zone Management Administration Awards
Federal Award Nos.:	NA11NOS4190153, NA12NOS4190178, NA13NOS4190148 and NA14NOS4190119
Area:	Equipment and Real Property Management
Questioned Costs:	$-0-

Criteria: In accordance with applicable equipment and real property management requirements, a State must use, manage, and dispose of equipment acquired under a Federal award in accordance with State laws and procedures. The following CNMI requirements are applicable:

- Accountable person establishes and maintains property records and safeguards to ensure effective control over the property.
- Non-expendable property with a value equal to or greater than $5,000 will be capitalized over its economic useful life.
- Property information will be maintained for all non-capitalized property with a value between $1,000 and $5,000. This type of non-capitalized property is referred to as selected non-capitalized property.
- Property information may be maintained for non-capitalized property with less than $1,000 in value, if so designated by the Director of the Division of Procurement and Supply (P&S) to reflect the CNMI's desire to track certain types of property. This type of non-capitalized property is referred to as designated non-capitalized property.
- All capitalized property, selected non-capitalized property, and designated non-capitalized property shall be identified by a property control number, which shall be permanently affixed to each individual piece of such property in a manner that is readily observable and shall be entered into the Master Inventory Control Record by the Property Management Branch.
- P&S will conduct an annual inventory of property held by each Accountable Person as reflected in the master inventory control record.

Condition: Tests of forty-four capital assets resulted in the following deficiencies:

1. For seventeen (or 39%), assets could not be located:

Date Acquired	Property No.	Status Per Listing	Cost
08/27/96	US-30021CM	Inventoried	$ 1,800
08/26/97	US-30973CM	Surveyed	6,642
03/08/99	US-32574CM	Inventoried	625
03/14/01	US-29654CM	Surveyed	1,000
10/16/01	CNMI-39331	Surveyed	15,000
10/16/01	ITEM-30991	Inventoried	249
10/16/01	ITEM-31071	Inventoried	295
02/21/02	ITEM-21651	Working	689
07/26/02	MP-03530CM	Working	250
10/15/03	ITEM-28294	Surveyed	500
07/14/04	ITEM-30749	Working	213

Finding No.: 2015-018, Continued
Federal Agency: U.S. Department of Commerce
CFDA Program: 11.419 Coastal Zone Management Administration Awards
Federal Award Nos.: NA11NOS4190153, NA12NOS4190178, NA13NOS4190148 and NA14NOS4190119
Area: Equipment and Real Property Management
Questioned Costs: $-0-

Condition, Continued:

Date Acquired	Property No.	Status Per Listing	Cost
11/03/04	MP-09484CM	Surveyed	1,773
11/26/04	MP-09584CM	Working	2,226
06/23/05	MP-10648CM	Working	90
09/18/07	MP-15711CM	Working	230
01/18/12	MP-24462CM	Working	2,498
09/26/12	ITEM-53719	Working	1,099
			$ 35,179

For items listed as surveyed, the survey forms were not provided.

2. For one (or 2%), we were not able to verify existence as the item was not tagged with a property number, and the serial number differs from the property listing:

Date Acquired	Property No.	Serial No. Per Listing	Serial No. Per Item	Status Per Listing	Cost
06/19/06	ITEM-36833	BCB6Y2000381	BCB5Y2000381	Working	$ 199

3. For one (or 2%), the property listing indicated the item to be in working condition, but the item was found to be unserviceable.

Date Acquired	Property No.	Status Per Listing	Cost
03/29/11	ITEM-50333	Inventoried	$ 7,000

4. For one (or 2%), property ownership was transferred to a third party; however, neither the ownership transfer documentation nor grantor approval was provided.

Date Acquired	Property No.	Status Per Listing	Cost
07/20/92	CNMI-29867	Working	$ 18,489

5. The property listing maintained by the Program and P&S contains incomplete information such as either a serial number and/or other identification number, the cost of the property, percentage of Federal participation in the cost of the property, the location of the property and any ultimate disposition data including the date of disposal.

6. We were not provided a list of items disposed and surveyed in fiscal year 2015.

7. We noted a variance in the cost and number of items between the property listing maintained by the Program and P&S.

Finding No.:	2015-018, Continued
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.419 Coastal Zone Management Administration Awards
Federal Award Nos.:	NA11NOS4190153, NA12NOS4190178, NA13NOS4190148 and NA14NOS4190119
Area:	Equipment and Real Property Management
Questioned Costs:	$-0-

Condition, Continued:

8. An annual physical inventory count was not performed during fiscal year 2015.

We are unable to assess the overall cumulative monetary value of the deficiencies above; however, total capital outlays for fiscal years 2015, 2014, 2013, 2012 and 2011 were $5,646, $6,253, $4,212, $88,235 and $36,163, respectively.

Cause: The CNMI lacks the human resources and financial management system structure needed to effect compliance with applicable equipment and real property management requirements.

Effect: The CNMI is in noncompliance with applicable equipment and real property management requirements. No questioned costs are presented since we are unable to quantify the extent of noncompliance.

Recommendation: The CNMI should consider seeking technical assistance and corresponding financial assistance from the Federal Government to develop and implement an equipment management system that can demonstrate compliance with applicable equipment and real property management requirements.

Prior Year Status: Noncompliance with applicable equipment and real property management requirements was reported as a finding in the CNMI Single Audit for fiscal year 2014 as Finding No. 2014-021.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Frances A. Castro, DCRM Director

Corrective Action: DCRM has tried to maintain complete records on all the property, but DCRM does not have records for many items that have no market value because they are old and outdated. The Bureau of Environmental and Coastal Quality's (BECQ) document retention policy is to retain program documents for only nine years.

DCRM will complete an inventory count of all DCRM property, will provide the information to P&S and will request to reconcile the property records.

Proposed Completion Date: September 30, 2016.

Finding No.: 2015-019
Federal Agency: U.S. Department of Commerce
CFDA Program: 11.419 Coastal Zone Management Administration Awards
Federal Award Nos.: NA11NOS4190153, NA12NOS4190178, NA13NOS4190148 and NA14NOS4190119
Area: Program Income
Questioned Costs: $-0-

Criteria: In accordance with supplemental clarifications and guidance from the grantor on May 20, 2016, any remaining program income that is not expended in accordance with applicable program income requirements must be returned to NOAA at the end of the award.

Condition: At September 30, 2015, expired grants have remaining program income which have not been returned to NOAA:

Business Unit	Grant Period End	Program Income as of 09/30/15	Program Expenditures During 09/30/15	Unspent as of 09/30/15
C8419P	09/30/09	$ 16,198	$ 3,917	$ 12,281
C9419K	09/30/10	$ 11,083	$ -	11,083
C0419K	09/30/11	$ 8,011	$ 109	7,902
C0419U	09/30/12	$ 7,342	$ 300	7,042
C1419K	09/30/14	$ 20,430	$ 4,238	16,192
C2419L	09/30/15	$ 25,055	$ 7,415	17,640
				$ 72,140

Cause: Program management does not have a clear understanding of applicable program income requirements. Guidance had been sought from the grantor in May 2015, but the response received in June 2015 was not final, and Program management had more questions. Additional guidance from the grantor was not received until May 2016.

Effect: The CNMI is in noncompliance with applicable program income requirements. No questioned costs are presented as the unspent amount was already questioned in fiscal year 2014.

Recommendation: The CNMI should continue to seek technical assistance from the grantor to solidify its understanding of applicable program income requirements. Furthermore, the CNMI should consider the grantor advice to "spend program income in place of drawing Federal funds during the award to avoid issuing a refund during closeout".

Prior Year Status: Noncompliance with program income requirements was reported as a finding in the CNMI Single Audit for fiscal year 2014 as Finding No. 2014-024.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Frances A. Castro, DCRM Director

Corrective Action: DCRM has sought guidance from NOAA regarding expenditure of program income since 2010. DCRM has received incomplete and sometimes conflicting guidance. DCRM received partial guidance from NOAA in May 2015 and further guidance from NOAA on June 3, 2016.

Finding No.:	2015-019, Continued
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.419 Coastal Zone Management Administration Awards
Federal Award Nos.:	NA11NOS4190153, NA12NOS4190178, NA13NOS4190148 and NA14NOS4190119
Area:	Program Income
Questioned Costs:	$-0-

Auditee Response and Corrective Action Plan, Continued:

Corrective Action, Continued:

Based on this additional guidance on June 3, 2016, DCRM will return program income from expired grants to NOAA.

Proposed Completion Date: September 30, 2016.

Finding No.:	2015-020
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.419 Coastal Zone Management Administration Awards
Federal Award Nos.:	NA12NOS4190178, NA13NOS4190148 and NA14NOS4190119
Area:	Reporting
Questioned Costs:	$-0-

Criteria: In accordance with applicable financial assistance standard terms and conditions, the Program must submit a "Federal Financial Report" (Form SF-425) on a semi-annual basis for the periods ending March 31 and September 30, or any portion thereof, unless otherwise specified in a special award condition. Reports are due no later than 30 days following the end of each reporting period.

Condition: Form SF-425 for NA13NOS4190148 and NA14NOS4190119 grant awards for the period ended March 31, 2015 were not submitted. We were not provided grantor approval that the forms were not required.

In addition, program income was not reported in the required fields:

Federal award number	NA12NOS4190178
Reporting period end date tested	09/30/15
Program income earned	$ 52,984
Program income expended	(35,544)
Unexpended program income	$ 17,440

Cause: The cause of the above condition may have been an oversight on the submission of Form SF-425 for March 31, 2015 reporting period. In addition, Program management does not have a clear understanding of applicable program income reporting. Overall program income guidance had been sought from the grantor in May 2015, but the response received in June 2015 was not final, and Program management had more questions. Additional guidance from the grantor was not received until May 2016.

Effect: The CNMI is in noncompliance with reporting requirements. No questioned costs are presented as we are unable to quantify the extent of noncompliance related to Form SF-425 submission.

Recommendation: We recommend that the CNMI comply with the reporting requirements for Form SF-425. In addition, the CNMI should continue to seek technical assistance from the grantor to solidify its understanding of applicable reporting requirements over program income.

Prior Year Status: Noncompliance with reporting requirements was reported as a finding in the CNMI Single Audit for fiscal year 2014 as Finding No. 2014-025.

Finding No.:	2015-020, Continued
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.419 Coastal Zone Management Administration Awards
Federal Award No.:	NA11NOS4190153
Area:	Reporting
Questioned Costs:	$-0-

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Larrisa Larson, Secretary of Finance and Frances A. Castro, DCRM Director

Corrective Action: DCRM will request DOF to report all program income earned and expended on the Form SF-425 for each reporting period. Additionally, DCRM will request DOF to report program income for any missed reporting periods.

Proposed Completion Date: Immediately.

Finding No.: 2015-021
Federal Agency: U.S. Department of Commerce
CFDA Program: 11.419 Coastal Zone Management Administration Awards
Federal Award Nos.: NA12NOS4190178, NA13NOS4190148 and NA14NOS4190119
Area: Special Tests and Provisions
Questioned Costs: $12,866

Criteria: The Program must comply with grant Special Award Conditions (SAC):

1. In accordance with SAC #14 for Budget Clarification of NA12NOS4190178, a detailed budget is required for the Other Cost Category, describing the basis of the cost estimate.

2. In accordance with SAC #6 for Supplemental SAC of NA13NOS4190148, a detailed budget is required for the Other Cost Category, describing the basis of the cost estimate.

3. In accordance with SAC #7 for Task 306-04 of NA13NOS4190148, funds in the amount of $31,982 shall not be expended for fringe benefits for Task 306-04 until the recipient can justify or demonstrate the expense of $31,982 in fringe benefits for the Chief Enforcement Officer.

4. In accordance with SAC #2 for Task 306-2 of NA14NOS4190119, funds in the amount of $10,000 are not to be expended for staff travel for Task 306-2 until a detailed travel budget has been approved by NOAA/OCRM.

Condition: Tests of the above SAC noted the following:

1. We were not provided a detailed budget and grantor approval related to SAC #14 of NA12NOS4190178. Total other costs incurred are $568.

2. We were not provided a detailed budget and grantor approval related to SAC #6 of NA13NOS4190148. Total other costs incurred are as follows:

Business Unit	General Ledger Date	PV #	Amount
C3419D	09/14/15	1245765	$ 93
C3419D	09/14/15	1245765	258
C3419D	09/14/15	1245765	103
C3419D	12/01/14	1205405	933
C3419D	12/01/14	1205405	222
C3419D	01/26/15	1209326	758
C3419D	01/26/15	1209326	103
C3419D	03/05/15	1212703	1,213
C3419D	03/05/15	1212703	255
C3419D	03/05/15	1212703	625
C3419D	05/06/15	1217761	42
C3419D	05/06/15	1217761	83
C3419D	05/06/15	1217761	40
C3419D	05/07/15	1217909	75
C3419D	05/07/15	1217909	70
C3419D	05/07/15	1217909	702
C3419K	03/19/15	1213937	2,310
C3419K	05/06/15	1217781	500
			$ 8,385

Finding No.:	2015-021, Continued
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.419 Coastal Zone Management Administration Awards
Federal Award Nos.:	NA12NOS4190178, NA13NOS4190148 and NA14NOS4190119
Area:	Special Tests and Provisions
Questioned Costs:	$12,866

Condition, Continued:

3. We were not provided justification and demonstration of fringe benefits and grantor approval related to SAC #7 for Task 306-04 of NA13NOS4190148. Total fringe benefits incurred are $127.

4. We were not provided a detailed travel budget and grantor approval related to SAC #2 for Task 306-2 of NA14NOSA4190119. Total travel expense incurred is $3,786.

Cause: The cause of the above condition is the lack of controls over the requirements and the lack of established policies and procedures to maintain documents to support compliance with the requirements.

Effect: The CNMI is in noncompliance with special tests and provision requirements, and questioned costs of $12,866 exist.

Recommendation: CNMI management should monitor compliance with grant special award conditions.

Prior Year Status: Noncompliance with special tests and provision requirements was reported as a finding in the CNMI Single Audit for fiscal year 2014 as Finding No. 2014-026.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Frances A. Castro, DCRM Director

Corrective Action:

Condition 1: The approved budget narrative for NA12NOS4190178, which includes the detailed breakdown of the "other" cost category, has been provided.

Condition 2: The approved budget narrative for NA13NOS4190148, which includes the detailed breakdown of the "other" cost category, has been provided.

Condition 3: SAC #7 requires justification of $31,982 in fringe benefits for the Chief Enforcement Officer. The CNMI's initial fringe benefit calculation was extremely high, based on the actuarial rate calculated by the failing retirement fund for the Defined Benefit Plan. However, the rate was reduced to $23,114 on the Fiscal Impact Sheet. The employee's Notice of Personnel Action and Fiscal Impact Sheet have been provided.

Finding No.:	2015-021, Continued
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.419 Coastal Zone Management Administration Awards
Federal Award Nos.:	NA12NOS4190178, NA13NOS4190148 and NA14NOS4190119
Area:	Special Tests and Provisions
Questioned Costs:	$12,866

Auditee Response and Corrective Action Plan, Continued:

Corrective Action, Continued:

Condition 4: The detailed travel budget and grantor approval related to SAC #2 for Task 306-2 of NA14NOS4190119 has been provided.

DCRM has improved its record keeping and administrative procedures and will continue to fine-tune them, and practice tighter controls.

Proposed Completion Date: September 30, 2016.

Auditor Response:

Condition 1: Neither the detailed budget nor grantor approval specific to SAC #14 was provided.

Condition 2: Neither the detailed budget nor grantor approval specific to SAC #6 was provided.

Condition 3: Neither the required justification and demonstration of the expense nor grantor approval specific to SAC #7 was provided.

Condition 4: Neither the detailed travel budget nor grantor approval specific to SAC #2 was provided.

Finding No.: 2015-022
Federal Agency: U.S. Department of Commerce
CFDA Program: 11.482 Coral Reef Conservation Program
Federal Award No.: NA13NOS4820010
Area: Allowable Costs/Cost Principles
Questioned Costs: $-0-

Criteria: In accordance with applicable allowable costs/cost principles requirements, costs should be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.

Condition: Tests of ten payroll expenditures aggregating $12,699 of a population of $250,836 noted that one (or 10%) employee's salary exceeded the salary range per the approved budget. We were not provided grantor approval for the additional amount the employee is being paid for.

Business Unit	Employee No.	Salary Range Per Approved Budget	Employee's Salary	Excess Salary Over Range
C3482F	372818	$ 30,000 - $ 30,300	$ 33,000	$ 2,700

No questioned cost is presented as total FY 2015 program personnel costs of $250,624 are within the program personnel budget of $260,733.

Cause: CNMI management did not effectively monitor transactions for required approvals and budget limits.

Effect: The CNMI is in noncompliance with allowable costs/cost principles requirements. Projected questioned costs exceed the $10,000 threshold; therefore, this finding is reportable.

Recommendation: CNMI management should strengthen monitoring controls over transactions so that proper reviews and approvals are documented to substantiate program costs in accordance with applicable allowable costs/cost principles.

Prior Year Status: Noncompliance with applicable allowable costs/cost principles requirements was reported as a finding in the CNMI Single Audit for fiscal year 2014 as Finding No. 2014-027.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Frances A. Castro, DCRM Director

Corrective Action: The agency gave the employee a 10% raise for completing his Masters Degree of Science in Marine Biology. DCRM believed that this was appropriate and exercised its discretion in such a decision. Moreover, the additional funds committed to this employee's salary were not drawn from a different cost category, but charged to the approved personnel budget for the award.

DCRM has improved its record keeping and administrative procedures and will continue to fine-tune them, and practice tighter controls.

Proposed Completion Date: September 30, 2016.

Auditor Response: Grantor approval was not provided for the salary increase.

Finding No.:	2015-023
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.482 Coral Reef Conservation Program
Federal Award No.:	NA13NOS4820010
Area:	Matching, Level of Effort, Earmarking
Questioned Costs:	$46,367

Criteria: In accordance with the cooperative agreement for NA13NOS4820010, the recipient's share of costs is $65,600 for the year ended September 30, 2015.

In accordance with 15 CFR Part 24 Subpart C Section 24.24, costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantees or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

Condition: The Program is deficient in the required recipient share for the year ended September 30, 2015:

	Per Program	Per Verified Records	
Total federal funds per overall budget summary			$ 569,782
Waiver match per 16 USC 6401, Section 6403(b)(2)			(200,000)
Additional waiver match approved by grantor on 05/03/13			(304,182)
Required match			65,600
Actual match:			
Personnel costs - Head Forester for Rota DLNR	$ 5,254	$ 4,393	
Personnel costs - Forestry Employee for Rota DLNR	2,005	1,750	
Transportation	13,090	13,090	
Total actual match	$ 20,349	$ 19,233	(19,233)
Deficient local match			$ 46,367

Cause: CNMI management did not effectively monitor compliance with applicable matching, level of effort, earmarking requirements.

Effect: The CNMI is in noncompliance with applicable matching, level of effort, earmarking requirements, and questioned costs of $46,367 exist.

Recommendation: We recommend compliance with the above criteria.

Prior Year Status: Noncompliance with matching, level of effort and earmarking requirements was reported as a finding in the CNMI Single Audit for fiscal year 2014 as Finding No. 2014-028.

Finding No.:	2015-023, Continued
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.482 Coral Reef Conservation Program
Federal Award No.:	NA13NOS4820010
Area:	Matching, Level of Effort, Earmarking
Questioned Costs:	$46,367

Auditee Response and Corrective Action Plan:

Name of Contact Person: Frances A. Castro, DCRM Director

Corrective Action: Matching funds have been clearly documented in the amount of $20,349.

$5,254 (261 hours x 20.13/hour) in value for this person is demonstrated below:

- Head Forester for Rota DLNR spent a documented 261 hours (signed time logs) on this project between late June and the end of September (additional 12 hours; $242 value can be proven for work performed on October 1, 2 and 5, 2015. As this was part of the ongoing planting season, we feel that that value should also be included in this match). In addition, the calculation also included fringe benefits in the valuation of the hours worked.

$2,005 (241 hours x $7.26/hour) in value for this person is demonstrated below:

- Forestry Employee for Rota DLNR spent a documented 261 hours (signed time logs) on this project between late June and the end of September. In addition, the calculation also included fringe benefits in the valuation of the hours worked.

DCRM will implement a more effective and accurate tracking system that will measure the amount of contributed match as it occurs over the grant cycle, to ensure that the required level of matching is met in a timely manner.

Proposed Completion Date: September 30, 2016.

Auditor Response: Personnel costs incurred in October 2015 is after the 09/30/15 cut-off and cannot be used to satisfy matching requirements for the FY 2015 reporting period. Furthermore, the breakdown and related supporting documents to substantiate the fringe benefits included as part of the personnel costs were not provided.

Finding No.:	2015-024
Federal Agency:	U.S. Department of Commerce
CFDA Program:	11.482 Coral Reef Conservation Program
Federal Award No.:	NA11NOS4820009
Area:	Reporting
Questioned Costs:	$-0-

Criteria: The Program is required to submit a Form SF-425 that is accurately prepared and supported.

Condition: A detailed breakdown and/or supporting underlying accounting documents of the recipient share reported on the Form SF-425 were not provided. In addition, the cumulative amount reported as recipient share of $108,754 does not agree with the expected cumulative recipient share per audit expectation of $54,044, resulting in a variance of $54,710.

Cause: The cause of the above condition is the lack of systematic filing of underlying accounting documents. In addition, CNMI management did not effectively monitor compliance with applicable reporting requirements.

Effect: The CNMI is in noncompliance with reporting requirements. No questioned costs are presented as we are unable to quantify the extent of noncompliance related to the Form SF-425 submission and the amount related to the recipient share is already questioned at Finding No. 2015-025.

Recommendation: We recommend that amounts reported on the Form SF-425 are supported with underlying accounting documents and CNMI management effectively monitor compliance with applicable reporting requirements.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Bernadita Palacios, Director, Division of Finance & Accounting

Corrective Action: DOF will monitor and ensure that all supporting documents and records will be maintained for all SF-425 submissions.

Proposed Completion Date: FY 2017

Finding No.:	2015-025
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Federal Award No.:	CI-CNMI-2015-1
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$504,498

Criteria: In accordance with applicable allowable costs/cost principles requirements, employee certifications are required from employees working solely for one federal program. Direct costs chargeable to federal awards are compensation of employees for the time devoted and identified specifically to the performance of those awards, cost of materials acquired, consumed, or expended specifically for the purpose of those awards, equipment and other approved capital expenditures and travel expenses incurred specifically to carry out the award. In addition, an effective system of internal control requires accurate financial information which agrees with accounting records.

Condition: Tests of sixty expenditures noted the following:

1. Of five payroll expenditures tested aggregating $31,862, of a population of $180,364, required certification for one expenditure (or 20%) was not obtained for an employee working full-time on the program. Although employees are signing timecards or timesheets evidencing hours worked, the sign off does not indicate if the employee actually performed activities solely for the one federal program. Total program payroll costs of $50,575 for the period from October 1, 2014 to December 31, 2014 are not covered by employee certification.

2. Of fifty-three nonpayroll expenditures tested aggregating $8,204,307, of a population of $13,163,245, three (or 6%) were not supported by a detailed schedule, invoices or billing statements of actual charges.

Business Unit No.	General Ledger Date	PV No.	Questioned Costs
I15CID	02/20/15	14826	$ 275,181
I15CID	04/13/15	15045	137,590
I15CID	02/20/15	14826	91,727
			$ 504,498

Cause: The cause of the above condition is the lack of adherence to applicable federal requirements.

Effect: The effect of the above conditions is noncompliance with applicable allowable costs/cost principles requirements.

Recommendation: We recommend that the CNMI comply with applicable federal requirements.

Prior Year Status: The lack of employee certifications was reported as a finding in the CNMI Single Audits for fiscal years 2009 through and 2014, respectively.

Finding No.:	2015-025, Continued
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Federal Award No.:	CI-CNMI-2015-1
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$504,498

Auditee Response and Corrective Action Plan:

Name of Contact Person: Virginia C. Villagomez, CIP Administrator

Corrective Action:

1. The New Employee Packet was created to ensure proper forms are completed and applicable allowable costs/cost principle requirements are met. The packet includes employee certifications required from employees working for one federal program. Additionally, the Personnel Activity Report was created to evidence hours worked on a federal program, detailing program activity (e.g., meetings, training, etc.).

2. A detailed schedule, invoices, or billing statements of actual charges are required to support any and all expenditure claims. Annual staff training on expenditure best practices will be held at the beginning of every fiscal year to ensure all employees are updated on grant requirements. Upon clarification of cost requirements, we will work with qualifying departments to ensure documentation of cost reimbursements are provided prior to reimbursement.

   Additionally, prior to project initiation and through the implementation of the CIP Project Checklist, our office requires review of the grant agreement and grant terms and conditions.

Proposed Completion Date: November 30, 2016.

Finding No.:	2015-026
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Federal Award Nos.:	CIP-CNMI-2006-1, CNMI-CIP 2009-2, CIP-CNMI-2012-1, CIP-CNMI-2012-5, CNMI-CIP-2013-1, CNMI-CIP-2013-4, CNMI-CIP-2013-5, CNMI-CIP-2013-8, CNMI-CIP-2013-10, CI-CNMI-2014-2, CI-CNMI-2015-1,
Area:	Cash Management
Interest Liability:	$339
Questioned Costs:	$-0-

Criteria: Terms stipulated in the Cash Management Improvement Act Agreement (CMIAA) should be followed. Additionally, the CMIAA states that the CNMI should be liable for interest on refunds from the date the refund is credited to the CNMI's account until the date the refund is debited from the CNMI's account for program purposes. The allowable clearance pattern is four days for construction activities and nine days for operational and administrative costs.

Further, in accordance with the Rules and Procedures for Efficient Federal-State Funds Transfers 31 CFR §205.26, a State must submit to the U.S. Treasury an annual report accounting for State and Federal interest liabilities of the State's most recently completed fiscal year. The authorized State official must certify the accuracy of a State's annual report. A signed original of the annual report must be received by December 31 of the year in which the State's fiscal year ends.

Condition: Of fifty-three expenditures tested aggregating $8,960,033, of a population of $13,343,609, twenty expenditures (or 38%) were paid after the allowable clearance pattern:

Document No.	Business Unit	Amount	Clearance Date	Cash Receipt Date	Days Elapsed after the Allowable Clearance Pattern
1200936	5646	$ 95,085	10/27/14	10/13/14	10
1201088	5686	$ 60,464	01/13/15	10/27/14	74
1203301	5679	$ 365,625	12/03/14	11/10/14	19
1203301	5679	$ 63,708	12/03/14	11/10/14	19
1204396	5679A	$ 22,707	05/07/15	12/03/14	151
1204403	5225	$ 69,722	12/30/14	12/08/14	18
1207484	5690	$ 208,689	01/12/15	01/02/15	6
1208594	5687	$ 196,211	02/02/15	01/26/15	8
1209638	5659A	$ 263,602	05/19/15	02/05/15	99
1210416	5672A	$ 209,954	06/08/15	02/23/15	105
1211516	I15CIA	$ 529,926	08/13/15	02/24/15	166
1211519	I15CIG	$ 63,078	04/17/15	02/24/15	48
1212546	5638	$ 110,179	04/09/15	03/13/15	23
1215874	I15CIA	$ 264,963	08/13/15	04/15/15	116
1215876	I15CIB	$ 12,712	08/13/15	04/15/15	116
1216605	I14CII	$ 192,900	06/16/15	04/20/15	53
1218528	5679A	$ 63,143	06/01/15	05/22/15	6
1220890	5653B	$ 429,413	07/01/15	06/19/15	3
1241458	5686	$ 97,754	09/11/15	08/21/15	34
1245816	I15CIA	$ 264,963	09/25/15	08/11/15	41

Cause: The cause of the above condition is the lack of procedures governing timely disbursement of cash in accordance with CMIAA requirements.

Finding No.:	2015-026, Continued
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Federal Award Nos.:	CIP-CNMI-2006-1, CNMI-CIP 2009-2, CIP-CNMI-2012-1, CIP-CNMI-2012-5, CNMI-CIP-2013-1, CNMI-CIP-2013-4, CNMI-CIP-2013-5, CNMI-CIP-2013-8, CNMI-CIP-2013-10, CI-CNMI-2014-2, CI-CNMI-2015-1,
Area:	Cash Management
Interest Liability:	$339
Questioned Costs:	$-0-

Effect: The effect of the above condition is noncompliance with applicable cash management requirements. Interest earned on the advances is $439 and an interest liability of $339 exists; however, no questioned costs result as the projected interest liability is less than $10,000.

Recommendation: We recommend compliance with CMIAA clearance patterns and that steps be taken to timely prepare and submit the required annual report accounting for State and Federal interest liabilities. The CNMI should develop a written policy.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Virginia C. Villagomez, CIP Administrator

Corrective Action: The Office of the Attorney General has assisted the CIP in creating the CNMI CMIAA Policy, compliant with terms stipulated in the CMIAA. The policy includes 1) programs covered by the agreement, 2) the method of funding to be used, 3) the method used to calculate interest, and 4) procedures for determining check clearing patterns. The CNMI CMIAA Policy is now included in all new employee packets and a covered topic during CIP's annual staff training to ensure staff knowledge and update. Beginning 11/01/2016, the CNMI CMIAA Policy will be included in all contractual agreements to ensure contractor/vendor compliance.

Proposed Completion Date: November 30, 2016.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.:	2015-027
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Federal Award Nos.:	CNMI-CIP-2007-1, CNMI-CIP-2009-2 and CNMI-CIP-2010-5
Area:	Period of Availability of Federal Funds
Questioned Costs:	$192,196

Criteria: Expenditures should be incurred within the performance period as specified in grant agreements. Grantees should liquidate all obligations incurred under the award no later than 90 days after the end of the funding period. Further, in accordance with 93 CFR 12.90 (b), grantees or subgrantees must obtain prior approval from the awarding agency whenever it is anticipated that there is a need to extend the period of availability of funds. Prior approval means documentation evidencing consent prior to incurring specific costs.

Condition: Of fifteen awards tested aggregating $815,647 of a population of $13,343,609, we noted the following:

1. Two grants (grant nos. CNMI-CIP-2007-1 and CNMI-CIP-2009-2) (or 13%) expired on 09/30/14 and 12/21/14, respectively and the following expenditures were liquidated after 90 days of the grant expiration date.

Grant No.	Business Unit	Grant Expiration	Liquidation End Date	PV No.	Check No.	Check Date	Bank Clearance Date	Questioned Costs
CNMI-CIP-2007-1	5612	09/30/14	12/30/14	1212546	6583	03/20/15	04/09/15	$ 5,497
CNMI-CIP-2007-1	5611	09/30/14	12/30/14	1219510	6704	06/08/15	06/09/15	21,039
CNMI-CIP-2009-2	5637	12/21/14	03/21/15	1218527	6695	06/04/15	06/08/15	11,793
CNMI-CIP-2009-2	5637	12/21/14	03/21/15	1220817	6730	06/25/15	07/03/15	2,865
CNMI-CIP-2009-2	5637	12/21/14	03/21/15	1232467	6743	07/14/15	07/20/15	3,510
CNMI-CIP-2009-2	5637	12/21/14	03/21/15	1244475	6807	09/09/15	09/11/15	142,004
CNMI-CIP-2009-2	5637	12/21/14	03/21/15	1245449	6823	09/05/15	09/24/15	5,688
								$ 192,196

2. Fifteen expenditures were obligated but have not been liquidated after 90 days of the grant expiration date. No questioned costs result as associated drawdowns have not been made.

Grant No.	Business Unit	Grant Expiration	Liquidation End Date	PV No.	Check No.	Check Date	Bank Clearance Date	Amount
CNMI-CIP-2009-2	5637	12/21/14	03/21/15	1251449	6900	11/30/15	12/02/15	$ 4,193
CNMI-CIP-2009-2	5637	12/21/14	03/21/15	1251860	6900	11/30/15	12/02/15	10,818
CNMI-CIP-2009-2	5637	12/21/14	03/21/15	1252408	6906	12/11/15	12/11/15	387,123
CNMI-CIP-2009-2	5637	12/21/14	03/21/15	1254854	6963	02/25/16	02/26/16	35,583
CNMI-CIP-2009-2	5637	12/21/14	03/21/15	1257057	6952	02/10/16	02/18/16	1,741
CNMI-CIP-2010-5	5668	09/30/15	12/30/15	1256048	6942	01/25/16	01/28/16	4,320
CNMI-CIP-2010-5	5668	09/30/15	12/30/15	1256482	6950	02/10/16	02/15/16	4,320
CNMI-CIP-2010-5	5668	09/30/15	12/30/15	1260588	6983	03/22/16	03/24/16	4,320
CNMI-CIP-2010-5	5668	09/30/15	12/30/15	1247777	6854	10/22/15	11/11/15	3,170
CNMI-CIP-2010-5	5668	09/30/15	12/30/15	1248439	6654	10/22/15	11/11/15	3,231
CNMI-CIP-2010-5	5668	09/30/15	12/30/15	1251121	6908	12/11/15	12/23/15	3,122
CNMI-CIP-2010-5	5668	09/30/15	12/30/15	1252407	6933	01/20/16	02/03/16	3,231
CNMI-CIP-2010-5	5668	09/30/15	12/30/15	1252943	6944	01/25/16	02/08/16	242
CNMI-CIP-2010-5	5668	09/30/15	12/30/15	1256051	6944	01/25/16	02/08/16	3,267
CNMI-CIP-2010-5	5668	09/30/15	12/30/15	1257888	6981	03/18/16	03/30/16	3,231
								$ 471,912

Finding No.:	2015-027, Continued
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Federal Award Nos.:	CNMI-CIP-2007-1, CNMI-CIP-2009-2 and CNMI-CIP-2010-5
Area:	Period of Availability of Federal Funds
Questioned Costs:	$192,196

Cause: The cause of the above conditions is the lack of established policies and procedures for the recording of expenditures incurred beyond the period of availability.

Effect: The effect of the above condition is noncompliance with period of availability requirements and questioned costs of $192,196.

Recommendation: We recommend that the CNMI comply with period of availability requirements.

Prior Year Status: The lack of established policies and procedures for the recording of expenditures incurred beyond the period of availability was reported as a finding in the CNMI Single Audit for fiscal year 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Virginia C. Villagomez, CIP Administrator

Corrective Action: To ensure expenditures and obligations are liquidated no later than 90 days after grant expiration and for accurate tracking of the grant performance period, a Grant Notification System has been developed and implemented and will be used to track any and all grant and contract expiration dates. The calendar system has a 90-day, 60-day and 30-day pop-up notification before and after grant expiration to assist with the grant closeout process. Additionally, an expenditure/drawdown template was developed to ensure proper recording of obligations, expenditures, drawdowns, and grant balances.

Proposed Completion Date: November 30, 2016.

Finding No.:	2015-028
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$1,903,948

Criteria: In accordance with applicable procurement regulations, procurement transactions shall provide for full and open competition that is best suited to the circumstances. Further, the CNMI procurement regulations state the following:

- All government procurement shall be awarded by competitive sealed bidding except under circumstances permitting other than full and open competition.
- Bidding is not required but is encouraged for procurement over $2,500 and under $10,000. The individual with the expenditure authority must obtain price quotations from at least three vendors and should base the selection on competitive price and quality for procurement valued at $2,500 to $10,000. Any price quotations must be written, documented, and submitted to the P&S Director for approval.
- Any procurement not exceeding the amount established herein may be made in accordance with small purchase procedures. However, procurement requirements shall not be artificially divided so as to constitute a small purchase.
- Price or cost to the government shall be included as an evaluation factor in every solicitation of proposals, including professional services.
- Grantee and subgrantee contracts must include, among others, provisions for federal access to contractor's records.

The *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (43 CFR Section 12.76(d)(4)(i)(A-D) stipulates that "procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids, or competitive proposals and one of the following circumstances applies: A) The items are available only from a single source; B) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation; C) The awarding agency authorizes noncompetitive proposals; or D) After solicitation of a number of sources, competition is determined inadequate." Furthermore, federal regulations stipulate that grantees and subgrantees will use their own procurement procedures, which reflect applicable state and local laws and regulations provided that the procurements conform to applicable federal law.

In accordance with Northern Mariana Islands Administrative Code (NMIAC) 70-30.3-410, before adding significant new work to existing contracts, the agency shall thoroughly assess whether or not it would be more prudent to seek competition. Change orders on construction and A&E contracts which exceed 25 percent of the cumulative contract price shall automatically be procured through competitive procedures pursuant to § 70-30.3-201, except when the procurement of the additional work is authorized without using full and open competition under § 70-30.3-215.

Finding No.:	2015-028, Continued
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$1,903,948

Criteria, Continued:

In accordance with 70-30.3-305, the P&S Director and the Technical Services Division of the Department of Public Works (DPW) shall jointly maintain files of current statements of qualifications of architect-engineer firms. After public announcement of requirements for architect-engineer services, current statements shall be reviewed together with those that may be submitted by other firms in response to the announcement. Discussions shall be conducted with at least three (3) of the firms regarding the contract requirements and technical approach and selection made therefrom, in order of preference, of no less than three (3) firms determined to be the most highly qualified to perform the services required. Fee proposals may be solicited upon public announcement; however, this information shall not be considered in the selection of the most highly qualified firms. Such fee proposals may be used by the P&S Director in determining a fair and reasonable contract price.

In accordance with Emergency Purchasing under CNMI Procurement regulations Section 3-107 (a) Notwithstanding any other provision of the regulations in this subchapter, the government may make emergency procurement when there exists a threat to public health, safety or welfare under emergency conditions. An emergency procurement must be as competitive as practicable under the circumstances. (b) A written justification of the basis for the emergency and for the selection of the particular contractor must be made by the official with expenditure authority. (c) If the P&S Director is satisfied, he shall state his approval in writing.

In accordance with CNMI Procurement Regulations section 70-30.1-115 (f), even though an item qualifies for exemption from the requirement for submission of certified cost or pricing data, the contracting offices shall make a price analysis to determine the reasonableness of the price and any need for further negotiation.

Condition: Of twenty-two capital improvement program (CIP) contracts tested from nonpayroll expenditures aggregating $8,951,379, of a population of $13,163,245, the following were noted:

1. A contract (or 5%) (grant no. CNMI-CIP-2014-4; business unit no. 5649C; contract no. 627 OS) did not contain provisions for federal access to contractor records. No questioned costs result as contractor was selected in accordance with procurement regulations.

Finding No.:	2015-028, Continued
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$1,903,948

Condition, Continued:

2. For one architect & engineering contract (or 5%) (grant no. CNMI-CIP-2013-4; business unit no. 5690; contract no. 617-OS), emergency procurement was used for change order # 2 to procure construction management service that increased the contract cost by $233,600 or 74% of the original contract price. Written justification (dated 03/12/14) does not support that the demand for the requirement will not permit a delay resulting from competitive proposals. Further, the procurement does not meet any of the circumstances under 43 CFR Section 12.76(d)(4)(i)(A-D) to qualify for noncompetitive procurement method. Total federal expenditures incurred for contract no. 617-OS, change order #2 is $135,464.

3. A request for extension of project completion for a contract (grant no. CNMI-CIP-2012-1; business unit no 5686; contract no. 635-OS) dated March 27, 2015 was submitted one hundred ninety four days after the project estimated completion of September 14, 2014. No questioned costs result as the vendor was selected in accordance with procurement regulations.

4. For one contract (or 5%) (grant no. CNMI-CIP-2013-4; business unit no. 5690; contract no. 617 OS) for procurement of architectural and engineering services, discussions were not conducted with the required number of architectural and engineering firms regarding contract requirements and the technical approach as required by the 70-30.3-305 (c). Further, procurement files do not contain documentation that current statements of qualifications of architect and engineering firms from P&S and the Technical Services Division of DPW were reviewed along with those that may be submitted by other firms in response to the announcement to meet the required number of proposals. No questioned costs result as the amount is already questioned in Condition 2.

5. A contract (or 5%) (grant no. CNMI-CIP-2013-1; business unit no. 5659A; contract no. 632 OS) for a repair, renovation and improvement project did not include a price analysis to determine reasonableness as required by the 70-30.1-115 (f). No questioned costs result as the vendor is the sole bidder.

6. For one contract (or 5%) (grant no. CNMI-CIP-2012-1; business unit no. 5687; contract no. 595 OS), emergency procurement was used for change order # 3 to construct a ponding basin and retaining wall that increased the contract cost by $495,983 or 30% of the original contract price. This procurement was not in accordance with 70-30.3-230, Emergency Procurement. No written justification was provided to support the use of noncompetitive procurement methods. Total federal expenditures incurred for contract no. 595, change order #3 is $444,258.

Finding No.: 2015-028, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Area: Procurement and Suspension and Debarment
Questioned Costs: $1,903,948

Condition, Continued:

7. A construction contract (or 5%) (grant no. CNMI-CIP-2013-11; business unit no. 5664B; contract no. 644 OS), with change order # 1 to install a maintenance walkway, increased the contract cost by $15,000 or 28% of the original contract price. The original contract in the amount of $53,769 was for roof repair and coating. There is no evidence that the new work under change order # 1 was procured through competitive procedures as required by 70-30.3-410. No written justification was provided to support the use of noncompetitive procurement methods. Total federal expenditures incurred for contract no. 644, change order #1 is $15,000.

8. One construction contract (or 5%) (grant no. CIP-CNMI-2008-3; business unit nos. 5624 and 5625; contract no. 659 OS), was procured through competitive sealed bidding, and only two bidders responded. Initially, the lowest bidder was disqualified under a non-responsibility determination, but after the lowest bidder protested, the disqualification was withdrawn on 02/23/2015. On 02/24/2015, the Procurement and Supply Office notified the Attorney General, Deputy Attorney General, Public Auditor, CIP Administrator, CIP Project Manager, and the president of each bidder, that the lowest bidder withdrew its bid. However, no written withdrawal directly from the lowest bidder was provided.

   Neither a price analysis nor documentation of price negotiations was provided to support the contract award amount of $21,994,873. Per the bid evaluation, the CNMI engineer cost estimate was $16,286,215. The lowest bidder had bid approximately $16.2 million. Total FY 2015 federal expenditures incurred for contract no. 659 is $1,309,226.

Cause: The cause of the above condition is the failure to enforce adherence to established CNMI procurement regulation.

Effect: The effect of the above condition is noncompliance with procurement regulations and questioned costs of $1,903,948.

Condition	Questioned Costs
2	$ 135,464
6	444,258
7	15,000
8	1,309,226
	$ 1,903,948

Finding No.:	2015-028, Continued
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$1,903,948

Recommendation: We recommend that the CNMI comply with procurement regulations and review its current procurement regulations to conform with applicable federal laws.

Prior Year Status: The lack of compliance with procurement regulations was reported as a finding in the Single Audits of the CNMI for fiscal years 2013 and 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Virginia C. Villagomez, CIP Administrator

Corrective Action:

Condition 1: The CIP partnered with the Office of the Attorney General to include applicable laws, regulations and provisions in all contract templates used by our office. The Office of the Attorney General's opinion is that this provision is stated in the General Conditions (GC) document which is incorporated as a part of the contract document. Contract templates and the General Conditions executed on July 1, 2016 forward have been updated to contain provisions for federal access to contractor records.

Condition 2: The HVAC Project was a priority project because it was cited as a requirement from CMS; because a majority of CHCC's funding derives from CMS, the possibility of loss of funding created a threat to Public Health. During the design phase of the project, the Program planned to have periodic inspections performed and reported by the Project Manager. At this stage, we would not have known the complexity and immediate need of a Construction Manager. At the conclusion of the design work, the CIP Office strategically discussed and decided to procure a Construction Management team, specifically a licensed Mechanical Engineer; hence, the justification letter dated March 12, 2014. The CIP Office did comply with procurement regulations with respect to procuring under emergency circumstances.

Condition 3: The Capital Improvement Program has implemented a Project Notification System, which is used to track contract expiration dates, report submission due dates, and other notable happenings during project performance. The calendar system has a 90-day, 60-day and 30-day pop-up notification *before* contract expiration to assist with the project closeout process. Additionally, an expenditure/drawdown template was developed to ensure proper recording of obligations, expenditures, drawdowns, and grant balances.

Finding No.:	2015-028, Continued
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$1,903,948

Auditee Response and Corrective Action Plan, Continued:

Corrective Action, Continued:

Condition 4: The Proposal Opening Summary Sheet of 12/03/12 revealed three proposers responding to RFQ13-GOV-008 entitled "RFQ for Provisions of Architect and Engineering Services." In order to meet the required discussion with "at least three firms", all three proposers were evaluated according to the set evaluation criteria(s), 1) Past Experience as Project Manager-70%, and 2) Interview-30%. Documentation that current statements of qualifications of architect and engineering firms from P&S and the Technical Services Division of DPW were not required since discussions were made with "at least three firms". Documentation of prior qualification statements from DPW maybe for different scope of work and interest. The proposed Procurement Regulations will show that CIP is a separate entity from DPW; furthermore, P&S forwards all proposals to the respective agencies.

Statements of qualifications were reviewed by the Contracting Officer and pre-qualified all three proposers and awarded two contracts on an as-needed basis; one Engineer and one Architect. The justification stated, "no other candidate was a registered architect" and perhaps an advantage to the CIP office. At the time, it was a sensible decision to capture two distinct professionals that can provide and maximize project efficiency.

Condition 5: A price analysis was completed based on previous projects on the island of Tinian, in terms of unit cost. However, a Price Analysis template was developed to determine reasonableness as required by the 70-30.1-115 (f), to be completed before each project is pursued. The analysis is included in the CIP Project Checklist; a checklist developed to ensure required analysis and documentation is completed.

Condition 6: Awarding of an Alternative Additive from the original solicitation is not considered a change order, but a *partial award* due to funding availability. The Invitation to Bid (ITB12-GOV-043) for this project was inclusive of the following bid items, 1) Base Bid 1 (16' wide pavement), 2) Base Bid 2 (20' wide pavement) and 3) Alternative Additive Bid 1 (16' wide pavement); Alternative Additive Bid 2 (drainage and ponding basin).

Additionally, a Change Order Checklist has been created to assist with ensuring proper procurement methods are used and supporting documentation is submitted. The checklist requires information such as cost of change order, scope identification, and whether competitive procurement is required.

Finding No.: 2015-028, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Area: Procurement and Suspension and Debarment
Questioned Costs: $1,903,948

Auditee Response and Corrective Action Plan, Continued:

Corrective Action, Continued:

Condition 6, Continued:

It is a change order because we are increasing the scope of work, but it should not be included in the 25% threshold under the current procurement rules.

Condition 7: The additional scope of work added to the project was granted to the same contractor as a requirement for a 10-year warranty guarantee for the roof coating product.

To ensure competitive procedures are required for a change order or not, a Change Order Checklist has been created to ensure proper procurement methods are used and supporting documentation is submitted. The checklist requires information such as cost of change order, scope identification, and whether competitive procurement is required or not.

Condition 8: The lowest bidder intentionally did not renew their bid bond, expressing they are no longer participating in the bidding process. A letter from Procurement & Supply dated February 4, 2015 recommended our office issue an "Intent to Award" letter to the next bidder.

A bid analysis is performed using current unit prices on other projects because the "means" manual is not applicable in the CNMI. The Regulatory Closure of Puerto Rico Dump marks the first dump closure in the CNMI. There were only two bidders for this project. A bid analysis is in the file and was provided.

Proposed Completion Date: November 30, 2016.

Auditor Response:

Condition 2: Although justification was provided and approved, the written justification does not support procurement under emergency conditions in accordance with NMIAC 70-30.3-230 and does not support that the emergency will not permit a delay resulting from competitive proposals to comply with 43 CFR Section 12.76(d)(4)(i)(b). Further, we noted that there was no effort sought to obtain competition in accordance with NMIAC Section 70-30.3-230 (a) on change order #2. Thus, the finding is reportable.

Finding No.: 2015-028, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Area: Procurement and Suspension and Debarment
Questioned Costs: $1,903,948

Auditor Response, Continued:

Condition 4: In accordance with 70-30.3-305, statements from the firms who responded to the announcement should be reviewed together with current statements of qualifications from DPW so discussions could be conducted with at least three architect-engineering firms. We were not provided evidence that current statements from DPW or from the Board of Professional Licensing were reviewed or considered to meet the required number of architect-engineering firms. Thus, the finding remains.

Condition 5: The determination of reasonableness of unit price and current market value was not provided. Thus, the finding remains.

Condition 6: There was no documentation provided regarding the bid evaluation that includes Alternative Addition Bid 2. In addition, no documentation was provided that the demand for competitive method of procurement will delay the project. Thus, the finding remains.

Condition 8: No documentation was provided for the bidder's withdrawal of bid. Bid analysis indicates a project cost of $16,286,215 which is lower than the contract amount awarded of $21,994,873. Thus, the finding remains.

Finding No.:	2015-029
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Federal Award Nos.:	CNMI-CIP-2006-1, CNMI-CIP-2007-1 and CNMI-CIP-2009-2
Area:	Reporting
Questioned Costs:	$-0-

Criteria: In accordance with grant terms and conditions, the Program must submit a Financial Status Report and a narrative project status report for the periods beginning January 1 and ending June 30 and beginning July 1 and ending December 31. Reports are due within 30 days of the end of the period. Final reports are due 90 days after the expiration or termination of the award. Further, an effective system of internal control requires accurate financial information agreed with accounting record is presented on status report.

Condition: Of twenty-five grants tested aggregating $12,805,337 of a population of $13,343,609, we noted that two grant reports (or 8%) were not submitted within 90 days after the grants' expiration dates.

Business Unit No.	Project	Grant No.	Grant Expiration	Due Date of Final Financial Status Report
5609	NMC Facilities Improvement	CNMI-CIP-2007-1	09/30/15	12/30/15
5637	Garapan Revitalization	CNMI-CIP-2009-2	12/30/14	03/31/15

Cause: The cause of the above condition is the lack of established policies and procedures to accurately report and to submit timely financial information.

Effect: The effect of the above condition is the lack of compliance with reporting requirements. No questioned costs are presented as the Program submitted the semi-annual report but not the final report.

Recommendation: We recommend that steps be taken to determine that information reported to the grantor is based on accurate financial records and to ensure timely submission of required reports.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Virginia C. Villagomez, CIP Administrator

Corrective Action: To ensure the Financial Status Report and Narrative Project Status Reports are submitted timely, a Grant Notification System has been implemented and will be used to track any and all grant and contract expiration dates. The calendar system has a 90-day, 60-day and 30-day pop-up notification *before and after* grant expiration to assist with the grant closeout process. Additionally, an expenditure/drawdown template was developed to ensure proper recording of obligations, expenditures, drawdowns, and grant balances.

The report submission dates are also included as reminders in the Project Notification System, which is used to track contract expiration dates, report due dates, and other notable happenings during project performance.

Proposed Completion Date: 11/30/16.

Finding No.:	2015-030
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Federal Award Nos.:	CNMI-CIP-2014-2, CNMI-CIP-2013-3, CNMI-CIP-2013-1, CNMI-CIP-2013-6, CNMI-CIP-2012-8, CNMI-CIP-2012-7, CNMI-CIP-2011-1 and CNMI-CIP-2010-3
Area:	Subrecipient Monitoring
Questioned Costs:	$-0-

Criteria: Pass-through entities must establish and implement subrecipient monitoring policies and procedures. Further, in accordance with OMB Compliance Supplement, Part 3.1 Compliance Requirements - Subrecipient Monitoring, a pass-through entity is responsible for:

- At the time of the award, identifying the subrecipient of the federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of federal awarding agency) and applicable compliance requirements.
- Monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

Condition: Tests of subrecipient monitoring noted the following:

1. Subrecipient agreements were not executed with component units for subawarded grants for fiscal year 2015.

Grant No.	Business Unit No.	Sub-Grantee	FY2015 Amount
CI-CNMI-2014-2	I14CII	Public School System (PSS)	$ 192,900
CI-CNMI-2015-1	I15CIG	Public School System (PSS)	126,155
CI-CNMI-2015-1	I15CIA	Commonwealth Healthcare Corporation (CHCC)	1,059,852
CI-CNMI-2015-1	I15CIB	Commonwealth Healthcare Corporation (CHCC)	50,848
			$ 1,429,755

2. Control procedures to monitor subrecipient compliance with applicable laws, regulations, and provisions of contracts and grant agreements are not evident. We are aware the subrecipients named above have been subjected to Single Audits; however, there is no evidence that the Single Audit Reports are used as a monitoring tool. Additionally, we are aware of the following circumstances regarding CHCC:
   - CHCC's FY 2015 Single Audit report was due on June 30, 2016; however, it has yet to be issued.

Finding No.:	2015-030, Continued
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Federal Award Nos.:	CNMI-CIP-2014-2, CNMI-CIP-2013-3, CNMI-CIP-2013-1, CNMI-CIP-2013-6, CNMI-CIP-2012-8, CNMI-CIP-2012-7, CNMI-CIP-2011-1 and CNMI-CIP-2010-3
Area:	Subrecipient Monitoring
Questioned Costs:	$-0-

Condition, Continued:

- CHCC's FY 2015 and FY 2014 Single Audit reports each include a disclaimer of opinion on the financial statements.
- The disclaimer of opinion on CHCC's FY 2015 financial statements resulted in a disclaimer of opinion on the FY 2015 CNMI financial statements.
- CHCC has recorded only $15,838 in its unaudited schedule of expenditures of federal awards (SEFA), whereas the CNMI's SEFA includes $1,110,700 passed through to CHCC. No reconciliation has been provided

Cause: The cause of the above condition is failure to enforce compliance with subrecipient monitoring requirements.

Effect: The effect of the above condition is the lack of compliance with subrecipient monitoring requirements. No questioned costs are presented as we are unable to quantify the extent of the noncompliance.

Recommendation: We recommend compliance with subrecipient monitoring requirements.

Prior Year Status: Noncompliance with subrecipient monitoring requirements was reported as Finding Nos. 2009-42, 2010-32, 2011-31, 2012-30, 2013-025 and 2014-035 in the CNMI Single Audits for fiscal years 2009 through 2014, respectively.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Virginia C. Villagomez, CIP Administrator

Corrective Action:

Condition 1: A subrecipient agreement has been drafted for all component units receiving subawards. Upon execution of the agreement, monitoring requirements will be implemented.

Condition 2: In collaboration with the Graduate School USA, our office has developed standard tools to be used for monitoring activities. These templates will be used once the agreement is effective.

Proposed Completion Date: 11/30/16.

Finding No.:	2015-031
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Federal Award Nos.:	CNMI-CIP-2009-2, CNMI-CIP-2013-2, CNMI-CIP-2008-3, CNMI-CIP-2007-1 and CNMI-CIP-2008-2
Area:	Special Tests and Provisions
Questioned Costs:	$433,619

Criteria: Grant terms and conditions specified under grant awards/agreements should be complied with. The grant awards have provisions that the grantee shall present evidence to OIA that the CNMI has clear title, a leasehold agreement, or other legal authority for use of the land upon which new capital improvement projects are to be constructed.

Condition: Of twenty-five projects tested aggregating $8,960,033 of a population of $13,343,609, we noted the following:

1. For two projects (or 8%), the scope of work and project budget signed by a certified architect or engineer and evidence that the CNMI has clear title, a leasehold agreement, or other legal authority for use of the land for a project was not provided. Details are as follows:

Business Unit No.	Project	Grant No.	Questioned Costs
5636	Saipan Water Project - Puerto Rico 1M Gallon Reservoir Replacement	CIP-CNMI-2009-2	$ 240,673
5652	Saipan Water Project - Water Task Force - Construction Management	CIP-CNMI-2010-2	34,728
			$ 275,401

2. One project (or 4%) (grant no. CIP-CNMI-2012-1; business unit no. 5686) was terminated and all activities related to the Tinian Landfill ceased as the CNMI land was leased to a private entity. There was no approval from the grantor related to the change in scope of work. Total federal expenditures related to the project in fiscal year 2015 are $158,218.

Cause: The cause of the above condition is the lack of systematic filing of evidence that the scope of work and project budget was signed by a certified architect or engineer and that the CNMI has clear title, a leasehold agreement, or other legal authority for use of the land and written approval from the grantor.

Effect: The effect of the above condition is noncompliance with grant terms and conditions and questioned costs exist in the amount of $433,619.

Recommendation: We recommend that the CNMI properly maintain and file evidence that the scope of work and project budget is signed by a certified architect or engineer, that the CNMI has clear title, a leasehold agreement, or other legal authority for use of the land for construction projects. Further, we recommend that approval from the grantor be filed accordingly.

Finding No.:	2015-031, Continued
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
Federal Award Nos.:	CNMI-CIP-2009-2, CNMI-CIP-2013-2, CNMI-CIP-2008-3, CNMI-CIP-2007-1 and CNMI-CIP-2008-2
Area:	Special Tests and Provisions
Questioned Costs:	$433,619

Auditee Response and Corrective Action Plan:

Name of Contact Person: Virginia C. Villagomez, CIP Administrator

Corrective Action:

Condition 1: The CIP Project Checklist was developed to ensure all required documentation and analysis is completed prior to project initiation. Included in the checklist is the NEPA requirement, Authorization to Proceed (ATP), and evidence that the CNMI has a clear title, a leasehold agreement, or other legal authority for use of land for a project, if applicable.

Condition 2: BU5686 A/E for the Tinian Dumpsite: The scope of work was approved via the issuance on an ATP dated 02/19/14. There was no change in scope of work; however, CIP had to cease all design activities because Tinian leased out the parcel of open dump; therefore, giving the private entity some rights to the property. Therefore, we no longer have a project site. CIP had a contract with a consultant, the consultant did the work, and CIP paid for the work already done. CIP communicated with the grantor regarding the loss of the project site and ceased all future activities related to the project. Any and all approval from the grantor is filed accordingly.

Proposed Completion Date: 11/30/16.

Auditor Response:

Condition 2: No updated scope of work and written approval from the grantor was provided during our tests. Thus, the finding remains.

Finding No.: 2015-032
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Federal Award No.: 05-1505CQ5MAP
Area: Activities Allowed or Unallowed
Questioned Costs: $-0-

Criteria: In accordance with applicable activities allowed or unallowed requirements, cumulative expenditures incurred and charged to a grant should not be in excess of the approved funding limit.

Condition: For one grant award, cumulative expenditures incurred and charged to the grant are in excess of the approved funding limit. No questioned costs exist as expenditures were incurred before grantor adjustments were made to the approved funding limit.

General Description	Award Number	Business Unit	Approved Funding Limit	Cumulative Expenditures	Variance
Medical Assistance Payments	05-1505CQ5MAP	H5778D	$ 5,526,999	$ 5,561,050	$ 34,051

Cause: The cause of the above condition is the lack of monitoring and reconciliation of cumulative expenses incurred against approved funding limit.

Effect: The effect of the above condition is noncompliance with activities allowed or unallowed requirements.

Recommendation: We recommend that cumulative expenses incurred be monitored and reconciled against the approved funding limit.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Helen C. Sablan, Medicaid Director

Corrective Action: We disagree with the audit finding. Cumulative expenditures in the fund status report from DOF agrees to the approved funding limit.

Proposed Completion Date: Not applicable.

Auditor Response: As of September 30, 2015, cumulative expenditures recorded in the general ledger amounted to $5,561,050. A reconciliation and/or evidence that the excess amount in the funding limit has been returned to the grantor agency was not provided.

Finding No.:	2015-033
Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.778 Medical Assistance Program
Federal Award Nos.:	05-1205CQ5021, 05-1205CQHITA, 05-1305CQ5021, 05-1305CQIMPL, 05-1305CQ1935, 05-1305CQACAI, 05-1305CQINCT, 05-1305CQ5MAP and 05-1305CQ5ADM
Area:	Eligibility
Questioned Costs:	$101,528

Criteria: In accordance with applicable eligibility requirements in the Compliance Supplement, as a condition of eligibility, the grantee must require each individual seeking Medicaid to furnish his or her Social Security number (SSN).

In addition, per Section D, Part 2 of the General Waiver Medical Assistance for the Needy Program, Medicaid is furnished to eligible individuals who are U.S. citizens, permanent residents of the CNMI or "qualified aliens" defined under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).

Additionally, the following documents, among others, are required to process applicant applications:

1. Birth certificate or passport for parents and birth certificate for all dependents listed
2. Social security card for applicant and all dependents listed

Lastly, the program may use a computer system for processing individual eligibility determinations and delivery of benefits, such as maintaining eligibility records, including information about each individual and benefits paid to or on behalf of the individual (regular payments, refunds, and adjustments) and track the period of time during which an individual is eligible to receive benefits, i.e., from the beginning date of eligibility through the date when those benefits stop, generally at the end of a predetermined period, unless there is a redetermination of eligibility.

Condition: Tests of sixty-six eligibility files noted the following:

1. For three (or 5%), documentation supporting applications was not on file.

Case Number	Certification Effective	Household Member Ref. No.	Documents Not Found in Tenant File and/or Discrepancies Noted	Benefits Tested	Questioned Costs
12-013715-00	02/18/15	1	Social Security card	$ 445	$ 27,700
16-022029-00	06/05/14	1 and 2	Birth certificate	134	17,500
14-032239-00	02/23/15	1	Birth certificate	516	56,328
				$ 1,095	$ 101,528

2. Of the eligibility recipients tested, thirteen (or 23%) were not included in the population of the Approved Clients report which records all individuals receiving benefits during the audit period. No questioned costs result as recipients were determined to be eligible based on correct calculations.

Finding No.:	2015-033, Continued
Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.778 Medical Assistance Program
Federal Award Nos.:	05-1205CQ5021, 05-1205CQHITA, 05-1305CQ5021, 05-1305CQIMPL, 05-1305CQ1935, 05-1305CQACAI, 05-1305CQINCT, 05-1305CQ5MAP and 05-1305CQ5ADM
Area:	Eligibility
Questioned Costs:	$101,528

Condition, Continued:

Case Number
15-032500-00
14-030096-00
11-030011-00
11-016321-00
11-016321-00
1402294000
1402235600
284327001
16-023829-00
274530001
288268201
1102339300
1300218600

Cause: The cause of the above condition is the lack of adequate control procedures to adhere to eligibility applications, determination and approval processes and obtaining and updating third party verifications. Further, records/database of individuals receiving benefits may not be periodically checked and updated for completeness of population and eligibility information.

Effect: The effect of the above condition is noncompliance with eligibility requirements pursuant to the Medicaid Operational Plan and possible use of federal funds for ineligible individuals and questioned costs of $101,528 result.

Recommendation: We recommend that the CNMI Medicaid Office establish procedures to adhere to eligibility applications, determination and approval processes and obtaining and updating third party verifications.

Prior Year Status: The lack of adequate control procedures to adhere to the eligibility application, determination and approval process and to obtain and update third party verifications was reported as a finding in the CNMI Single Audits for fiscal years 2012 through 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Helen C. Sablan, Medicaid Director

Finding No.:	2015-033, Continued
Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.778 Medical Assistance Program
Federal Award Nos.:	05-1205CQ5021, 05-1205CQHITA, 05-1305CQ5021, 05-1305CQIMPL, 05-1305CQ1935, 05-1305CQACAI, 05-1305CQINCT, 05-1305CQ5MAP and 05-1305CQ5ADM
Area:	Eligibility
Questioned Costs:	$101,528

Auditee Response and Corrective Action Plan, Continued:

Corrective Action:

Condition 1: We disagree with the audit finding. All three cases are Supplemental Security Income (SSI) recipients and are not required to submit the supporting documents since the Social Security Administration verified their identifications such as birth certificates and social security numbers. The only requirement is the verification of their SSI.

Effective July 1, 2016, we are requiring all SSI recipients to submit a copy of their birth certificate or passport and social security card for all new and renewal applicants.

Condition 2: We agree with the audit finding. We will check with our vendor regarding these cases as to why these were not in the Approved Clients report; however, these cases were in the Medicaid system and determined to be eligible based on correct calculations.

Proposed Completion Date: Ongoing.

Auditor Response:

Condition 1: The birth certificate and social security card are required by Medicaid to support a person's application for Medicaid.

Finding No.:	2015-034
Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.778 Medical Assistance Program
Federal Award Nos.:	1505-CQ5MAP, 1505-CQ5ADM, 05-1505CQ5MAP, 05-1505CQ5ADM, 05-1505CQ1935, 05-1505CQIMPL, 05-1505CQINCT, 05-1505CQACAI, 05-1405CQIMPL, 05-1405CQ1935 and 05-1405CQACAI
Area:	Reporting
Questioned Costs:	$-0-

Criteria: Section 4.4 of the CNMI's Revised Medicaid Operational Plan requires the Medicaid Agency to submit required reports on an accrual basis, based on financial records maintained by the centralized accounting office (DOF).

Condition: Based on total expenditures reported on CMS 64 and SF 425 quarterly reports to the grantor for the year ended September 30, 2015, we noted the following variances:

Description	Quarter Ended	Per Certification	Per General Ledger and/or Reconciliation between the Medicaid Office and Grantor Agency	Variance
CMS 64:				
Medical assistance payments	12/31/14	$ 3,385,865	$ 3,014,965	$ 370,900
Adjustments increasing medical assistance payments for prior periods	12/31/14	$ 1,323,626	$ 1,344,877	$ (21,251)
Medical assistance payments	03/31/15	$ 4,045,517	$ 3,292,427	$ 753,090
Medical assistance payments	09/30/15	$ 3,902,623	$ 6,272,560	$ (2,369,937)
Prescription drugs program payments	09/30/15	$ 19,531	$ 38,136	$ (18,605)
SF 425:				
H4778H	12/31/14	$ 15,142,529	$ 14,449,137	$ 693,392
H5778D	09/30/15	$ 5,526,999	$ 5,561,050	$ (34,051)
H5778H	09/30/15	$ 11,929,064	$ 11,898,395	$ 30,669

In addition, total expenditures reported on CMS 64 quarterly reports for fiscal year 2015 (excluding adjustments increasing and/or decreasing medical assistance payments for prior periods) amounted to $18,858,331 compared to total expenditures reported on the schedule of federal awards of $19,242,315, resulting in a variance of $383,984.

Cause: The potential cause of the above conditions are adjustments made subsequent to the submission of the CMS 64 and SF 425 reports and/or the lack of systematic filing of underlying accounting records supporting actual financial records.

Effect: The effect of the above conditions are noncompliance with Section 4.4 of the Medicaid Operational Plan and federal reporting requirements. No questioned costs result as funds drawn are supported by underlying accounting records.

Recommendation: We recommend that steps be taken to determine that information reported to the grantor is based on actual financial records and are supported with underlying accounting records.

Finding No.:	2015-034, Continued
Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.778 Medical Assistance Program
Federal Award Nos.:	1505-CQ5MAP, 1505-CQ5ADM, 05-1505CQ5MAP, 05-1505CQ5ADM, 05-1505CQ1935, 05-1505CQIMPL, 05-1505CQINCT, 05-1505CQACAI, 05-1405CQIMPL, 05-1405CQ1935 and 05-1405CQACAI
Area:	Reporting
Questioned Costs:	$-0-

Prior Year Status: Noncompliance with Section 4.4 of the Medicaid Operational Plan was reported as a finding in the CNMI Single Audits for fiscal years 2002 through 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Helen C. Sablan, Medicaid Director

Corrective Action: Required adjustments will be made on the FY2016 CMS 64 fourth quarter report.

Proposed Completion Date: FY 2016.

Finding No.:	2015-035
Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.778 Medical Assistance Program
Federal Award Nos.:	1505-CQ5MAP, 1505-CQ5ADM, 05-1505CQ5MAP, 05-1505CQ5ADM, 05-1505CQ1935, 05-1505CQIMPL, 05-1505CQINCT, 05-1505CQACAI, 05-1405CQIMPL, 05-1405CQ1935 and 05-1405CQACAI
Area:	Special Tests and Provisions
Questioned Costs:	$-0-

Criteria: In accordance with OMB Circular A-133 Compliance Supplement, State agencies must establish and maintain a program for conducting periodic risk analyses to ensure appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. On a biennial basis state agencies shall review the ADP system security of installations involved in the administration of HHS programs. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices.

Condition: The biennial review of the Program's ADP system security was not available.

Cause: The cause of the above condition is the lack of established policies and procedures for the biennial review of the Program's ADP system security.

Effect: The effect of the above condition is noncompliance with special tests and provisions requirements. No questioned costs result as we are unable to quantify the extent of the noncompliance.

Recommendation: We recommend that the CNMI establish policies and procedures for the biennial review of the Program's ADP system security.

Prior Year Status: The lack of established policies and procedures for the biennial review of the Program's ADP security system was reported as a finding in the CNMI Single Audit for fiscal year 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Ms. Helen C. Sablan, Medicaid Director and Mr. Frank Celis, Director, Division of Electronic Data Processing

Corrective Action: The CNMI is currently performing the following:

1. The As/400 720 midrange server is located in a secure windowless concrete building with no identification. The building is monitored by four security cameras with a lock, a deadbolt and a radio frequency identification (RFID) magnetic entry system.

2. The room in which the servers are located is protected by a magnetic locking system that can only be accessed with an RFID card.

Finding No.:	2015-035, Continued
Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.778 Medical Assistance Program
Federal Award Nos.:	1505-CQ5MAP, 1505-CQ5ADM, 05-1505CQ5MAP, 05-1505CQ5ADM, 05-1505CQ1935, 05-1505CQIMPL, 05-1505CQINCT, 05-1505CQACAI, 05-1405CQIMPL, 05-1405CQ1935 and 05-1405CQACAI
Area:	Special Tests and Provisions
Questioned Costs:	$-0-

Auditee Response and Corrective Action Plan, Continued:

Corrective Action, Continued:

3. Data is backed-up daily and monthly and all tapes are secured onsite and in a secondary site in fireproof safes. The network is protected by a Sonicwall NSA 4500 firewall.

4. Data lines are protected by Sonicwall NSA 4500 VPN tunnels using AeS 32 bit encryption.

5. The users of the As/400 system must go through three levels of authentication: Windows, Sonicwall GVC and As/400.

DOF is currently in the process of creating a plan of action and management policy to be in place by the end of the year. In addition, we are currently in the process of securing a disaster recovery site. DOF, at this time, does not currently have a Security Manager.

Proposed Completion Date: Ongoing.

Finding No.:	2015-036
CFDA Programs:	USDA 10.551 Supplemental Nutrition Assistance Program USDOI 15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects USDOT 20.205 Highway Planning and Construction
Area:	Equipment and Real Property Management
Questioned Costs:	$-0-

Criteria: In accordance with applicable regulations, a physical inventory of property must be taken and results reconciled with property records at least every two years and a State must use, manage and dispose of equipment acquired under a Federal award by the State in accordance with State laws and procedures.

The CNMI Property Management Policies and Procedures requires the Division of P&S to conduct an annual inventory of property held by a designated official who has administrative control over the use of personal property within his area of jurisdiction. Further, P&S shall perform random audits of property held by each accountable person to validate the integrity of the property control process.

Further, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Moreover, when acquiring replacement equipment, the grantee or sub-grantee may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property, subject to the approval of the awarding agency.

Condition: Tests of equipment and real property noted the following:

1. There is no documentation that a complete physical inventory of equipment and property and reconciliation with P&S records was performed over the last two fiscal years.

2. Property records maintained by P&S have missing information or did not include certain required information, such as serial or federal award identification number, source of the property, who holds title, percentage of federal participation in the cost of the property, and use and condition of the property.

Cause: The CNMI lacks the human resources and financial management system structure needed to effect compliance with applicable equipment and real property management requirements.

Effect: The effect of the above condition is noncompliance with applicable equipment management requirements. See below for cumulative dollar amount of property and equipment acquired with program grant funds.

Finding No.: 2015-036, Continued
CFDA Programs: USDA 10.551 Supplemental Nutrition Assistance Program
USDOI 15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects
USDOT 20.205 Highway Planning and Construction
Area: Equipment and Real Property Management
Questioned Costs: $-0-

Effect, Continued:

CFDA No.	2015	2014	2013	Grand Total
10.551	$ 76,451	$ 19,653	$ 389	$ 96,493
15.875	$ 1,123,090	$ 42,537	$ 104,272	$ 1,269,899
20.205	$ 3,796	$ 4,794	$ 215,990	$ 224,580

Recommendation: We recommend that complete records of property and equipment acquired with grant funds be maintained, physical inventories be performed, and compliance occur with applicable property management policies and procedures.

Prior Year Status: The lack of adherence to established policies and procedures regarding physical inventory counts of property and equipment and failure to reconcile property records was reported as a finding in the CNMI Single Audits for fiscal years 2007 through 2014.

Auditee Response and Corrective Action Plan:

Name of Contact Persons:

USDOA 10.551: Walter Macaranas, NAP Administrator
USDOI 15.875: Larrisa Larson, Secretary of Finance and Virginia C. Villagomez, CIP Administrator
USDOT 20.205: Larrisa Larson, Secretary of Finance and James A. Ada, Secretary, Department of Public Works

Corrective Action:

USDOA 10.551: The reconciliation performed by P&S for FY 2015 was completed on January 14, 2016. The NAP report for the physical inventory performed July 7 to 22, 2016 for FY 2016 is currently in progress and will be forwarded to P&S once completed. The report to be submitted to P&S will include the descriptions as required under management requirements of OMB Guidance § 200.313.

USDOI 15.875 and USDOT 20.205: The agencies cited in this finding will coordinate with DOF P&S to conduct a physical inventory and reconcile their property records.

Proposed Completion Date:

USDOA 10.551: September 30, 2016.
USDOI 15.875: FY 2017
USDOT 20.205: FY 2017

Finding No.:	2015-037
Federal Agency:	U.S. Department of Homeland Security
CFDA Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	1541DRMPP00000001 and 1611DRMPP00000001
Area:	Cash Management
Questioned Costs:	$-0-

Criteria: In accordance with applicable cash management requirements, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the recipient. Interest earned on advances is required to be submitted promptly, but at least quarterly, to the Federal agency.

Condition: As previously reported in finding number 2014-053 in the FY 2014 Single Audit Report of the CNMI, the following grants were closed as of September 30, 2014. Final drawdowns of $1,346,636 and $39,721 occurred in January 2013. No documentation has been provided to demonstrate that the advances have been obligated since January 2013. As of September 30, 2015, the unobligated amount of $1,386,500, inclusive of accrued interest, was recorded in the general fund (account no. 11623).

Grant No.	Business Unit	Total Cumulative Expenditures Per SF-425	Total Cumulative Expenditures Per General Ledger	Unobligated Amount
1541DRMPP00000001	M4037L	$ 6,334,210	$ 4,987,574	$ 1,346,636
1611DRMPP00000001	M6036W	$ 1,046,674	$ 1,006,953	$ 39,721

Cause: The cause of the above condition is failure to effect corrective action.

Effect: The effect of the above condition is noncompliance with applicable cash management requirements. No questioned costs are presented as the specified federal funds were previously questioned in the fiscal year 2014 audit.

Recommendation: We recommend that compliance with applicable cash management requirements occur and that interest earned on the advances be remitted to the Federal agency.

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Gerald Deleon Guerrero, Special Assistant for Homeland Security and Epi Cabrera, Office of Grants Management

Corrective Action: The Office of Homeland Security will work with the Office of Grants Management to review their compliance issues. They will also conduct in-house training on how to comply with the federal funds requirements to ensure compliance for upcoming fiscal years.

Proposed Completion Date: FY 2017

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Unresolved Prior Year Findings and Questioned Costs
Year Ended September 30, 2015

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs that were unresolved at September 30, 2015:

Questioned costs as previously reported:	
Fiscal year 2014	$ 3,754,204
Fiscal year 2013	9,161,172
Fiscal year 2012	4,063,717
Fiscal years 2011 and prior	9,208,491
	26,187,584
Less questioned costs resolved in fiscal year 2015:	
Questioned costs resolved per USDOC letter dated May 11, 2016:	
Fiscal year 2014 Single Audit	(53,603)
Questioned costs resolved per USDOI letter dated October 8, 2015:	
Fiscal year 2014 Single Audit	(1,923)
Questioned costs resolved per USDHHS letter dated February 26, 2015:	
Fiscal year 2012 Single Audit	(96,480)
Questioned costs resolved per email correspondence dated October 31, 2014:	
Fiscal year 2013 Single Audit	(8,101,826)
Questioned costs resolved per USDOI letter dated September 29, 2014:	
Fiscal year 2013 Single Audit	(1,969)
Fiscal year 2012 Single Audit	(118,135)
Fiscal year 2011 Single Audit	(85,588)
Fiscal year 2010 Single Audit	(2,110,483)
Fiscal year 2009 Single Audit	(1,428,391)
Fiscal year 2008 Single Audit	(272,985)
	13,916,201
Questioned costs of fiscal year 2015 Single Audit	3,198,253
Unresolved questioned costs at September 30, 2015	$ 17,114,454

Unresolved Findings

The status of unresolved findings is discussed in the Schedule of Findings and Questioned Costs section of this report.

Misc. Comm. No. 20-24

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
Northern Islands Mayor's Office
Caller Box 10007, Capitol Hill
Ascencion Ct., Bldg. #1345
Saipan, MP 96950
Telephone No. (670) 664-6470, 6471
Website: *http://www.cnminorthernislands.com*

February 17, 2017

NIMO17-114

The Honorable Ralph DLG Torres
Governor, Office of the Governor
Juan Sablan Bldg., Capitol Hill
Saipan, MP 96950

and

The Honorable Arnold I. Palacios
President, CNMI Senate
20th NMI Commonwealth Legislature
Jesus P. Mafnas Bldg., Capitol Hill
P.O. Box 500129
Saipan, MP 96950

and

The Honorable Raphael S. Demapan
Speaker, House of Representative
20th NMI Commonwealth Legislature
Jesus P. Mafnas Bldg., Capitol Hill
P.O. Box 500586
Saipan, MP 96950

OFFICE OF THE SENATE PRESIDENT
RECEIVED
DATE: 2/21/17
TIME: 1:50pm
by

Re: Fiscal Year 2018 Budget Request

Dear Governor Torres, Senate President Palacios, and House Speaker Demapan:

Norther Islands Mayor's Office (NIMO) Fiscal Year (FY) 2018 budget is the product of a best effort approach to providing vital public services to residents of Gani Islands in our collective effort in progressing forward with dignity and value-added along in our quest for permanent resettlement of the islands of Sarigan, Alamagan, Pagan, and Agrihan. Our approach lays Gani's foundational redevelopment that is anchored at the hub island of Pagan and outward

Dana
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DATE: 2/22/17 4:15 pm

incrementally throughout the Gani Islands. Guided by this roadmap that NIMO requests funding assistance as our best effort in resettlement and redevelopment in Gani through programs and projects represented in NIMO's FY 2018 budget submission.

The Fiscal Year 2018 budget request will enable us to continue and provide the foundation necessary for the NIMO's resettlement plan and other vital projects that will assure the sustainability of the settlements. The resettlement plan focuses on the four islands mentioned above with future plans for economic development programs and activities on the respective islands to ensure that the settlements are safe and sustainable. Temporarily, the NIMO had brought back its residents from the North to Saipan, with reasons.

The NIMO has since worked diligently with Office of Grants Management (OGM) in securing Solar Photovoltaic (PV) & Communications Equipment Systems & Installation for The Northern Islands. This is to insure that the returning residents of Sarigan, Alamagan, Pagan, and Agrihan have an upgraded communication system that they can power up with the help of the solar panels and to be able to communicate with both the NIMO and Homeland Security Emergency Management (HSEM) in case of emergencies also give them the ability to speak to their families and friends on Saipan. Installing new communication system upgrade gives residents a glimmer of hope and encourages them more to want to work alongside the NIMO in rebuilding their communities and economy. *"Mayor says Northern Islands need a better communications system, October 2016"*, *"Northern Islands mayor's office to acquire new communications system, July 2016"* and *"Northern Islands mayor's office, CNMI Homeland Security working to restore communication lines, April 2016"*

Be assured that NIMO does not simply ask for a pittance budget, but is cognizant in becoming a driver in socio-economic in Gani as well as throughout the CNMI. For instance, NIMO has been regularly requesting the Department of Public Lands Secretary to implement the Northern Islands' Free Trade Zone (FTZ) law. "Northern Islands mayor questions DPL's 'inaction', January 2017" and "NI mayor want FTZs sans Public Lands help, June 2015" . To this day, NIMO has been promised by DPL that a judicial review of the constitutionality of the law will be filed, but has not as of this writing. As mayor, I have expressed my desire to participate in the judicial review process as a co-party in dispute with DPL over its position against implementation now going on for four (4) years since enactment. NIMO has requested for a copy of the filing to the CNMI Supreme Court of a certified question along with DPL's complaint, motion(s), memorandum of law, evidentiary materials, etc. As of this writing, DPL has not responded to NIMO's request, in like manner that DPL has not acted in conducting a long awaited homestead survey in Pagan, for instance.

Because of DPL's inaction, NIMO intends to perform homestead surveys including the parcel for Free Trade Zone pursuant to law.

Your continued and untiring assistance, cooperation and understanding are greatly appreciated. Olomwaay, Si Yu'us Ma'ase, and Thank You.

Respectfully submitted,

Jerome K. Aldan
Mayor, Northern Islands aka "Gani" Islands

cc: Mrs. Virginia C. Villagomez, Special Assistant, Office of Management and Budget
Mr. Luis John DLG Castro, Chairman, 14th Saipan and Northern Islands Municipal Council

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NORTHERN ISLANDS MAYOR'S OFFICE (NIMO)

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ASCENCION CT., BLDG. #1345

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FISCAL YEAR 2018 BUDGET REQUEST PACKET

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
NORTHERN ISLANDS MAYOR'S OFFICE
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BUDGET REQUEST
****FISCAL YEAR 2018****

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NORTHERN ISLANDS MAYOR'S OFFICE (NIMO)

FISCAL YEAR 2018 BUDGET REQUEST

BUDGET JUSTIFICATION

The following represents the detailed budget justification for the Northern Islands Mayor's Office (NIMO) Fiscal year two thousand eighteen (FY 2018) budget appropriations request based on the combine total of the budget needs for the period covering **October 1, 20 7 through September 30, 2018** for the CNMI's Northern Islands.

61100 WAGES/SALARIES – EXPECTED SERVICE: $417,895.45

This budget category requested is to cover the cost of the mayor's annual salary as well as other personnel costs associated with the employment of nineteen employees needed by the NIMO to enable the mayor to carry out his constitutional, statutory duties, and related mandates.

The NIMO is faced with a very unique challenge in the delivery of public services in that it covers four islands under its jurisdiction, four of which are targeted for full resettlement. Thus, the NIMO's FY 2018 budget attempts to reflect the distribution of personnel and resources for Sarigan, Alamagan, Pagan, Agrihan, and the NIMO's field office on Saipan.

Positions	**Annual salaries**	
Mayor *$43,200.00 is the base salary pursuant to law	$43,200.00* + $31,800**	
**$31,800 is added to the base salary pursuant to Public Law 19-83, § 4(b), for a total of $75,000.00		
Program Manager	$32,500.00	
Administrative Officer	$25,000.00	
Computer Programmer	$20,000.00	
Administrative Assistant	$18,000.00	
Building Maintenance	$16,000.00	
Receptionist	$14,000.00	
Mayor's Representative x 4	$15,000.00	$60,000.00
Community Worker x 8	$13,624.00	$108,992.00

The Administrative Officer is needed to maintain day to day financial, accounting, administrative, and personnel services in order to meet legislative requirements and support municipal operations assist with preparation of the budget, assist with the annual audit and other related task from the mayor. Please note that two Mayor's Representative and two Community Workers would be situated on the Island of Sarigan. The same applies for the islands of Alamagan, Pagan, and Agrihan. This will allow each island to have equal number of employees to carry out the NIMO's duties and responsibilities. The plan for resettlement would focus on these four islands. However, Pagan Island is targeted to be the main hub in the Northern Islands. Please be mindful that most of the work in the Northern Islands are done manually as a result of the absent of motorized light and heavy equipments. It would be the responsibility of each islands Mayor's Representative to ensure that projects and community services are carried through accordingly in a safe and efficient manner.

61180	**LIFE INSURANCE (1.45%)**	**$4,897.00**

This budget category is requested to cover the employer's mandatory contribution to life insurance (CNMI Group Life Insurance Premiums) currently based at one and forty-five hundredths percent of the total base salary. This requirement is mandated by CNMI Law.

61195	**401k DC RET. EMP. CONTRIBITION (4%)**	**$13,508.00**

This budget category is requested to cover the employer's mandatory contribution to the retirement program (Define Contribution Retirement Plan) currently based at four percent of the total base salary. This requirement is mandated by CNMI Law.

61196	**FEDERAL INSURANCE CONTRIBUTION ACT (6.20%)**	**$20,937.00**

This budget category is requested to cover the employer's mandatory contribution to the Federal Insurance Contributions Act (FICA) currently based at six and twenty hundredths percent of the total base salary. This requirement is mandated by CNMI Law.

61220	MEDICARE CONTRIBUTION (1.45%)	$4,897.00

This budget category is requested to cover the employer's mandatory contribution to the Medicare Program currently based at one and forty-five hundredths percent of the total base salary. This requirement is mandated by CNMI Law.

62500	TRAVEL	$5,000.00

This budget category is requested to cover travel cost for the mayor and staff for the Association of Mariana Islands Mayors (AMIM) meetings on Guam, Rota, and Tinian and for other travel to enable the mayor to carry out his constitutional duties and for related mandates. This budget category is necessary to further promote the economic development and will require off-island traveling to encourage investment from abroad.

62500.10	TRAVEL (TRANSPORTATION)	$1,250.00

This budget category is requested to cover transportation cost for the mayor and staff for the AMIM while on official business travels. This includes the costs for air fare, rental of vehicles, and ground transportations. This budget category is necessary to aid the mayor and staff to be able to commute around during their travels.

62500.20	TRAVEL (PER DIEM)	$1,250.00

This budget category is requested to cover living expenses for the mayor and staff for the AMIM while on official business travels. Daily allowance for expenses, a specific amount in accordance with the CNMI government per diem as established.

62500.30	TRAVEL (SUBSISTENCE)	$1,250.00

This budget category is requested to cover subsistence expenses for the mayor and staff for the AMIM while on official business travels. Daily living expenses usually for long business travels, meals, hotels, sundry items such as laundry and similar expenditures.

62500.40	TRAVEL (REGISTRATION)	$1,250.00

This budget category is requested to cover registration services for the mayor and staff for the AMIM while on official business travels. This will enable the agency to contact the traveler in the event of an emergency, such as typhoon or related natural disasters before traveling abroad.

63120	EQUIPMENT UNDER FIVE THOUSAND DOLLARS	$5,000.00

This budget category is requested to cover expenditures for the initial acquisition, addition, and replacement of needed machineries, tools, and equipment this includes small boat engines, mobile generators, bush-cutters, chainsaws, riding mowers, push mowers, outboard engines, water pumps, hand tools, and other related tools and equipment.

64540	MACHINERY, TOOLS AND EQUIPMENT	$5,500.00

This budget category is requested to cover expenditures for the initial acquisition, addition, and procure needed machineries, tools, and equipment this includes small boat engines, small generators, bush-cutters, chainsaws, lawnmowers, outboard engines, water pumps, hand tools, and other related tools and equipment.

64550	COMPUTER SYSTEM AND EQUIPMENT	$5,500.00

This budget category is requested to cover expenditures for the initial acquisition, addition, and procure needed systems, and equipment this includes surveillance system, computer hardware and software, flat screen monitor, and other related equipment.

64560	OFFICE EQUIPMENT	$5,500.00

This budget category is requested to cover costs in procuring digital cameras, air conditioners, and related equipment including upgrading of current office equipment to better equip the office for its anticipated technical and logistical work in implementing its newsletters, brochures, posters, other necessary media forms to advertise, and promote the Northern Islands.

64570	OFFICE FURNITURES AND FIXTURES	$5,500.00

This budget category is requested to cover costs to furnish the Mayor's main office on Saipan. This applies for the Typhoon shelters on Sarigan and Alamagan, the church, generator house and multi-purpose center on Pagan, the dispensary on Agrihan, to which the NIMO anticipates to construct and retrofit in the near future. As of 2014 the field office in Pagan has been completed so a portion of this fund will go to furnishing said office.

63010	BOOKS AND LIBRARY MATERIALS	$2,000.00

This budget category is requested to pay for books and library materials essential to the Mayor's delivery of his constitutional duties and mandates with profound educational materials vital to the residents of the Northern Islands. Further, as efforts build up in promoting economic development in the Northern Islands, more books and library materials including maps and modern visual technology may be procured to provide the necessary information about the Northern Islands.

63020	FOOD ITEMS	$15,000.00

This budget category is requested to cover reasonable food, paper products (associated with food handling), and water supplies for NIMO when hosting important and justifiable events on Saipan as well as on all four Northern Islands as mention before. This also includes purchasing needed food items and paper products to be transported to the northern islands to further assist the residents to make life in the islands more tolerable since there are no convenient stores available. It is more affordable and sensible to purchase food supplies and paper products than providing daily stipends as Northern Islands residents are currently residing to various locations in the islands for extended period of time. This budget is critical as the Northern Islands do not have any commercial boarding or lodging facilities to provide for room and board or related accommodations.

63030	FUEL AND LUBRICATION	$25,000.00

This budget category is requested to cover fuel and lubrication costs for machineries and vehicles used by the NIMO to enable the mayor to carry out his constitutional, statutory duties, and mandates. The cost will include gasoline, diesel, oil, and other lubricants used for the NIMO's vehicles, generators, lawnmowers, bush-cutters, chainsaws, and other related equipment and machineries situated on Saipan, Sarigan, Alamagan, Pagan, and Agrihan.

63040	SUPPLIES (OFFICE)	$5,500.00

This budget category is requested to cover office supplies to enable the mayor to carry out his constitutional, statutory duties, and mandates. The costs will cover expenses associated in procuring papers, pencils, pens, typewriter ribbons, paper clips, fasteners, erasers, logbooks, computer disks and flash drives, printer ribbons and cartridges, labels, stickers, binders, folders, staplers, staple bullets, storage boxes, markers, filing trays, filing cabinets, and other expendable office supplies. Purchased items will be disbursing to the Typhoon shelters on Sarigan and Alamagan, the church, generator house and multi-purpose center on Pagan, the dispensary on Agrihan, to which the NIMO anticipates to construct in the near future. As of 2014 the field

office in Pagan has been completed so a portion of this fund will go to purchasing office supplies to said office.

63050	SUPPLIES (OPERATIONS)	$5,500.00

This budget category is requested to cover operational supplies to enable the mayor to carry out his constitutional, statutory duties, and mandates. The costs will cover expenses associated with procuring toiletries, general cleaning products, first-aid kits, flashlights, batteries, trash bags, ropes, tents, safety shoes, rain coats, gloves, and other supplies necessary for the safe and efficient operations and implementation of the NIMO's duties and responsibilities. Extra expense may be needed for ropes and cables for transporting materials and other commodities from the ocean-going vessels to the shores of the Northern Islands as none of the islands have any harbors or docking facilities.

62060	PROFESSIONAL SERVICES	$180,000.00

This budget category is requested to cover critical costs associated with transportation:

- Ocean Vessel Charter – One hundred eighty thousand dollars is requested to cover the costs of conducting chartered trips to and from the Northern Islands. The trips are vital to the livelihood of the residents. Trips are focused on transporting both people and supplies between the islands of Saipan and the Northern Islands and for the NIMO to conduct periodic assessments and evaluations of on-going programs and projects. Cost estimate for an ocean-going vessel for a day is four thousand five hundred dollars which totals in twenty- two thousand five hundred dollars for a five-day trip from Saipan to all Northern Islands and return. At the minimum of two trips per quarter totaling eight trips (8 x $22,500.00 = $180,000.00), which is the estimated time required to re-supply the islands with the needed supplies and commodities.

62080	ADVERTISING	$2,000.00

This budget category is requested to cover advertising costs necessary to comply with existing laws on mandatory public announcements for bids, request for proposals, and related public notices. Also included will be costs for advertising the Northern Islands in an effort to promote economic development.

62250	COMMUNICATIONS	$25,000.00

This budget category is requested to cover communication costs associated with the procurement of postage stamps and other mailing costs and for the payment of monthly office landlines, facsimile, cellular telephone, internet costs, and single side band radios.

62260	DUES AND SUBSCRIPTIONS	$1,500.00

This budget category is requested to cover expenditures associated with the annual membership dues to the CNMI Association of Mariana Islands Mayors (AMIM). This applies for the yearly subscription for Marianas Variety and Saipan Tribune.

62300	PRINTING AND PHOTOCOPYING	$2,500.00

This budget category is requested to cover costs for printing of forms such as purchase requisition, allotment forms, and travel authorization forms, etc. Additional cost is anticipated for the printing and publication of brochures, pamphlets, and posters promoting economic development in the Northern Islands.

62480	RENTAL (OTHERS)	$30,000.00

This budget category is requested to cover critical costs associated with air transportation:

- Aircraft Charter – This amount is requested to cover costs of conducting emergency trips from the Northern Islands. These emergency trips are vital to the livelihood of the

residents. Cost estimate for air-going crafts for five hours is two thousand four hundred dollars and cost of fuel transport of three drums is one thousand dollars per drum totaling in fifteen thousand dollars per trip (from Saipan to the Northern Islands and return). Flights will be focused on transporting people during life threatening situations between the Northern islands to Saipan that normal ocean-going vessel cannot provide. The fact that emergencies are unpredictable the NIMO request under this sub-account to have enough funds to support two trips in case of emergency. In addition, chartered flights for prospective investors for economic development promotion of the Northern Islands as well as re-supplying the residents with food and other needed supplies are included.

62660	REPAIRS AND MAINTENANCE	$9,000.00

This budget category is requested to cover repairs and maintenance of NIMO buildings, vehicles, and equipment (air-conditioners, typewriters, Single-Side Band Radios, etc.), and machineries (outboard engines, riding mowers, push mowers, chainsaws, and other similar machinery and equipment).

62680	FREIGHT AND HANDLING	$3,000.00

This budget category is requested to cover costs associated with freight and handling of items proposed to be procured by the NIMO. It will also include costs associated with "*Capital Items*" obtained from federal surpluses which could be available to the NIMO at no costs except for shipping and handling. Such items may include boat trailers, livestock trailers, mini trailers, heavy duty ropes, and related capital items.

62690	PERSONNEL TRAINING	$2,000.00

This budget category is requested to cover personnel training costs for NIMO employees and will include safety (OSHA requirements), first aid, emergency response programs, and other available training through the Northern Marianas College (NMC), Red Cross, Office of Personnel Management (OPM), Homeland Security Emergency Management (HSEM), Saipan &

Northern Islands Agriculture Association (SNIAFA), and Northern Islands Management Community Based Plan (NMCBP). The costs may include tuition fees, registration fees, and costs of workshop materials related to the training of employees sanctioned by the CNMI Government. If the training is held off-island, this category may include transportation, per diem, subsistence, and registration costs.

62750	CLEANING SERVICES	$3,000.00

This budget category is requested to cover cleaning services hired by the NIMO to create safe environment for the residents, employees, and visitors on Saipan as well as the Northern Islands. Maintaining these places to the highest standards so they remain protected, available and welcoming for everyone who uses them. Services includes trash collection, lawn care, janitorial for the NIMO.

64050	BUILDING & IMPROVEMENTS	$10,000.00

This budget category is requested to cover costs associated with improving new and existing structures of the NIMO necessary to comply with all new and current laws of the CNMI.

64280	ARCHITECTUAL & ENGINEERING	$10,000.00

This budget category is requested to cover costs associated with providing architectural and engineering strategies to the NIMO located on Ascension Ct., Government Housing number 1345, in Capitol Hill, Saipan. This applies to the new and existing structures in the Northern Islands; typhoon shelters, churches, multi-purpose centers, dispensaries, cold fish storage facilities, and generator houses.

64290	PROJECT INSPECTION	$10,000.00

This budget category is requested to cover inspection costs associated with providing detailed scope of work to the NIMO located on Ascension Ct., Government Housing number 1345, in Capitol Hill, Saipan. This applies to the new and existing structures in the Northern Islands; typhoon shelters, churches, multi-purpose centers, dispensaries, cold fish storage facilities, and generator houses.

64320	CONSTRUCTION	$10,000.00

This budget category is requested to cover costs associated with construction to the NIMO located on Ascension Ct., Government Housing number 1345, in Capitol Hill, Saipan. This applies to the new and existing structures in the Northern Islands; typhoon shelters, churches, multi-purpose centers, dispensaries, cold fish storage facilities, and generator houses.

64340	CONTINGENCIES	$10,000.00

This budget category is requested to cover costs, a specific amount that is held in reserve to deal with unforeseen circumstances for all NIMO projects to the NIMO located on Ascension Ct., Government Housing number 1345, in Capitol Hill, Saipan. This applies to the new and existing structures in the Northern Islands; typhoon shelters, churches, multi-purpose centers, dispensaries, cold fish storage facilities, and generator houses.

64420	DEMOLITION & REMOVAL	$10,000.00

This budget category is requested to cover costs associated with providing demolition and removal of old structures and debris from the NIMO located on Ascension Ct., Government Housing number 1345, in Capitol Hill, Saipan. This applies to the Northern Islands in demolishing old existing structures and removing from site.

64520	IMPROVEMENTS	$10,000.00

This budget category is requested to cover costs associated with improving the quality of life in our neighborhoods and community in the Northern Islands by focusing on infrastructure, eradicating blight and strengthening public safety to attain a livable and sustainable environment.

62290	LICENSE AND FEES	$2,000.00

This budget category is requested to cover for payment of the annual license fees of the NIMO vehicles and boats.

62710	UTILITIES (POWER)	$15,000.00

This budget category is requested to cover costs associated with providing electrical power to the NIMO located on Ascension Ct., Government Housing number 1345, in Capitol Hill, Saipan.

62720	UTILITIES (WATER)	$15,000.00

This budget category is requested to cover costs associated with providing water and sewer to the NIMO located on Ascension Ct., Government Housing number 1345, in Capitol Hill, Saipan.

65600	CONTRIBUTIONS AND DONATIONS	$2,000.00

This budget category is requested to cover for contribution and donations from the NIMO to the CNMI private and public entities alike for good cause.

62070	AUDITOR'S FEE (1%)	$8,379.00

This budget category is requested to cover the monthly fees to the auditor necessary to comply with existing laws in the CNMI.

MISSION STATEMENT

The Mission of the Northern Islands Mayor's Office is to be financially responsible and reach results that progress the Northern Islands interest.

It is essential to maintain the well-being, cleanliness, and safety of the Northern Islands Community in ways that reflect the wants and needs of the people who live, work and visit the Northern Islands.

We must pursue resettlement in the Northern Islands; to return the residents back to their respective islands. Creating jobs and improve the quality of education for the residents of the North.

We must also pursue opportunities to accelerate and expand the economic redevelopment of the Northern Islands' business community and neighborhoods.

VISION

Northern Islands' main hub, Pagan, make every effort to be a national role model for resettlement and economic redevelopment in the Northern Islands. Creating jobs, ensuring safe neighborhoods, continuing to raise academic standards and expectations, and stimulating the Northern Islands' economic redevelopment with an emphasis on small business. Our "Resettlement and Economic Redevelopment Plan" for preservation and growth is instrumental in our vision for the next decade to be an international, green, and competitive job hub that provides a vibrant quality of life for all of its residents, employees, and visitors.

CORE VALUES

1. **Safe, Clean, and Ready for Use.** We create safe environment for the residents, employees, and visitors. We maintain these places to the highest standards so they remain protected, available and welcoming for everyone who uses them. We provide public spaces that residents, employees, and visitors are pleased to call their own.
2. **We Care for Our Natural Resources Because We Care for Each Other.** Clean beaches, springs, lakes, healthy forests, and open spaces are vital for our mental and physical well-being. We are proud to be passionate protectors and caretakers of Northern Islands "Gani Islands."

3. **The World Needs Play.** The more we expose people to fun and enriching experiences, the more opportunities we create for people to learn, connect and share. Whether it's looking at the tops of the trees, feeling clay ooze through one's fingers for the first time or immersing oneself in our rich history; we view the creation of these opportunities for personal growth as a core responsibility.

4. **We Are Open and Willing Partners.** We can't do this essential work alone, nor can we do it apart. We are all at our best when we work together.

5. **We Believe in Others.** The greatest impact we can have is to lift the lives of those around us. We believe in the potential of people and work in service of their aspirations. By doing so, we advance their probability for personal growth and success– on their own terms, with their families and within their own neighborhoods.

6. **We Never Give Up.** We are persistent, creative and resilient. We will use that Philly grit to grow our city into a life force that fosters success.

Our Four Key Goals of 2017-2018

1. **Responsiveness**:

The Northern Islands Mayor's Office makes professional and fiscally responsible decisions based on data and delivers quality customer service that advances the Northern Islands well-being.

2. **Improvements:**

Improve the quality of life in our neighborhoods and community in the Northern Islands by focusing on infrastructure, eradicating blight and strengthening public safety to attain a livable and sustainable environment.

3. **Alignment:**

Align community-wide educational resources by integrating higher education, senior services, library, recreation, and early childhood operations.

4. **Collaborations:**

A livable, sustainable and vibrant island with programs and partnerships that harness existing assets (including local minority and female-owned organizations) and that support the business environment and maximize job retention and growth.

PROGRAM OVERVIEW

The Northern Islands Mayor's Office (NIMO) was established pursuant to Article VI, Section 2, of the commonwealth constitution. Article VI, Section 3(b) requires the NIMO to administer government programs, public services, and appropriations provided by law, for the islands served by the Mayor and report quarterly to the governor, relating to these programs and services or appropriation. Section 3(b), on the other hand, requires the NIMO to submit its budget on operations and capital improvement projects as part of the governor's submittal to the legislature.

We honor the public trust and inspire in our community to:

- Provide the best and quality services and programs.
- Promote economic prosperity, safety, social welfare, and a clean and healthy environment in the Northern Islands.
- Work hard and be dedicated for vibrant and progressive islands in the North where family, community, and diversity are embraced.
- Encourage residents to return to their respective islands to meet the constitutional provisions of one thousand plus one (1,000+1) residents in order to become a senatorial district.

The Northern Islands Homesteading Act of 2008 (**Public Law 16-50**)

- An existing law that the Department of Public Lands (DPL) needs to implement as swiftly as possible.

Waiver Act Program (**Public Law 2-13**)

- DPL needs to start reviewing and issuing Quitclaim Deeds of legitimate claims submitted by the Northern Islands residents for eon's time.

FISCAL YEAR 2017 BUDGET ISSUES AND HIGHLIGHTS

This budget request reflects the office continuing endeavor to streamline operations and maximize resources available to provide services to the citizens of the Northern Islands. To this end, our priorities for fiscal year 2017 are:

a) RESETTLEMENT OF THE NORTHERN ISLANDS - continue to focus on our goal to return the residents of the Northern Islands to their respective islands.

b) TRANSPORTATION - continue to work in seeking funds to assist the NIMO in leveling and upgrading the air-strip and to construct a permanent docking facility on Pagan. The airstrip will make accessible for commercial airplanes while the dock will make accessible for commercial vessels. In addition, to request funds for more frequent trips to the Northern Islands by ocean going vessels. Engage in a routine ocean vessel routing system and more frequent flights to Pagan Island.

c) HOMESTEAD PROGRAMS - continuing to work closely with DPL to timely implement the Northern Islands Homesteading Act of 2008 (Public Law 16-50). This will provide the NIMO employees to assist on any field work that is conducted by DPL. In addition to the Homestead Program, to continue working with DPL on existing claims submitted by Northern Islands Residents to the DPL claiming lands in the Northern Islands under the Waiver Act (Public Law 2-13).

d) ECONOMIC DEVELOPMENT - to entice businesses to invest in the Northern Islands so that the people of the Northern Islands could be afforded job opportunities and be self-efficient.

e) HEALTH AND EDUCATION - to work in collaboration with the Commonwealth Healthcare Corporation (CHCC) for interested professionals willing to assist in the Northern Islands to cater to the residents. This also applies to the Public School System (PSS) where teachers could be tapped to reach in the Northern Islands.

f) INFRASTRUCTURES - to continue requesting the DPL to designate a minimum of five thousand to ten thousand square meters (5,000 sq. – 10,000 sq.) of public lands to be used for its Multi-Purpose Center.

g) ADVERTISEMENT - working closely with Marianas Visitors Authority to include the Northern Islands as a tourist destination. This would allow the islands North of Saipan to be featured in MVA's booklets and promotional advertisements.

h) MILITARY – The biggest issue that the NIMO is currently facing are the military plans of using Pagan Island as a military live fire and live bomb training range. The current status is that Pagan is still under draft Environmental Impact Statement/Overseas Environmental Impact Statement (EIS/OEIS) under the CNMI Joint Military Training (CJMT). Funding is necessary to pay professionals to review the EIS and allow the NIMO and the residents of the Northern Island a better understanding of the military's intent of taking over Pagan Island which is the most potentially easy island to be developed by the local government.

i) FUEL – considering that there are no fueling stations in the Northern Islands, it has been a great challenge for the NIMO to rent sea and air vessels to transport food and commodities to the Northern Islands. Not to mention the continued increase in the cost of fuel.

j) COMMUNICATION – the only form of communication with the residents is through a side band radio. Oftentimes when the weather is rough these radios tend to fade providing for poor communication with the residents in the Northern Islands. Pagan is now accessible to internet as a result of the volcano monitoring device that was installed by the XRI in collaboration with HSEM. The accessibility of the internet is currently restricted due to high cost of maintenance as provided by HSEM. However, the other northern islands do not have this means of communication.

All other elements of the request are necessary to maintain the FY 2017 level of effort.

STRUCTURE AND SERVICES

The Northern Islands Mayor's Office is an office operating under the mandated duties as provided for in the Commonwealth of the Northern Mariana Islands Constitution. The NIMO is still a small office and has no structure comprising of other divisions that is the reason why it is essentially unique in providing its services to the people of the Northern Islands.

PERMFORMANCE INDICATORS

Performance Indicators Fiscal 2015-2016:

- NIMO continues to actively promote the sustainable establishment of agricultural and fishing communities in Pagan, in addition to the effective use of Pozzolan materials.
- The Pagan Fishing Community has been established in July 2015, while the Cold Fish Storage facility is still pending with DLNR.
- Received $10,000.00 from SNILD, for the purpose of NIMO activities.
- NIMO continues to coordinate with DLNR Forestry in propagation and mass plantation of native trees such as "Ifit" including coffee, cocoa, and dragon fruit. The Forestry Division has proposed to establish a site nursery on Pagan for this purpose.
- With the absence of the Homeland Security Emergency Management Office, Fish and Wildlife Office, and other government office in the Northern Islands, the NIMO has been the key communicator to the islands of Saipan and Guam with respect to volcano activities, wild life issues, etc. In doing so, the office continues to work in harmony with other government agencies such as the DLNR, BECQ, and CRM that have some control of the resources in the Northern Islands so that the needed development and studies are completed on a timely manner.
- The NIMO continues to follow-up on the implementation of the Homestead Programs in the Northern Islands through DPL.
- The NIMO is working closely with HBC & Associates whom have secured a year-to-year permit from DPL to landscape a portion of Pagan Island for beautification purposes.
- Received $50,000.00 from SNILD for NIMO's Operations.
- The NIMO has been providing seasonal crops to the residents of Pagan and Alamagan to be planted as part of the NIMO's project to have the residents be more self-sustaining. These folks although a few in numbers had been cultivation and consuming their crops and not necessarily relying on the NIMO for food supplies.
- NIMO continues to follow-up on the written request to DPL for Grant of Public Domain in Pagan for NIMO's Multi-Purpose Center that will house the dispensary, school, emergency shelter, and ocean research laboratory.

- The NIMO continues to provide regular ocean vessel field trips to the Northern Islands to service the islands and people.
- The NIMO through working closely with the 20th House and Senate managed to amend Public Law 12-20 which is the Free Trade Zone law and through its amendments gave way to Public Law 18-15, which amendments included the Northern Islands in the free trade zone as it was not included in Public 12-20.
- Successfully hosted the Northern Islands Community Based Management Plan to find better alternatives to prevent destruction to marine and coastal areas of the Northern islands.
- Received $10,000 in funding from legislature for the sole purpose of renting an ocean vessel to assist in re-supplying the Northern Islands.
- The mountain climbers known as the High Pointers coordinated with the NIMO for an expedition climb of Agrihan's volcano. The Summit has placed the northern islands on the map for adventure seekers to explore and conquer and this is just one of the many activities that will soon follow.
- The progression of the Konferencian Dinana Islas Marianas.
- Received $10,000.00 from SNILD for the "Too Beautiful to Bomb".
- Worked with Grants Management Office on acquiring an ocean vessel to further assist the NIMO in providing frequent trips to and from the Northern Islands.
- The NIMO staff continues to attend the CERT training on a yearly basis.
- Received another $50,000.00 from SNILD for NIMO's Operations.
- Received $25,000.00 from SNILD FOR NIMO's Operations.
- Received Federal fund worth $98,630.00 from OIA for the purchasing of ATVs, Communication systems, solar panels, mobile generators, office and operational supplies.
- Met with the Ching-Kuo Institute of Management and Health to discuss potential agriculture, marine culture, and farming strategies best fits the Northern Islands.

Anticipated Performance Fiscal Year 2018:

- The NIMO is still looking forward to the implementation of the Northern Islands Homestead Act of 2008, with the cooperation and assistance of the Department of Public Lands. The DPL is aware of this law but has not been very active in supporting its implementation. The NIMO will continue to push for the Homestead Programs in the Northern Islands.

- The NIMO had requested the DPL to designate at least 5,000 – 10,000 square meters of public lands on the islands of Agrigan, Pagan, Alamagan, and Sariguan to the NIMO for its Multi-Purpose Center. We will continue to seek the DPL'S cooperation and concurrence on said request.

- The NIMO is looking at other areas that the Federal Government can offer to provide some form of assistance to aide in the development of the Northern Islands and not merely rely on Central Government.

- The NIMO continues working diligently with at least two (2) active investors interested in eco-tourism development on Pagan.

- The NIMO is looking with the 19th Legislature and Senate to introduce laws that will allow the Mayor of the Northern Islands power to receive permit fees for fishing and hunting licenses in the Northern Islands similar to the control the Mayor of Tinian has on the Aguiguan.

- The NIMO is coordinating closely with the military on its Pacific area training requirements in the Northern Islands.

- The NIMO anticipates more cruise line visit to Pagan in 2017 and will work to increase such low impact tourism in the Northern Islands Particularly Pagan.

- The NIMO is coordinating with the Department of Lands and Natural Resources Forestry in the propagation and mass plantation of native trees such as "ifit" including Pagan coffee, cocoa, and dragon fruit.

- The NIMO will actively promote the sustainable establishment of agricultural and fishing communities in Pagan, in addition to the effective use of Pozzolan mineral.

- The NIMO will continue to strike to become a Senatorial District by building the Northern Islands Community.

- Continue working with our Legislatures and Governor to oppose the Military takeover of Pagan Island.

- Continuation of the progression of the Konferencian Dinana Islas Marianas.

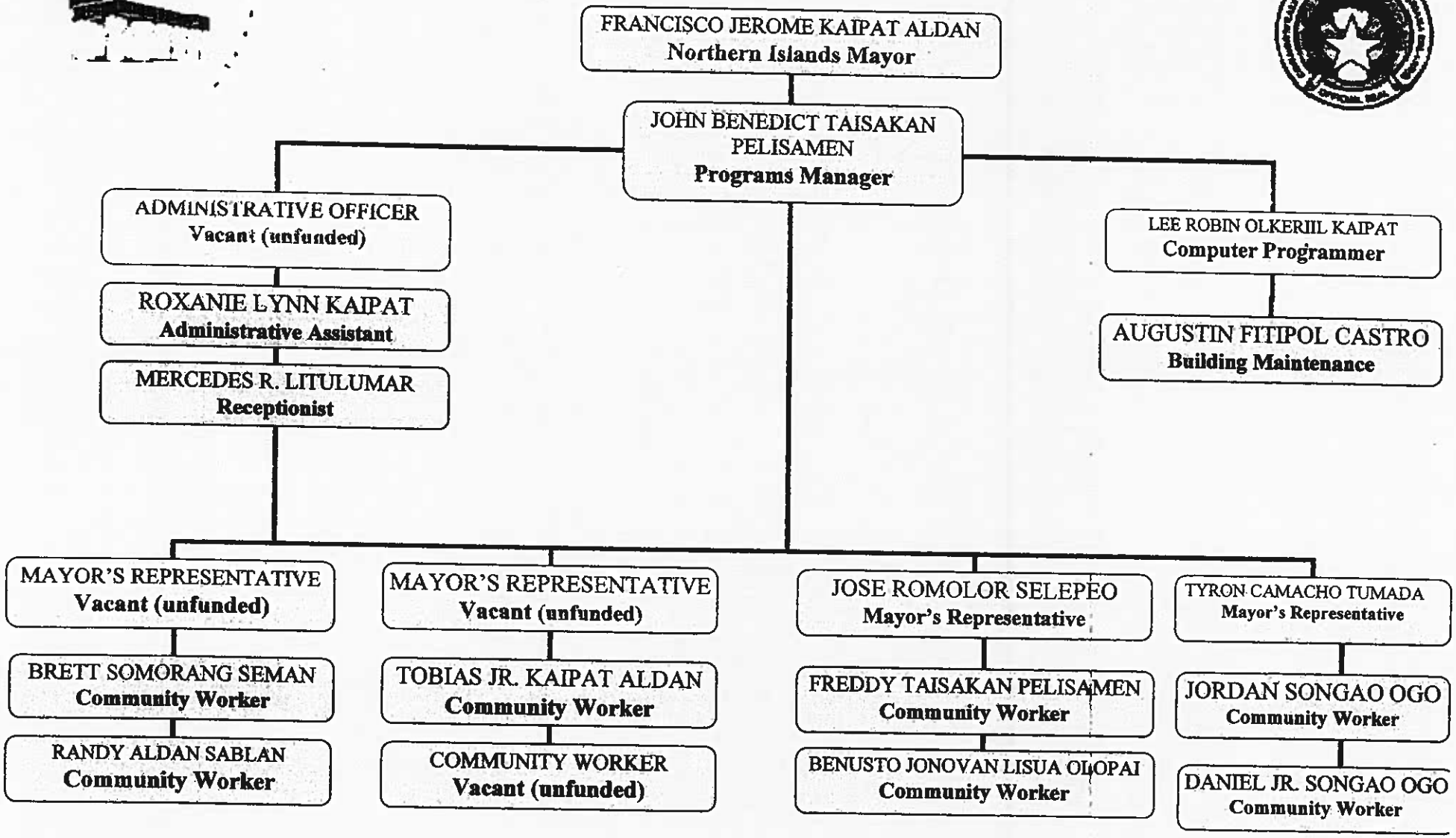
- Working with the Office of Grants Management for grant proposal for communication upgrade in the Northern Islands.

- Working with the Office of Grants management for grant proposal to purchase and procure an ocean vessel for the Northern Islands.

- The NIMO is looking forward in coordinating with interested investors to have a yacht race from Saipan to Pagan.

- Future High Pointers expeditions to the Northern Islands promoting adventure tours.

ORGANIZATION CHART (FY 2018)



Approved by: _____

Jerome Kaipat Aldan, Northern Islands Mayor

Department: OFFICE OF THE MAYOR

Activity: NORTHERN ISLANDS MAYOR'S OFFICE

Business Unit: 1060

CAPITAL ITEMS PROCURRED UNDER NIMO FY'15-'16

Date Acquired	Item No.	Property Tag No.	Description	Manufacturer	Model No.	Serial No.	Reference	Acquisition Cost	Eq. Stat.	Condition Code (*)	Bus. Unit/Inv. Location
09.28.2016		MP30425CM	HAMMER DRILL1/2	DEWALT	HAMMER DRILL	60745	NIMO16-237	$155.09	WK	N1	1060
09.28.2016		MP30420CM	CIRCULAR SAW	MAKITA	CIRCULAR SAW	1509329	NIMO16-237	$161.99	WK	N1	1060
09.28.2016		MP30418CM	LAWN MOWER	POWERMORE	LAWN MOWER	11215K20440	NIMO16-237	$294.45	WK	N1	1060
09.28.2016		MP30419CM	LAWN MOWER	POWERMORE	LAWN MOWER	11215K20436	NIMO16-237	$294.45	WK	N1	1060
10.17.2016		MP30468CM	OFFICE JET 4650	HP PRINTER	PRINTER	TH6673J2BV	NIMO16-241	$210.00	WK	N1	1060
10.17.2016		MP30469	FFICE JET 46	HP PRINTER	PRINTER	TH6673J2CB	NIMO16-241	$210.00	WK	N1	1060
10.17.2016		MP30470	FFICE JET 46	HP PRINTER	PRINTER	TH6553BOH7	NIMO16-241	$210.00	WK	N1	1060
10.20.2016		MP30542	LING CABINE	N/A	LING CABINE	N/A	NIMO16-234	$299.99	WK	N1	1060
10.20.2016		MP30543	LING CABINE	N/A	LING CABINE	N/A	NIMO16-234	$299.99	WK	N1	1060
10.20.2016		MP30544	LING CABINE	N/A	LING CABINE	N/A	NIMO16-234	$299.99	WK	N1	1060
10.20.2016		MP30545	LING CABINE	N/A	LING CABINE	N/A	NIMO16-234	$299.99	WK	N1	1060
10.21.2016		MP30467	GITAL CAME	CANON	GITAL CAME	2.62074E+11	NIMO16-244	$828.00	WK	N1	1060
11.03.2016		FA-01246US	ATV	YAMAHA KO	ATV	64813	TB16-NIMO-14	$11,695.00	WK	N1	I6875M
11.03.2016		FA-01247US	ATV	YAMAHA KO	ATV	64815	TB16-NIMO-14	$10,150.00	WK	N1	I6875M
11.03.2016		FA-01248US	ATV	YAMAHA KO	ATV	64814	TB16-NIMO-14	$10,150.00	WK	N1	I6875M

11.10.2016	MP29674CM	GITAL CAME	CANON	GITAL CAME	3.02074E+11	NIMO16-244	$828.00	WK	N1	1060
11.15.2016	MP29711CM	TYPEWRITER	BROTHERS	TYPEWRITER	M5K394932	NIMO16-254	$318.98	WK	N1	1060
12.05.2016	MP29817CM	TELEPHONE	MERIDIAN	TELEPHONE	M5316	NIMO15-057	$229.66	WK	N1	1060
12.05.2016	MP29818CM	TELEPHONE	MERIDIAN	TELEPHONE	D215	NIMO15-057	$299.96	WK	N1	1060
12.05.2016	MP29819CM	TELEPHONE	MERIDIAN	TELEPHONE	MTM5933972	NIMO15-057	$299.96	WK	N1	1060
12.05.2016	MP29820CM	TELEPHONE	MERIDIAN	TELEPHONE	306348310	NIMO15-057	$299.96	WK	N1	1060
09.30.2016	MP29608CM	WATER TANK	N/A	WATER TANK	N/A	NIMO16-239	$1,800.00	WK	N1	1060
09.30.2016	MP29609CM	WATER TANK	N/A	WATER TANK	N/A	NIMO16-239	$1,800.00	WK	N1	1060
09.30.2016	MP29610CM	WATER TANK	N/A	WATER TANK	n/A	NIMO16-239	$1,800.00	WK	N1	1060
12.23.2016	MP29951CM	BUSH CUTTE	MURRAY	BUSH CUTTE	BAB0077664	NIMO16-069	$499.00	WK	N1	1060
12.23.2016	MP29952CM	BUSH CUTTE	MURRAY	BUSH CUTTE	BAB0077632	NIMO16-069	$499.00	WK	N1	1060
01.11.2017	MP29981CM	USH MOWE	POULAN PRO	PR450N20S	42116M03469	NIMO17-070	$329.99	WK	N1	1060
01.11.2017	MP29982CM	USH MOWE	POULAN PRO		042116M03468	NIMO17-070	$329.99	WK	N1	1060
01.11.2017	MP29983CM	USH MOWE	POULAN PRO		042116M03470	NIMO17-070	$329.99	WK	N1	1060
01.11.2017	MP29986CM	6"CHAINSAV	POULAN	P3816	5146N200337-	NIMO17-070	$289.99	WK	N1	1060
01.11.2017	MP29987CM	6"CHAINSAV	POULAN		15146N200340-	NIMO17-070	$289.99	WK	N1	1060
01.11.2017	MP29984CM	8"CHAINSAV	POULAN PRO	PP4218A	6040N501760-	NIMO17-070	$759.98	WK	N1	1060
01.11.2017	MP29985CM	8"CHAINSAV	POULAN PRO		16040N501652-	NIMO17-070	$759.98	WK	N1	1060
01.26.2017	MP30847CM	BUSH CUTTE	TSUBISHI KAAZ			GRANTS OFFICE	DONATION	WK	N1	
01.26.2017	MP30848CM	BUSH CUTTE	TSUBISHI KAAZ			GRANTS OFFICE	DONATION	WK	N1	
02.16.2017	MP29974CM	BUSH CUTTE	MURRAY	BUSH CUTTE	BS866019	NIMO16-069	$499.00	WK	N1	1060

02.17.2017	MP29971CM	Desk L-Type		N/A	Desk L-Type	KE-168L	NIMO17-083	$799.95	WK	N1	1060
02.17.2017	MP29972CM	Ent. Chair		N/A	Ent.Chair	4561BK-IM06	NIMO17-083	$320.00	WK	N1	1060
02.17.2017	MP30953CM	A/C	Comfort Zone		A/C	N/A	NIMO17-113	$849.00	WK	N1	1060
02.17.2017	MP30954CM	A/C	Comfort Zone		A/C	N/A	NIMO17-113	$749.00	WK	N1	1060
02.17.2017	MP30963CM	A/C	Comfort Zone		A/C	N/A	NIMO17-128	$849.00	WK	N1	1060

CONDITIONS:

N-New

E- Used (recondition)

O- Used (usable w/out repair)

R- Used (repair required)

X- Items of no further value for use as intended but possible value other than scrap

Y- Worn out (no value except as scrap)

1- Excellent

2- Good

3- Fair

4- Poor

(S- stolen item(s)

Equipment Status	
WK	Working
IV	Inventoried
IU	Inventory Unlocated
SY	Surveyed

Location of Property	Funding Source B/U
NIMO	STOLEN10.18.16
NIMO	STOLEN 10.18.16
NIMO	STOLEN 10.24.16
NIMO	STOLEN 10.24.16
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OPERATING EXPENDITURE WORKSHEET

DEPT.: Northern Islands Mayor's Office
ACTY.: Office of the Mayor
Bus. Unit: 1060

CLASS CODE	OBJECT CLASSIFICATION	2015 Actual Expense	2016 Actual Expense	2017 Budget PL 19-68	Department's 2018 Request
a. PERSONNEL					
61090	WAGES / SALARIES-CSC				
61100	WAGES / SALARIES-UNG	$185,489.00	$211,204.00	$265,316.00	$417,895.45
61110	OVERTIME COMPENSATION				
b. FRINGE BENEFITS					
61180	PERSONNEL INSURANCE	$94.00	$3,062.00	$3,847.00	$4,897.00
61190	RETIREMENT CONTRIBUTIONS	$5,247.00			
61195	401K DC RET. EMPLR. CONTR.	$4,249.00			$13,508.00
61196	FICA @ 6.20%	$11,559.00	$13,095.00	$16,450.00	$20,937.00
61220	MEDICARE CONTRIBUTION	$2,703.00	$3,062.00	$3,847.00	$4,897.00
61299	PERSONNEL APPROPRIATIONS				
c.	**TOTAL PERSONNEL**	**$209,341.00**	**$230,423.00**	**$289,460.00**	**$462,134.45**
	NUMBER OF POSITIONS	**17**	**19**	**17**	**19**
d. TRAVEL					
62500	TRAVEL	$269.00	$264.00	$5,500.00	$5,000.00
62500.10	TRANSPORTATION				$1,250.00
62500.20	PER DIEM				$1,250.00
62500.30	SUBSISTENCE				$1,250.00
62500.40	REGISTRATION				$1,250.00
	TOTAL TRAVEL	**$269.00**	**$264.00**	**5,500.00**	**10,000.00**
e. EQUIPMENT					
63120	EQUIPMENT UNDER $5000	$604.00	$1,000.00	$5,000.00	$5,000.00
64540	MACHINERY, TOOLS & EQUIPMENT		$1,000.00	$5,500.00	$5,500.00
64550	COMPUTER SYSTEM & EQUIPMENT				$5,500.00
64560	OFFICE EQUIPMENT		$1,000.00	$3,500.00	$5,500.00
64570	OFFICE FURNITURE & FIXTURES	$2,663.00	$1,000.00	$2,500.00	$5,500.00
64580	VEHICLES - PUB. SVC. & ADMIN.				
	TOTAL EQUIPMENT	**$3,267.00**	**$4,000.00**	**16,500.00**	**27,000.00**
f. SUPPLIES					
63010	BOOKS & LIBRARY MATERIALS			$1,500.00	$2,000.00
63020	FOOD ITEMS	$5,832.00	$6,886.00	$15,000.00	$15,000.00
63030	FUEL & LUBRICATIONS	$13,179.00	$10,904.00	$25,000.00	$25,000.00
63040	SUPPLIES - OFFICE	$3,000.00	$2,767.00	$2,500.00	$5,500.00

DEPARTMENT OF THE NAVY
JOINT REGION MARIANAS
PSC 455, BOX 211
FPO AP 96540-1000

Misc. Comm. No. 20-25

4000
Ser J00/ 0013
January 18, 2017

OFFICE OF THE SENATE
RECEIVED
DATE: 2/9/17
TIME: 1158am
PRESIDENT

The Honorable Arnold I. Palacios
Acting Governor
Commonwealth of the Northern Mariana Islands
Caller Box 10007
Saipan, MP 96950

Dear Acting Governor Palacios:

SUBJECT: REQUEST FOR IMMEDIATE UNEXPLODED ORDNANCE (UXO) SUPPORT

Thank you for your letter of January 16, 2017 requesting immediate Explosive Ordnance Disposal (EOD) assistance for a suspected significant UXO discovered during a clearing of a construction site between the Chalan Kiya Mobile Station and the Calvary Christian Academy School in San Jose Village, Saipan. In accordance with the Memorandum of Understanding that I signed with Governor Ralph DLG. Torres on January 13, 2017 regarding procedures associated with requesting Department of Defense EOD disposal support, I approved your request. The Navy EOD team from Guam will be coordinating their assistance directly with the point of contacts you listed in your letter.

I certainly understand the immediacy of your situation caused from the suspected UXO and wish for the EOD assistance to be expeditious and safe.

Should you have any questions or require additional information, our point of contact is Colonel Walter C. Hattemer, Joint Region Marianas (JRM) Director of Operations, at 671-349-2636 or via email at walter.hattemer@fe.navy.mil.

Sincerely,

B. BOLIVAR
Rear Admiral, U.S. Navy
Commander

Dom
RECEIVED 2/27/17 3PM

63050	SUPPLIES - OPERATIONS	$7,889.00	$6,399.00	$5,500.00	$5,500.00
	TOTAL SUPPLIES	**$29,900.00**	**$26,956.00**	**49,500.00**	**53,000.00**
g. CONTRACTUAL					
62060	PROFESSIONAL SERVICES			$112,500.00	$180,000.00
62080	ADVERTISING		$70.00	$1,500.00	$2,000.00
62250	COMMUNICATIONS	$18,800.00	$16,000.00	$25,000.00	$25,000.00
62260	DUES AND SUBSCRIPTIONS		$700.00	$1,500.00	$2,000.00
62300	PRINTING & PHOTOCOPYING	$70.00	$700.00	$2,500.00	$3,000.00
62480	RENTAL (OTHERS)	$51,950.00	$43,159.00	$22,401.00	$30,000.00
62660	REPAIRS & MAINTENANCE	$1,077.00	$2,210.00	$8,500.00	$9,000.00
62680	FREIGHT & HANDLING			$2,500.00	$3,000.00
62690	PERSONNEL TRAINING COSTS			$2,500.00	$2,000.00
62750	CLEANING SERVICES				$3,000.00
	TOTAL CONTRACTUAL	**$71,897.00**	**$62,839.00**	**178,901.00**	**259,000.00**
h. CONSTRUCTION					
64050	BUILDINGS & IMPROVEMENTS				$10,000.00
64280	ARCHITECTUAL & ENGINEERING				$10,000.00
64290	PROJECT INSPECTION				$10,000.00
64320	CONSTRUCTION				$10,000.00
64340	CONTINGENCIES				$10,000.00
64420	DEMOLITION & REMOVAL				$10,000.00
64520	IMPROVEMENTS				$10,000.00
	TOTAL CONTRUCTION	**0.00**	**0.00**	**0.00**	**70,000.00**
i. OTHER					
62050	OFFICIAL REPRESENTATION	$596.00	$1,331.00	$2,500.00	$3,000.00
62290	LICENSES & FEES			$1,500.00	$2,000.00
62670	ALL OTHERS (BUDGET ONLY)				
62710	UTILITIES-POWER		$10,000.00	$10,000.00	$15,000.00
62720	UTILITIES-WATER				$15,000.00
64250	ADMIN & LEGAL EXPENSE				
65400	SCHOLARSHIPS AND GRANTS				
65600	CONTRIBUTIONS AND DONATIONS				$2,000.00
65800	TRANSFERS OUT-GOV'T AGENCY				
	TOTAL OTHERS	**$596.00**	**$11,331.00**	**14,000.00**	**37,000.00**
j. Total ("ALL OTHERS") (d-i)		**$105,929.00**	**$105,390.00**	**$264,401.00**	**$456,000.00**
62070	PUBLIC AUDITOR 1% FEE	$3,152.70	$3,358.13	$5,538.61	$9,181.34
k.	**GRAND TOTAL**	**$318,422.70**	**$339,171.13**	**$559,399.61**	**$927,315.79**

PERSONNEL SERVICE WORKSHEET

Department: Northern Islands Mayor's Office
Division/Ativity: Office of the Mayor
Business Unit: 1060

	PID#	Position Title	Incumbent	**FY 2017 Current Pay Level** Emp Stat	Grade Step	Base Salary	Ret Plan	**FY 2018 Department Request** Emp Stat	Grade Step	Base Salary	Ret Plan
1	9094	Mayor	Aldan, Jerome K.	ELT	Ung	43,200	DC	ELT	Ung	75,000	DC
2	3013002	Program Manager	Pelisamen, John Benedict T.	ESC	Ung	32,500	DC	ESC	Ung	32,500	DC
3	1152	Computer Programmer	Kaipat, Lee Robin O.	ESC	Ung	20,000	DC	ESC	Ung	20,000	DC
4	0401	Administrative Assistant	Kaipat, Roxanie Lynn	ESC	Ung	18,000	DC	ESC	Ung	18,000	DC
5	8995	Building Maintenance	Castro, Augustin F.	ESC	Ung	14,000	DC	ESC	Ung	16,000	DC
6	0265	Receptionist	Litulumar, Mercedes R.	ESC	Ung	13,624	DC	ESC	Ung	14,000	DC
7	1946	Mayor's Representative	Selepeo, Jose R.	ESC	Ung	15,000	DC	ESC	Ung	15,000	DC
8	1946	Mayor's Representative	Tumada, Tyron C.	ESC	Ung	13,624	DC	ESC	Ung	15,000	DC
9	2910	Community Worker	Pelisamen, Freddy T.	ESC	Ung	13,624	DC	ESC	Ung	13,624	DC
10	2910	Community Worker	Ogo, Jordan S.	ESC	Ung	13,624	DC	ESC	Ung	13,624	DC
11	2910	Community Worker	Olopai, Benusto Jonovan L.	ESC	Ung	13,624	DC	ESC	Ung	13,624	DC
12	2910	Community Worker	Ogo, Daniel Jr. S.	ESC	Ung	13,624	DC	ESC	Ung	13,624	DC
13	2910	Community Worker	Sablan, Randy A.	ESC	Ung	13,624	DC	ESC	Ung	13,624	DC
14	2910	Community Worker	Seman, Brett S.	ESC	Ung	13,624	DC	ESC	Ung	13,624	DC
15	2910	Community Worker	Aldan, Tobias Jr. K.	ESC	Ung	13,624	DC	ESC	Ung	13,624	DC
16		Administrative Officer	Vacant (Unfunded)	ESC	Ung	0	DC	ESC	Ung	25,000	DC
17		Mayor's Representative	Vacant (Unfunded)	ESC	Ung	0	DC	ESC	Ung	15,000	DC
18		Mayor's Representative	Vacant (Unfunded)	ESC	Ung	0	DC	ESC	Ung	15,000	DC
19		Community Worker	Vacant (Unfunded)	ESC	Ung	0	DC	ESC	Ung	13,624	DC

Elected (ELT)	1	43,200	1	75,000
Appointed (APT)	0	0	0	0
Excepted Service Contracts (ESC)	18	222,116	18	294,492
Limited Term Appointments Ungraded (LTU)	0	0	0	0
Civil Service (CS)	0	0	0	0
Limited Term Appointments Graded (LTG)	0	0	0	0
WAGES & OTHERS:				
Wages Civil Service (61090)		0		0
Wages Ungraded (61100)		265,316		369,492
Wages Adjustment for Austerity/Unpaid Holidays		0		0

PERSONNEL SERVICE WORKSHEET

Department: Northern Islands Mayor's Office
Division/Ativity: Office of the Mayor
Business Unit: 1060

PID#	Position Title	Incumbent	**FY 2017 Current Pay Level** Emp Stat	Grade Step	Base Salary	Ret Plan	**FY 2018 Department Request** Emp Stat	Grade Step	Base Salary	Ret Plan
	Overtime				0				0	
	Differentials				0				0	
	Total Wages & Others				265,316				369,492	
BENEFITS:										
	Life Insurance 1.45%				3,847				5,358	
	Retirement - 37.39%/60.86%				0				0	
	DB Ret. Adjustment for Austerity/Unpaid Holidays				0				0	
	401K DC Retirement - 4%				10,613				14,780	
	DC Ret. Adjustment for Austerity/Unpaid Holidays				0				0	
	Social Security - 6.2%				16,450				22,909	
	Medicare - 1.45%				3,847				5,358	
	Medicare Adjustment for Austerity/Unpaid Holidays				0				0	
	Subsistence				0				0	
	Health Insurance				0				0	
	Total Personnel Benefits				34,756				48,403	
TOTAL FTEs, PERSONNEL COMPENSATION, & BENEFITS				19	$300,072			19	$417,895	

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Misc. Comm. No. 20-26

COMMONWEALTH CASINO COMMISSION

Fiscal Year 2018
BUDGET REQUEST

Juan M. Sablan
Chairman
Commonwealth Casino Commission
P.O. Box 500237
Saipan, MP 96950

February 2017

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DATE: 2/27/17 3pm

COMMONWEALTH CASINO COMMISSION
Commonwealth of the Northern Mariana Islands
P.O. Box 500237 Saipan, MP 96950
Telephone: +1 (670) 233-1857/58
Facsimile: +1 (670) 233-1856
E-mail: info@cnmicasinocommission.com

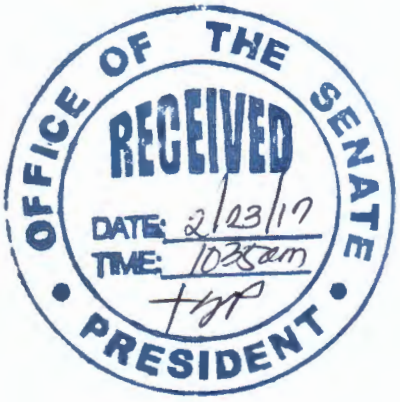
Juan M. Sablan, Chairman
Joseph C. Reyes, Vice Chairman
Justin S. Manglona, Secretary
Alvaro A. Santos, Treasurer
Martin DLG San Nicolas, Public Affairs

February 21, 2017

The Hon. Ralph S. Demapan
Speaker of the House
House of Representatives
20th NMI Legislature
P.O. Box 500586
Saipan, MP 96950

and

The Hon. Arnold I. Palacios
Senate President
CNMI Senate
20th NMI Legislature
P.O. Box 500129
Saipan, MP 96950



Re: Commission FY2018 Budget Submission

Dear Speaker Demapan and President Palacios:

Greetings from the Commonwealth Casino Commission ("Commission")!

The Commission respectfully submits our Fiscal Year 2018 Budget Request. We are requesting for a total of **$4,999,214** to be used for personnel, operations, and other related costs to enable the Commission to implement its casino statutory and regulatory mandates. Of this amount, we are asking for **$1,449,214** from our local funding source and **$3,550,000** from the Commonwealth Casino Commission Regulatory Fee (CCCRF) Fund. P.L. 19-24 earmarked the CCRF Funds of $3 million from Imperial Pacific International (CNMI), LLC and the $550,000 from various license and investigative fees assessed on casino service providers, vendors, and junket applicants for the Commission's use in regulating the casino industry.

As you know, Public Law 19-24 established the Commonwealth Casino Commission as an autonomous agency and authorized the assessment of $3 million dollars on the exclusive casino licensee as part of the CNMI Casino Commission Regulatory Fee (CCCRF) Fund. This amount is due on or before October 1st of each year beginning October 1, 2015 and is to be paid by the Casino Licensee, Imperial Pacific International (CNMI), LLC. In addition, P.L. 19-24 also mandated the Secretary of Finance to establish and maintain the CCCRF Fund to be kept separate and apart from the general funds of the Commonwealth government. P.L. 19-24 further provides that the CCCRF Funds be subject to annual appropriations beginning Fiscal Year 2017. In addition, P.L. 19-24 also authorized all casino regulatory and licensing funds already collected and deposited to be transferred to the CCCRF Fund for appropriations.

This budget submission represents the CCCRF Funds authorized by P.L. 19-24 and is being submitted to the Executive and Legislative Branches of our Commonwealth government pursuant to the mandates of the said law. The Commission is also requesting for a total of Sixty-Four (64) FTEs (20 from the local appropriations and 44 from the CCCRF Fund). The Commission's budget is based on the $3 Million CCCRF Fund *(Account Number 7170A)*, $550,000 from the other CCCRF Fund *(Account Number 7171)* already collected, and $1,499,214 request from local appropriations.

This budget submission is a product of considerable deliberations and reassessment of our duties and responsibilities as mandated by P.L. 18-56, P.L. 19-24, and by the Casino Regulations. As you know, the Commission is a relatively new government entity responsible for the promulgation of the rules and regulations for the Saipan casino industry and to license, regulate, and enforce those regulations. Based on HB #20-38, the Commission is being tasked to administer and regulate the CNMI's electronic poker, e-gaming, and pachinko activities. These added responsibilities forced the Commission to seek funding in the amount of $1,055,514 from local appropriations and the request for 20 new FTEs.

The casino industry offers the CNMI a great opportunity to generate new sources of revenue that will enable the government to satisfy its financial obligations. To date, the Casino Licensee has contributed over $53 million dollars in gross gaming revenue tax (GGRT), spend over $447 million in the purchase of goods and services from various vendors, and over $76 million in payments for the exclusive license fees and casino regulatory fees. However, this new industry cannot succeed without the presence of the Commonwealth Casino Commission, the enforcement and regulatory entity for the Saipan gaming industry.

In this spirit, the Commission reaches out to you and respectfully requests for your assistance in providing us the necessary fiscal resources as outlined in this budget submission. As noted, we are asking for **$1,449,214** from our local funding source as reflected on page B and D. While still requiring legislative appropriations, the remaining **$3,550,000** is actually earmarked for the Commission per Title 4, §2309 of the Commonwealth Code. Our budget breakdown on these funds is shown on page C and E of the budget submission.

Your continued assistance, cooperation, and understanding is greatly appreciated. If you need further information, please feel free to contact us at your convenience. In the meantime, the Commission looks forward to your favorable action on our budget request.

Thank you.

Sincerely,

Alvaro A. Santos
Acting Chairman

Edward C. DeLeon Guerrero
Executive Director

cc: *The Honorable Angel Demapan, Chairman, House Committee on Ways & Means, House of Representatives*
The Honorable Jude U. Hofschneider, Chairman, Senate Fiscal Affairs Committee, CNMI Senate
The Honorable Joseph P. DeLeon Guerrero, Chairman, House Committee on Gaming, House of Representatives

OPERATING EXPENDITURE WORKSHEET

Dept: **Commonwealth Casino Commission**
Activity:
Bus. Unit: **1545 & CCRF Fund**

Class Code	Object Classification	FY2018 Budget Request (Local)	FY2018 Casino Regulatory Fee Fund P.L. 19-24 (CCRF Fund) Acct. No. 7170A & 7171	FY2018 TOTAL BUDGET REQUEST
61100	Wages/Salaries - Ungraded	760,500	1,703,600	2,464,100
61110	Overtime Compensation (Including Holiday Pay)	25,000	30,000	55,000
61180	Personnel Life Insurance (GHLI)	14,000	14,584	28,584
61195	401K DC Retirement Employer Contribution (4%)	20,000	23,960	43,960
61196	Social Security (FICA: 6.2%)	47,151	105,623	152,774
61210	Health Insurance (Employer Contribution)	169,836	265,177	435,013
61220	Medicare Contribution (1.45%)	11,027	24,702	35,729
61240	Workmen's Compensation Insurance	8,000	8,500	16,500
	Total Personnel Costs	**1,055,514**	**2,176,146**	**3,231,660**
	Number of FTE Requested	**20**	**44**	**64**
62050	Official Representation		25,000	25,000
62060	Professional Services	50,000	175,000	225,000
62080	Advertising	5,000	10,000	15,000
62090	Recruitment/Repatriation			0
62100	Board & Other Compensation		325,000	325,000
62250	Communications	8,000	22,000	30,000
62260	Dues and Subscriptions	500	3,000	3,500
62300	Printing and Photocopying	2,500	12,500	15,000
62420	Rental - Vehicles	40,000	40,000	80,000
62460	Rental - Office Equipment	40,000	18,000	58,000
62480	Rental - Office Rental	19,200	76,800	96,000
62500	Travel	75,000	213,000	288,000
62660	Repair & Maintenance	2,500	2,500	5,000
62670	All Others		500	500
62680	Freight & Handling		1,500	1,500
62690	Personnel Training Costs	25,000	212,000	237,000
62710	Utilities - Power	12,000	26,500	38,500
62750	Cleaning Services	5,000	12,000	17,000
63010	Books and Library Materials	2,500	4,000	6,500
63020	Food Items		5,000	5,000
63030	Fuel and Lubricant (POL)	5,000	15,000	20,000
63040	Supplies - Office	8,000	20,000	28,000
63050	Supplies - Operations	20,000	56,554	76,554
63120	Equipment under $5,000	4,500	4,000	8,500
64540	Machinery, Tools, and Equipment	4,000	8,500	12,500
64560	Office Equipment	12,000	60,500	72,500
64570	Office Furniture & Fixtures	15,000	25,000	40,000
64580	Vehicles - Public Service & Administration	38,000		38,000
	Total All Others	**393,700**	**1,373,854**	**1,767,554**
	Total Personnel	**1,055,514**	**2,176,146**	**3,231,660**
	GRAND TOTAL PERSONNEL & ALL OTHERS	**1,449,214**	**3,550,000**	**4,999,214**
62070	Public Auditor (1%)	14,492	35,500	49,992

OPERATING EXPENDITURE WORKSHEET

Dept: **Commonwealth Casino Commission**
Activity:
Bus. Unit: **1545**

Class Code	Object Classification	FY2017 Budget Request P.L. 19-68 (Local)	FY2018 Budget Request (Local)
61100	Wages/Salaries - Ungraded		760,500
61110	Overtime Compensation (Including Holiday Pay)		25,000
61180	Personnel Life Insurance (GHLI)		14,000
61195	401K DC Retirement Employer Contribution (4%)		20,000
61196	Social Security (FICA: 6.2%)		47,151
61210	Health Insurance (Employer Contribution)		169,836
61220	Medicare Contribution (1.45%)		11,027
61240	Workmen's Compensation Insurance		8,000
	Total Personnel Costs	**0**	**1,055,514**
	Number of FTE Requested		**20**
62050	Official Representation		
62060	Professional Services		50,000
62080	Advertising		5,000
62090	Recruitment/Repatriation		
62100	Board & Other Compensation		
62250	Communications		8,000
62260	Dues and Subscriptions		500
62300	Printing and Photocopying		2,500
62420	Rental - Vehicles		40,000
62460	Rental - Office Equipment		40,000
62480	Rental - Office Rental		19,200
62500	Travel		75,000
62660	Repair & Maintenance		2,500
62670	All Others		
62680	Freight & Handling		
62690	Personnel Training Costs		25,000
62710	Utilities - Power		12,000
62750	Cleaning Services		5,000
63010	Books and Library Materials		2,500
63020	Food Items		
63030	Fuel and Lubricant (POL)		5,000
63040	Supplies - Office		8,000
63050	Supplies - Operations	1,000	20,000
63120	Equipment under $5,000		4,500
64540	Machinery, Tools, and Equipment		4,000
64560	Office Equipment		12,000
64570	Office Furniture & Fixtures		15,000
64580	Vehicles - Public Service & Administration		38,000
	Total All Others	**1,000**	**393,700**
	Total Personnel	0	**1,055,514**
	GRAND TOTAL PERSONNEL & ALL OTHERS	**1,000**	**1,449,214**
62070	Public Auditor (1%)	10	14,492

OPERATING EXPENDITURE WORKSHEET

Dept: **Commonwealth Casino Commission**
Activity: Commonwealth **Casino Commission Regulatory Fee (CCRF) Fund**

Bus. Unit: **CCRF Fund**

Class Code	Object Classification	FY2018 Casino CCRF Fund P.L. 19-24: $550K Acct. No. 7171	FY2018 Casino CCRF Fund P.L. 19-24: $3 Million Acct. No. 7170A	TOTAL FY2018 CCRF FUND P.L. 19-24 Acct. No. 7171 & 7170A
61100	Wages/Salaries - Ungraded		1,703,600	1,703,600
61110	Overtime Compensation (Including Holiday Pay)		30,000	30,000
61180	Personnel Life Insurance (GHLI)		14,584	14,584
61195	401K DC Retirement Employer Contribution (4%)		23,960	23,960
61196	Social Security (FICA: 6.2%)		105,623	105,623
61210	Health Insurance (Employer Contribution)		265,177	265,177
61220	Medicare Contribution (1.45%)		24,702	24,702
61240	Workmen's Compensation Insurance		8,500	8,500
	Total Personnel Costs	**0**	**2,176,146**	**2,176,146**
	Number of FTE Requested		**44**	**44**
62050	Official Representation		25,000	25,000
62060	Professional Services	150,000	25,000	175,000
62080	Advertising	8,000	2,000	10,000
62090	Recruitment/Repatriation			
62100	Board & Other Compensation		325,000	325,000
62250	Communications	14,000	8,000	22,000
62260	Dues and Subscriptions	2,500	500	3,000
62300	Printing and Photocopying	7,500	5,000	12,500
62420	Rental - Vehicles		40,000	40,000
62460	Rental - Office Equipment	10,000	8,000	18,000
62480	Rental - Office Rental		76,800	76,800
62500	Travel	75,000	138,000	213,000
62660	Repair & Maintenance	2,500		2,500
62670	All Others		500	500
62680	Freight & Handling		1,500	1,500
62690	Personnel Training Costs	132,000	80,000	212,000
62710	Utilities - Power	2,500	24,000	26,500
62750	Cleaning Services	7,000	5,000	12,000
63010	Books and Library Materials	2,500	1,500	4,000
63020	Food Items	2,500	2,500	5,000
63030	Fuel and Lubricant (POL)	10,000	5,000	15,000
63040	Supplies - Office	15,000	5,000	20,000
63050	Supplies - Operations	35,000	21,554	56,554
63120	Equipment under $5,000	2,500	1,500	4,000
64540	Machinery, Tools, and Equipment	6,000	2,500	8,500
64560	Office Equipment	50,500	10,000	60,500
64570	Office Furniture & Fixtures	15,000	10,000	25,000
64580	Vehicles - Public Service & Administration			
	Total All Others	**550,000**	**823,854**	**1,373,854**
	Total Personnel	0	**2,176,146**	**2,176,146**
	GRAND TOTAL PERSONNEL & ALL OTHERS	**550,000**	**3,000,000**	**3,550,000**
62070	Public Auditor (1%)	5,500	30,000	35,500

Commonwealth Casino Commission

FY2018 PERSONNEL BUDGET WORKSHEET

*** Local Appropriations ***

# FTE	JOB TITLE	HOURLY RATE	BASE ANNUAL SALARY	EMPLOYER CONTRIBUTION	TOTAL AMOUNT
	Executive Director - (Edward C. DeLeon Guerrero: 25% of Salary)		17,000.00	4,742.25	21,742.25
	Legal Counsel - (Michael L. Ernest: 25% of Salary)		19,500.00	2,271.75	21,771.75
1	**Assistant Manager** - Electronic Poker & Pachinko (New)		48,000.00	16,000.00	64,000.00
2	**Assistant Manager** - Electronic Gaming (New)		48,000.00	16,000.00	64,000.00
3	**Assistant IT Director** - Executive Office: Information Technology (New)		48,000.00	16,000.00	64,000.00
4	**Senior Inspector** - Poker & E-Gaming (New)		34,000.00	13,000.00	47,000.00
5	**Inspector II** - Division of Permit & Licensing (New)		32,000.00	12,000.00	44,000.00
6	**Inspector II** - Division of Permit & Licensing (New)		32,000.00	12,000.00	44,000.00
7	**Inspector I** - Division of Permit & Licensing (New)		30,000.00	8,000.00	38,000.00
8	**Inspector I** - Division of Permit & Licensing (New)		30,000.00	8,000.00	38,000.00
9	**Senior Enforcement Agent** - Enforcement & Investigations (New)		35,000.00	13,500.00	48,500.00
10	**Enforcement Agent II** - Enforcement & Invest. (New)		32,000.00	12,000.00	44,000.00
11	**Enforcement Agent II** - Enforcement & Invest. (New)		32,000.00	12,000.00	44,000.00
12	**Enforcement Agent II** - Enforcement & Invest. (New)		32,000.00	12,000.00	44,000.00
13	**Enforcement Agent I** - Enforcement & Investigations (New)		28,000.00	10,000.00	38,000.00
14	**Enforcement Agent I** - Enforcement & Investigations (New)		28,000.00	10,000.00	38,000.00
15	**Enforcement Agent I** - Enforcement & Investigations (New)		28,000.00	10,000.00	38,000.00
16	**Financial Auditor** - Division of Audit (New)		42,000.00	15,000.00	57,000.00
17	**Financial Auditor** - Division of Audit (New)		42,000.00	15,000.00	57,000.00
18	**Assistant Compliance Officer** - Division of **Compliance** (New)		44,000.00	15,500.00	59,500.00
19	**Assistant Technical Compliance Specialist** - Division of Compliance (New)		42,000.00	15,000.00	57,000.00
20	**Compliance Agent** - Division of Compliance (New)		37,000.00	14,000.00	51,000.00
	TOTAL NUMBER OF PERSONNEL	20			
	TOTAL ANNUAL PERSONNEL BASE SALARY		760,500		
	ESTIMATED OVERTIME & HOLIDAY PAY			25,000	
	ESTIMATED WORKMEN'S COMPENSATION			8,000	
	TOTAL MANDATORY EMPLOYER CONTRIBUTION			295,014	
	TOTAL ANNUAL PERSONNEL COSTS				1,055,514
	Amount Per Pay Period				40,596.69
	Amount Per Month				87,959.50

Commonwealth Casino Commission

FY2018 PERSONNEL BUDGET WORKSHEET

# FTE	JOB TITLE	HOURLY RATE	BASE ANNUAL SALARY	EMPLOYER CONTRIBUTION	TOTAL AMOUNT
1	**Executive Director** (**Edward C. DeLeon Guerrero**)		85,000.00	22,154.00	107,154.00
2	**Legal Counsel** - Assistant Attorney General (**Michael L. Ernest**)		78,000.00	9,087.00	87,087.00
3	**Manager** - Division of Permit & Licensing (**Velma Lore**)		50,000.00	18,969.00	68,969.00
4	**Manager/Chief** - Div of Enforcement & Investigations (**Edward R. Cabrera**)		50,000.00	15,787.00	65,787.00
5	**Manager** - Division of Audit (**Charlie O. Atalig**)		75,000.00	23,156.00	98,156.00
6	**Manager** - Division of Compliance (**Andrew Yeom**)		50,000.00	3,825.00	53,825.00
7	**Manager** - Executive Office: Information Technology (**Ian R. Morrell**)		50,000.00	9,056.00	59,056.00
8	**Executive Assistant to the Commission**- Exe Office: (**Ruth Ann P. Sakisat**)		50,000.00	9,056.00	59,056.00
9	**Executive Secretary** - Executive Office: (**Carmen Ann B. Sablan**)		35,000.00	12,422.00	47,422.00
10	**NAS/CMS Administrator** - Information Technology Unit (**Jerome H. Bermudes**)		32,000.00	8,698.00	40,698.00
11	**Human Resource Officer** - Executive Office (**Juanette LG. Sablan**)		35,000.00	19,004.00	54,004.00
12	**Admin Officer (Procurement Officer)** - Executive Office (Vacant)		35,000.00	17,604.00	52,604.00
13	**Accountant** - Executive Office (**Vera T. Pangelinan**)		35,000.00	13,822.00	48,822.00
14	**Administrative Specialist** -Executive Office (**Sarah P. Cabrera**)		22,000.00	2,882.00	24,882.00
15	**Permit & Licensing Officer** - Div. of **Permit & Licensing** (**Christine C. Manglona**)		32,000.00	16,867.00	48,867.00
16	**Senior Inspector** - Division of Permit & Licensing (**Francisco C. Ada**)		34,000.00	13,198.00	47,198.00
17	**Inspector II** - Division of Permit & Licensing (**Benjamin T. Hocog**)		32,000.00	16,867.00	48,867.00
18	**Inspector I** - Division of Permit & Licensing (**Erik O. Basa**)		30,000.00	3,930.00	33,930.00
19	**Inspector I** - Division of Permit & Licensing (**Francisco S. Ada**)		30,000.00	2,295.00	32,295.00
20	**Permit & Licensing Clerk** - Div. of Permit & Licensing (**Frankie M. Camacho**)		19,800.00	1,515.00	21,315.00
21	**Permit & Licensing Clerk** - Div of Permit & Licensing (**Lolaine V. Castro**)		19,800.00	6,308.00	26,108.00
22	**Senior Special Agent** - **Enforcement & Investigations** (**JB K. Cepeda**)		37,000.00	9,353.00	46,353.00
23	**Senior Special Agent** - Enforcement & Investigations (**Patrick P. Sablan**)		37,000.00	4,847.00	41,847.00
24	**Investigative Analyst** - Enforcement & Investigations (**Allan B. Dela Cruz**)		42,000.00	8,328.00	50,328.00
25	**Special Agent** - Enforcement & Investigations (**Regino M. Celis, Jr.**)		35,000.00	2,678.00	37,678.00
26	**Special Agent** - Enforcement & Investigations (**Thelma Mizer**)		35,000.00	2,678.00	37,678.00
27	**Senior Enforcement Agent** - Enforcement & Investigations (**Julita A. Omar**)		35,000.00	4,585.00	39,585.00
28	**Senior Enforcement Agent** - Enforcement & Investigations (**Garren M. Quitugua**)		35,000.00	2,678.00	37,678.00
29	**Senior Enforcement Agent** - Enforcement & Investigations (**Joseph D. Pangelinan**)		35,000.00	4,078.00	39,078.00
30	**Enforcement Agent II** - Enforcement & Invest. (**Luis Taisakan Iguel, Jr.**)		32,000.00	2,448.00	34,448.00
31	**Enforcement Agent II** - Enforcement & Investigations (**Nokki L. Saralu**)		32,000.00	2,912.00	34,912.00
32	**Enforcement Agent II** - Enforcement & Investigations (**Pete S. Seman**)		32,000.00	4,192.00	36,192.00
33	**Enforcement Agent II** - Enforcement & Investigations (**Jacob N. Villagomez**)		32,000.00	4,192.00	36,192.00
34	**Enforcement Agent II** - Enforcement & Investigations (**Felipe Litulumar**)		32,000.00	2,448.00	34,448.00
35	**Enforcement Agent I** - Enforcement & Investigations (**Kevin R. Maratita**)		28,000.00	16,967.00	44,967.00
36	**Enforcement Agent I** - Enforcement & Investigations (**Marvin Ngeskebei**)		28,000.00	2,142.00	30,142.00
37	**Enforcement Agent I** - Enforcement & Investigations (**Mark L. Diestro**)		28,000.00	2,142.00	30,142.00
38	**Senior Auditor** - Division of **Audit** (**Eleuterio G. Palacios, Jr.**)		45,000.00	7,949.00	52,949.00
39	**Financial Auditor** - Division of Audit (**Jolene D. Benavente**)		42,000.00	17,632.00	59,632.00
40	**Compliance Officer** - Division of **Compliance** (**Angelita H. Mamaril**)		44,000.00	13,241.00	57,241.00
41	**Technical Compliance Specialist** - Division of Compliance (**Leon Leonard**)		42,000.00	18,241.00	60,241.00
42	**Compliance Agent** - Division of Compliance (**Arden V. Sablan**)		37,000.00	17,786.00	54,786.00
43	**Financial Auditor** - (New)		42,000.00	18,241.00	60,241.00
44	**Compliance Agent** - (New)		37,000.00	17,786.00	54,786.00

TOTAL NUMBER OF PERSONNEL	**44**		
TOTAL ANNUAL PERSONNEL BASE SALARY		**1,703,600**	
ESTIMATED OVERTIME & HOLIDAY PAY			**30,000**
ESTIMATED WORKMEN'S COMPENSATION			**8,500**
TOTAL MANDATORY EMPLOYER CONTRIBUTION			**472,546**
TOTAL ANNUAL PERSONNEL COSTS			**2,176,146**
Amount Per Pay Period			**83,697.92**
Amount Per Month			**181,345.50**

COMMONWEALTH CASINO COMMISSION

Juan M. Sablan, Chairman/Commissioner
Joseph C. Reyes, Vice Chairman/Commissioner
Justin S. Mangiona, Secretary/Commissioner
Alvaro A. Santos, Treasurer/Commissioner
Martin DLG. San Nicolas, Public Affairs/Commissioner

EXECUTIVE DIRECTOR

- **Executive Secretary**
- **Executive Assistant To the Commission**
- **Legal Counsel**
- **Information Technology**
  - * Manager (IT Director)
  - * Assistant IT Director: (New)
  - * NAS/CMS Administrator & Digital Evidence Custodian
- **Administrative Services Unit**
  - ** Accountant*
  - ** Human Resource Officer*
  - ** Procurement Officer*
  - ** Administrative Specialist*

DIVISION OF PERMIT & LICENSING
* Manager

- **Permit & Licensing Unit**
  - ** Permit & Licensing Officer: 1 position*
  - ** Senior Inspector: 1 position*
  - ** Inspector II: 1 position*
  - ** Inspector I: 1 position*
  - ** Permit & Licensing Clerk: 2 positions*
  - ** Senior Inspector: 1 position (New)*
  - ** Inspector II: 2 positions (New)*
  - ** Inspector I: 2 positions (New)*

DIVISION OF ENFORCEMENT & INVESTIGATIONS
* Manager (Chief)

- **Poker & E-Gaming Unit**
  - ** Assistant Manager: Poker (New)*
  - ** Assistant Manager: E-Gaming (New)*
- **Regulatory Enforcement & Investigations Unit**
  - ** Senior Special Agent: 2 positions*
  - ** Investigative Analyst: 1 position*
  - ** Special Agent: 2 positions*
- **Enforcement & Surveillance Unit**
  - ** Senior Enforcement Agent: 3 positions*
  - ** Enforcement Agent II: 5 positions*
  - ** Enforcement Agent I: 3 positions*
  - ** Enforcement Agent II: 3 positions (New)*
  - ** Enforcement Agent I: 3 positions (New)*

DIVISION OF AUDIT
* Manager

- **Audit Unit**
  - ** Senior Auditor: 1 position*
  - ** Financial Auditor: 1 position*
  - ** Financial Auditors: 3 positions (New)*

DIVISION OF COMPLIANCE
* Manager

- **Compliance Unit**
  - ** Compliance Officer: 1 position*
  - ** Technical Compliance Specialist: 1 position*
  - ** Compliance Agent: 1 position*
  - ** Assistant Compliance Officer: 1 position (New)*
  - ** Assistant Technical Compliance Specialist: 1 (New)*
  - ** Compliance Agent: 1 position (New)*

ARBITRATION SECTION
*** Future ***
** Administrative Hearing Officer*

Approved by: _____
Edward C. DeLeon Guerrero, Executive Director

Concurred By: _____
Alvaro A. Santos, Acting Chairman

Effective Date: February 21, 2017

Commonwealth of the Northern Mariana Islands

COMMONWEALTH CASINO COMMISSION

BUDGET SUBMISSION: Fiscal Year 2018

I. BUDGET NARRATIVE

Overview

The Commonwealth Casino Commission ("Commission") was created by Public Law 18-56 that established and authorized casino gaming industry on Saipan. P.L. 18-56 authorized the Commonwealth Lottery Commission to grant and issue an exclusive casino license to an eligible applicant. A Request for Proposal (RFP) was issued by the Lottery Commission inviting interested applicants for the exclusive license. Two applicants responded to the RFP including the Marianas Star Entertainment and Imperial Pacific International (CNMI), LLC. After a thorough review and vetting process, the Lottery Commission awarded Imperial Pacific International (CNMI), LLC, the exclusive casino license. This was formalized on March 12, 2014, with the signing of the Casino License Agreement between the Commonwealth of the Northern Mariana Islands Lottery Commission and Imperial Pacific International (CNMI) LLC. Imperial Pacific International (CNMI) LLC ("IPI") has three (3) dbas: Best Sunshine International, Best Sunshine Live, and the Grand Mariana/Imperial Pacific Resort.

The Commission is delegated the authority by P.L. 18-56 and P.L. 19-24 to promulgate the casino gaming Regulations, Minimum Internal Control Standards (MICS) and to implement and enforce those regulations and standards. Enforcement of these rules, regulations, and standards require tremendous amount of fiscal resources to hire needed staffing and to provide the necessary training and operational resources for effective and efficient enforcement and implementation of P.L. 18-56, P.L. 19-24, Casino Regulations, and MICS.

The IPI cannot operate its gaming operations without first receiving the regulatory licenses from the Commission. All casino employees, key employees, casino service providers and vendors, and Casino Junket Operators are required to be licensed and subject to background investigations including review of their criminal history, association, and financial suitability, among others.

IPI offered to invest over $7 billion dollars in their planned Integrated Casino Resort based on three (3) phases of development. During early 2015, IPI requested the CNMI government for authority to open and operate a temporary live gaming and training facility. On February 24, 2015, the Commonwealth

Lottery Commission approved IPI's proposal to open a temporary live gaming training facility at the Duty-Free T-Galleria facility in Garapan.

Subsequently, IPI requested the Casino Commission for permission to start their live gaming operations that the Commission granted in July 26, 2015. Prior to the initial opening, the Casino Commission licensed numerous employees, key employees, and casino service providers. By the end of calendar year 2015, the Casino Commission licensed over 700 employees, 15 key employees, 45 gaming tables, and 106 electronic gaming machines (EGM/Slot Machines). By the end of calendar year 2016, the Commission licensed 1,057 employees, 44 key employees, 48 gaming tables, and 141 electronic gaming machines (EGM/Slot Machines).

The Commission anticipates a significant demand on its limited resources starting in March 2017 when IPI plans to open its Grand Mariana Hotel and Casino (Imperial Pacific Resort) in Garapan, Saipan. This casino resort will be a 14-storey elegant resort in a 374-room hotel and three floors of gaming areas. IPI plans to increase its slot machines to about 365 EGMS and 199 Gaming Tables. The Casino Licensee plans to hire a total of about 4,200 employees to run the integrated resort. The Commission is required to license all gaming employees and to register all non-gaming employees.

Funding History. The Commission's initial funding source came from the Casino Application Fees. The Secretary of Finance was mandated by P.L. 18-56 the responsibility to establish and maintain a "*Commonwealth Casino Application Fee (CCAF) Special Fund*". The CCAF Special Fund was intended to provide the necessary budget for the Commission to carry out its mandates, including help in funding for training, recruitment of critical staffing, secure an office for the Commission, and procure basic operational resources and related services. The Commission's duties to investigate and license all casino employees, key employees, service providers, vendors, gaming tables, EGMs, and other gaming devices require substantial fiscal resources.

In December 4, 2015, P.L. 18-56 was amended with the passage of P.L. 19-24. The amendment included provisions that classified the Casino Commission as an Autonomous Agency with a guaranteed annual funding of $3 Million per year assessed on IPI as a Commonwealth Casino Commission Regulatory Fee (CCCRF) Fund. The $3-million annual CCCRF Funds have been deposited at the Department of Finance under Account Number 7170A for the exclusive use of the Commission. P.L. 19-24 also authorized the Commission to assess regulatory licensing fees on Casino Service Providers, Casino Vendors (non-gaming), Junket Applicants, and related fees and to use all regulatory fees collected to date for the Commission's personnel and operations budget. These regulatory funds have been deposited in Account Number 7171. The Legislature through P.L. 19-24 provides that the Legislature will appropriate these funds to the Commission on an annual basis.

The House of Representatives of the 20th NMI Legislature recently introduced House Bill #20-38 *"To transfer the licensing and regulatory functions of the Department of Finance in respect to poker, pachinko and electronic gaming machines to the Casino Commission"*. This budget submission included requests for $1,449,214 from local appropriations to cover personnel and operations costs necessary to regulate the electronic poker, pachinko, and electronic gaming activities. A request for additional twenty (20) new FTEs is also included in this request.

The Commonwealth Casino Commission is therefore submitting this budget request that reflects the minimum $3 Million from the CCCRF Funds assessed on IPI and from the other regulatory fees (Casino Service Providers, Casino Vendors, and Junket Application Regulatory Fees) that is currently projected to be over $550,000 by the beginning of FY2018. The Casino Commission is also requesting the CNMI government to increase its local funding from the annual $1,000 to $1,449,214 to cover the costs of hiring 20 new FTEs and for additional training and operations costs in the FY2018 budget as envisioned in H.B. 20-

SUMMARY BUDGET REQUEST: The Commonwealth Casino Commission is requesting for the following budget amount from the respective budget sources:

a) P.L. 19-24: **Commonwealth Casino Commission Regulatory Fee (CCCRF) Fund.** IPI Annual Casino Regulatory Fee -- Account Number: 7170A -- **$3,000,000.**

b) P.L. 19-24: **Commonwealth Casino Regulatory Fee Fund.** Regulatory License Fees from Casino Service Provider Licenses, Casino Vendor Licenses, and Junket Operator Licenses - Account Number 7171: **$550,000.**

c) FY2018 CNMI Budget Appropriations Act -- Business Unit 1545: **$1,449,214.**

Sub-Total - Casino Regulatory Fee:	$3,550,000
Sub-Total - CNMI Local Appropriations:	$1,449,214

TOTAL AMOUNT FOR FY2018 ..... $4,999,214

II. COMMISSION MANDATES

Public Law 18-56 and 19-24 require the Commonwealth Casino Commission ("Commission") to promulgate the rules and regulations for the Saipan integrated casino resort industry and to license, regulate, and enforce those regulations.

The Commission has the powers and authority to promulgate Rules and Regulations, as may be necessary to fulfill the intent, policies and purposes of P.L. 18-56, P.L. 19-24, and the Casino Regulations.

The Commission has all the powers and authority to supervise, monitor and investigate or other means to ensure the suitability and compliance with the legal, statutory and contractual obligations of owners, operators, and employees of casinos and other persons licensed pursuant to P.L. 18-56, P.L. 19-24, and the adopted Casino Regulations. These powers and authority include:

- To examine, supervise and monitor the continuing fiscal and financial capability of casino owners, operators, concessionaires and other parties with any direct relation to the sole casino and to protect the public in the event that such capability is significantly diminished.
- To collaborate in the definition, coordination and execution of the economic policies for the operations of the casino games of fortune and other ways of gaming, pari-mutuels, wagering and casino gaming activities offered to the public.
- To authorize and certify all the equipment and utensils used by the operations of the concessionaires approved in the respective concessions.
- To issue licenses for "junket" promoters of casino games of fortune or other casino gaming activities.
- To examine, supervise and monitor the eligibility of the single or collective junket promoter(s), their partners and principal employees.
- To examine, supervise and monitor the activities and promotions of the junket promoters in relation to their compliance with legal, statutory, and contractual obligations, and other responsibilities stipulated in the applicable legislation and contracts.
- To ensure that the relationship of the licensed gaming operators with the government and the public is in compliance with the Commission's regulations and provides the highest interest to the Commonwealth.
- To establish a policy for exclusion and removal of undesirable persons from the sole casino.

- To levy civil penalties for the violation of casino gaming regulations promulgated by the Commission, any provisions of P.L. 18-56, P.L. 19-24, or the Casino License Agreement.

- To levy penalties for the late payment of applicable fines or fees.

- To require and demand access to and inspect, examine, photocopy, and audit all papers, books and records of the casino operator on its premises or elsewhere as practical, including inspecting the gross income produced by the casino operations, gaming business and verification of their income, and all other matters affecting the enforcement of the Commission's policy or as required pursuant to this chapter.

III. BUDGET JUSTIFICATION

61100 WAGES/SALARIES - Ungraded $2,464,100

This amount is budgeted to cover the salaries of Sixty-Four (64) FTEs for the Commonwealth Casino Commission ("Commission"). They included 44 FTEs under the CCRF Fund program (10 personnel under the Executive Office; Eight (8) under the Division of Permit & Licensing; Seventeen (17) under the Division of Enforcement & Investigations; Four (4) under the Division of Audit; and Five (5) under the Division of Compliance. The budget also requested for 20 new FTES from local appropriations to enable the Commission to hire new staff to regulate the electronic poker, e-gaming, and pachinko as envisioned in H.B. #20-38.

The Commission is a new government entity responsible for the promulgation of the rules and regulations, including the Minimum Internal Control Standards (MICS) for the Saipan integrated casino resort industry. The 64 personnel are the minimum number of FTEs required to effectively license, regulate, and enforce these regulations. It is important to note that this industry is expected to invest over $7 Billion Dollars into the CNMI economy. Please refer to page "D" and "E" for the listing of personnel and page "F" for the Organizational Chart.

As noted, this Budget submission included two new FTEs (included in the 44 FTEs) from the CCRF Funds and 20 new FTES from the local appropriations. It is requested in anticipation of the opening of the Grand Mariana Hotel & Resort in Garapan, Saipan, in early 2017 and the anticipated assumption of the poker and e-gaming regulatory functions. These new events will expand the Commission's areas of responsibilities and will require additional manpower.

Local Funds (1545)	CCRF Account 7170A	Total
$760,500	$1,703,600	$2,464,100

61110 OVERTIME COMPENSATION (Including Holiday Pay) $55,000

This amount represents the estimated overtime compensation for covered employees in the amount of $55,000. The use of overtime is an exception to the regular work schedule in any work unit. The covered employees are specific to hourly personnel. When covered employees by reason of official responsibilities are required to attend lectures, meetings, training programs, etc., such time will be considered work time. The Enforcement and Surveillance unit at the casino facility (and at the electronic poker and e-gaming) work 24/7 with three (3) shifts. Overtime may be necessary to cover shifts or as employees attend official duties that may exceed the maximum forty (40) hours regular workweek. In addition, $5,000 is budgeted to cover anticipated Holiday Pay for personnel assigned to work during holidays.

Local Funds (1545)	CRF Account 7170A	Total
$25,000	$30,000	$55,000

61180 PERSONNEL INSURANCE $28,584

This amount represents the employer's mandatory contribution to personnel insurance (CNMI group life insurance premiums) based on 26 employees, out of the 44 FTEs, who enrolled in the program. In addition, $14,000 was budgeted for this category for all 20 new FTEs under local funding.

Local Funds (1545)	CCRF Account 7170A	Total
$14,000	$14,584	$28,584

61195 401K DEFINED CONTRIBUTION - RETIREMENT $43,960

This amount represents the employer's mandatory contribution to employees' 401K Retirement program for 15 employees, out of the 44 FTEs, who elected to join the program. In addition, $20,000 was budgeted for this category for all 20 new FTEs under local funding.

Local Funds (1545)	CCRF Account 7170A	Total
$20,000	$23,960	$43,960

61196 SOCIAL SECURITY (FICA) $152,774

This amount represents the employer's mandatory contribution to employees' Social Security payments currently based at 6.2% of the total base salary of 44 employees from the CCRF ($1,703,600 x .062 = $105,623) and 20 new FTES under local appropriations ($760,500 x .062 = $47,151).

Local Funds (1545)	CCRF Account 7170A	Total
$47,151	$105,623	$152,774

61210 HEALTH INSURANCE $435,013

This amount represents the employer's mandatory contribution to 25 employees, out of the 44 FTEs, who elected to participate in the CNMI government Health Insurance program. In addition, $169,836 was budgeted for this category for all 20 new FTEs under local funding. This amount is based on the employer's bi-weekly contribution on varying plans from Single ($187.75), Couple ($384.88), and Family ($600.79) for twelve months coverage.

Local Funds (1545)	CCRF Account 7170A	Total
$169,836	$265,177	$435,013

61220 MEDICARE CONTRIBUTION $35,729

This amount represents the employer's mandatory contribution to Medicare insurance currently based at 1.45% of the total base salary of 44 employees -- ($1,703,600 x .0145 = $24,702). In addition, $11,027 was budgeted for this category for all 20 new FTEs under local funding --($760,500 x .0145 = $11,027).

Local Funds (1545)	CCRF Account 7170A	Total
$11,027	$24,702	$35,729

61240 WORKMEN'S COMPENSATION INSURANCE $16,500

This amount represents the estimated costs for the Workmen's Compensation Insurance currently required by CNMI law. The amount of insurance coverage varies by position.

Local Funds (1545)	CCRF Account 7170A	Total
$8,000	$8,500	$16,500

62050 OFFICIAL REPRESENTATION $25,000

This budget category is requested to cover official representation costs to enable the Commission to carryout its statutory duties and responsibilities. The amount budgeted is for reasonable expenses for hosting of government officials, guests, trainers, and the promotion of goodwill and for other public purposes. It is also budgeted to cover costs authorized by Section 2315 (f) of P.L. 18-56 to reimburse costs incurred by the Executive Director up to $25,000 for actual, necessary, and reasonable expenses incurred in the performance of his duties as allowed by the Commission. The Commission is prohibited from receiving anything of value from the casino licensee and their associates and thus will need to have an independent source of revenue to host casino gaming consultants and trainers.

62060 PROFESSIONAL SERVICES $225,000

This category is one of the most important line-item budget for the Commission and is requested to cover costs associated with casino trainers, consultants, experts, and license & permit background investigative services.

It is budgeted to cover contractual services and other professional services necessary for the efficient and effective implementation of P.L 18-56, P.L. 1924, and the Casino Regulations. It will cover costs associated with casino gaming consultancy, casino gaming trainers/instructors, private background investigative and other due diligence services, testing and auditing of gaming equipment, and other audit experts.

Local Funds(1545)	Account 7171	Account 7170A	Total
$50,000	$150,000	$25,000	$225,000

62080 ADVERTISING $15,000

This budget category is requested to cover advertising costs necessary to comply with the Open Government Act and other procurement announcement requirements. The Commission is required to issue public notice announcements in at least one local newspaper all meetings of the Commission. It is also required to publish Invitation-To-Bid, Request for Proposals, Job Vacancy Announcements, and other procurement requirements.

Local Funds (1545)	Account 7171	Account 7170A	Total
$5,000	$8,000	$2,000	$15,000

62100 BOARD AND OTHER COMPENSATION $325,000

This amount is budgeted to cover the compensation of five (5) Commissioners of the Commonwealth Casino Commission based at $65,000 for each per annum per P.L. 19-24. This compensation is an honorarium for services rendered to the Commission in its responsibility to regulate and license the integrated casino resort industry.

62250 COMMUNICATIONS $30,000

This budget category is requested to cover communications costs associated with the procurement of postage stamps and other mailing costs and for the payment of monthly telephone, facsimile, cellular, and internet/DSL charges. The Commission Division of Permit & Licensing, Enforcement & Investigations, Audit, Compliance, and the Executive Office will need to have access to telecommunications (cell phones/DLS) 24/7 as part of their regulatory and surveillance duties and responsibilities.

Local Funds (1545)	Account 7171	Account 7170A	Total
$8,000	$14,000	$8,000	$30,000

62260 DUES AND SUBCRIPTIONS $3,500

This budget category is requested to cover annual membership dues to major gaming commission association to include the International Association of Gaming Regulators (IAGR). Also included here are for subscriptions to professional gaming journals, newsletters, and other publications necessary to

keep the Commissioners and staff informed on current issues affecting the enforcement and regulations of the gaming industry.

Local Funds (1545)	Account 7171	Account 7170A	Total
$500	$2,500	$500	$3,500

62300 PRINTING AND PHOTOCOPYING $15,000

This budget category is requested to cover costs for printing of various Commission regulatory forms, Commission Gaming Regulations, Minimum Internal Control Standards, letterheads, envelopes, and related documents. In addition, the Commission plans to publish brochures, and pamphlets to highlight current events with the casino industry.

Local Funds (1545)	Account 7171	Account 7170A	Total
$2,500	$7,500	$5,000	$15,000

62420 RENTAL - VEHICLES $80,000

This budget category is requested to cover costs associated with the Commission's transportation needs. One vehicle is proposed to be leased for use by the Commission's various divisions who will have designated workstations at the casino site. An additional vehicle will be leased from local funds for regulating poker and e-gaming activities scattered throughout the island.

Local Funds (1545)	Account 7171	Account 7170A	Total
$40,000	$-0-	$40,000	$80,000

62460 RENTAL - OFFICE EQUIPMENT $58,000

This budget category is requested to cover rental and/or lease payments for office equipment to include office copier and other related equipment. It will also be used to rent office equipment for training purposes.

Local Account (1545)	Account 7171	Account 7170A	Total
$40,000	$10,000	$8,000	$58,000

62480 RENTAL - OFFICE SPACE $96,000

This budget category is requested to cover the Commission's office rental at the Springs Plaza in Gualo Rai, Saipan. The Commission is currently leasing a commercial space of 4,000 square feet at .80 per square feet. The Commission needs to expand its office space to 8,000 square feet due to an increase in its staffing and significant increases in workloads requiring additional spaces. A larger conference and meeting room is also urgently needed. This amount is budgeted at .80 per square feet. (8,000 x .80 = $6,400 x 12 Months = $76,800). And lastly, the Commission will need an additional

2,000 square feet of space to accommodate 20 new FTEs responsible for the regulatory enforcement of electronic poker and e-gaming activities.

Local Funds (1545)	Account 7171	Account 7170A	Total
$19,200	$-0-	$76,800	$96,000

62500 TRAVEL $288,000

This budget category is requested to cover the costs of airfare, per diem, stipend, and ground transportation for the Commission and will include interisland travel for the Commissioners from Rota and Tinian as well as off-island travel for training, seminars, and conferences. The regular monthly meetings and special meetings stipulated in the Commission's Bylaws require airfare, per diem, stipend, and ground transportation. Twelve (12) regular meetings that normally run for three (3) days and the Special Meetings estimated at about once a month is budgeted. This is required to enable the Commission members from Rota and Tinian to actively participate in the Commission's deliberations in furtherance of their decision-making duties and responsibilities.

The off-island travel will include airfare and per diem for specialized training on casino gaming regulations, investigations, enforcement, and compliance for the Commissioners, key staff of the Commission, and enforcement and compliance personnel. Some of the local training funds are budgeted to provide specialized gaming training for lawmakers. The venue for the training will include Las Vegas, Nevada, to attend the University of Nevada, Las Vegas (UNLV) on gaming regulations and enforcement. Additionally, specialized training for Commissioners and staff will also involve travel to Singapore, Macau, Philippines, and Australia. Background investigations on Casino Key Employee applicants, Casino Junket Operator applicants, and other gaming license applicants will require travel costs to the US and Asian regions.

Estimated Cost Calculations:
* CNMI Inter-island Travel for the Rota and Tinian Members: $ 35,000
* Off-Island Travel for Training, Seminars & Investigations: $253,000

Local Funds	Account 7171	Account 7170A	Total
$75,000	$75,000	$138,000	$288,000

62660 REPAIRS AND MAINTENANCE $5,000

This budget category is requested to cover repairs and maintenance of computers, printers, electronic scanners, air-conditioning units, and other office and operations equipment and machinery. It is important to note that preventative maintenance is essential to prolong the working life of the equipment and other capital items.

Local Funds	Account 7171	Account 7170A	Total
$2,500	$2,500	$ - 0 -	$5,000

62670 ALL OTHERS $500

This budget category is requested to cover miscellaneous expenses under "All Others" and will include only critical items needed to enable the Commission to carryout its statutory duties and obligations as mandated by P.L. 18-56, P.L. 19-94, and the Casino Regulations.

Local Funds (1545)	Account 7171	Account 7170A	Total
$ - 0 -	$-0-	$500	$500

62680 FREIGHT AND HANDLING $1,500

This budget category is requested to cover Freight and Handling costs for capital items and other specialized equipment needed by the Commission's Division of Enforcement & Investigations and by the Information Technology Unit. Most of the specialized and technical equipment will need to be procured off-island and Freight and Handling charges are expected.

62690 PERSONNEL TRAINING COSTS $237,000

This budget category is requested to pay for tuition, registration, and conference fees for the Commissioners and key Commission's staff. The Commission considers training as one of its priority areas. Thus, training costs is significant because the Casino industry on Saipan is new and most current Commission staff are also new to this industry. There is no available training of this nature on island and, therefore, all of the necessary training will have to be from off-island training venues. This will include training courses and seminars at the University of Nevada, Las Vegas (UNLV) and other US and Asian jurisdictions. It will also include specialized training courses for the Commission's personnel assigned to the Enforcement and Investigations, Audit, and Compliance Divisions in Singapore, Philippines, Macau, and Australia. To minimize costs, efforts are underway to negotiate with Gaming Instructors and Consultants to conduct future training on-island to benefit all new Commission employees.

Estimated Cost Calculations:
* Off-Island Training: $152,000
* On-Island Training: $ 85,000 (contracts with off-island trainers)

Local Funds (1545)	Account 7171	Account 7170A	Total
$25,000	$132,000	$80,000	$237,000

62710 UTILITIES - POWER $38,500

This budget category is requested to cover the costs of electricity (power) and water at the Commission's main office at the Springs Plaza in Gualo Rai, Saipan. The CNMI government recently instituted a policy transferring the utility costs to individual agencies and departments. Thus, the Commission is budgeting $26,500 to pay for its utility expenses.

Local Funds (1545)	Account 7171	Account 7170A	Total
$12,000	$2,500	$24,000	$38,500

62750 CLEANING SERVICES $17,000

This budget category is requested to cover costs associated with the cleaning and other janitorial services of the Commission. It is estimated that at least $1,000 per month be budgeted for this expense which translate to $12,000 per year. An additional $5,000 is budgeted from the local appropriations to cover costs associated with the cleaning services for areas occupied by the CCC enforcement of the poker and e-gaming activities.

Local Funds (1545)	Account 7171	Account 7170A	Total
$5,000	$7,000	$5,000	$17,000

63010 BOOKS AND LIBRARY MATERIALS $6,500

This budget category is requested to pay for casino and gaming books, journals, periodicals, and other publications and instructional materials for the Commission. The Commission staff will need to procure miscellaneous gaming books, regulations, and library materials to assist in the enforcement and regulatory duties of the Commission.

Local Funds (1545)	Account 7171	Account 7170A	Total
$2,500	$2,500	$1,500	$6,500

63020 FOOD ITEMS $5,000

This budget category is requested to pay for water and other food items necessary for Casino Commission staff on duty 24/7 at the casino facility and on other activities or operations of the Commission.

Account 7171	Account 7170A	Total
$2,500	$2,500	$5,000

63030 FUEL AND LUBRICANT (POL) $20,000

This budget category is requested to cover fuel and lubricant costs for the Commission's vehicles. The costs will include gasoline, oil, and other lubricants.

Local Account (1545)	Account 7171	Account 7170A	Total
$5,000	$10,000	$5,000	$20,000

63040 SUPPLIES - OFFICE $28,000

This budget category is requested to cover office supplies to enable the Commission to function effectively and efficiently and will include reasonable expenses for papers, pencils, pens, paper-clips, binders, log-books, folders, stapler/staples, storage boxes, markers, filing trays, toners, recording tapes, and other expendable office supplies.

Local Funds	Account 7171	Account 7170A	Total
$8,000	$15,000	$5,000	$28,000

63050 SUPPLIES - OPERATIONS $76,554

This budget category is requested to cover operation's supplies to enable the Commission to function effectively and efficiently and will include reasonable expenses including filing/locking cabinets, flashlights, batteries, video recorders/tapes, cameras and other surveillance supplies, fingerprinting supplies, Commission official Tags for the electronic gaming machines (slot machines) and gaming tables, law enforcement badges, ID cards, uniforms for the Enforcement & Investigations personnel, and miscellaneous operations supplies.

Local Funds	Account 7171	Account 7170A	Total
$20,000	$35,000	$21,554	$76,554

63120 EQUIPMENT UNDER $5,000 $8,500

This budget category is requested for the procurement of specialized photo and printing machines for the Identification Badges. The ID Badges are required to be issued to all Commission personnel, Casino Employees, Casino Key Employees, Service providers, and other entities requiring Commission licensure.

Local Funds	Account 7171	Account 7170A	Total
$4,500	$2,500	$1,500	$8,500

64540 MACHINERY, TOOLS, AND EQUIPMENT $12,500

This budget category is requested to purchase technical tools, equipment, and machinery necessary for the Commission to perform its gaming equipment audits, regulatory site inspections, and related investigations and enforcement duties.

Local Funds	Account 7171	Account 7170A	Total
$4,000	$6,000	$2,500	$12,500

64560 OFFICE EQUIPMENT $72,500

This budget category is for the purchase of desktop computers, hard-drives, printers, scanners, servers, line conditioners, surge protectors, camera, VCR, and other computer equipment and accessories. The Commission is a new government entity responsible for the regulatory enforcement and implementation of P.L. 18-56, P.L. 19-24, Casino Regulations, and the Minimum Internal Control Standards. This equipment is essential for the effective and efficient operation of the Casino Commission.

Local Funds	Account 7171	Account 7170A	Total
$12,000	$50,500	$10,000	$72,500

64570 OFFICE FURNITURE AND FIXTURE $40,000

This budget category is requested to cover the costs of furnishing the Commission's main office at Springs Plaza as well as the new office at the Grand Mariana Hotel & Resort. The Commission needs to purchase numerous office desks, chairs, conference tables and chairs, and other related office furniture and fixture. These furniture and fixtures are essential for the effective and efficient operation of the Casino Commission.

Local Funds	Account 7171	Account 7170A	Total
$15,000	$15,000	$10,000	$40,000

64580 VEHICLE - public service & Administration $38,000

This budget category is requested to cover the costs of purchasing a vehicle for the Commission's use in regulating the electronic poker, e-gaming, and pachinko activities.

Local Funds	Account 7171	Account 7170A	Total
$38,000	$ - 0 -	$ - 0 -	$38,000

14th SAIPAN AND NORTHERN ISLANDS MUNICIPAL COUNCIL

Honorable Pedro T. Nakatsukasa Memorial Building

P.O. Box 500309 ck, Saipan, MP. 96950-0309

• Telephone # (670) 664-2700/2701 Fax # (670) 664-2702

Luis John DLG. Castro — *CHAIRMAN*

Diego Litulumar Kaipat — *VICE CHAIRMAN*

Antonia M. Tudela — *SECRETARY*

February 22, 2017

Misc. Comm. No. 20-27

Hon. Ralph DLG Torrres
Governor
Office of the Governor
Commonwealth of the Northern Mariana Islands
Capitol Hill
Saipan, MP. 96950

Hon. Ralph S. Demapan
Speaker, House of Representatives
20th CNMI Legislature
Saipan, MP 96950

Hon. Arnold I. Palacios
President, CNMI Senate
20th CNMI Legislature
Saipan, MP 96950

OFFICE OF THE SENATE • PRESIDENT • RECEIVED DATE: 2/24/17 TIME: 3:05pm

ATT.: Special Asst. for OMB, Re. FY 2018 Budget at $288,328.00

Hon. Governor Torres, Speaker Demapan, and President Palacios:

The new leadership of the 14th Saipan and Northern Islands Municipal Council (the "council") is challenged in submitting the council's Fiscal Year (FY) 2018 Budget, as its subject matter jurisdiction over the delivery of public services extends to GANI Islands in the Northern Islands, that includes, among others, the need to undertake a minimum ocean charter of once each quarter as part of the resettlement and redevelopment of Gani Islands, and the collective expression of residents to return to their homeland in Pagan, Agrigan, Sarigan, Alamagan, etc. The council is further challenged by the destruction caused by Typhoon Soudelor for which the council secured nearly half a million dollars for reconstruction with plans to combine resources with the mayors to plan for and eventually construct a Saipan and Northern Islands Municipal Complex in Chalan Kanoa, Saipan.

RECEIVED DATE: 2/27/17 3pm

Finally, the council has embarked on community building projects that will add value to the quality of life on Saipan and the Northern Islands through community-based task force planning and development in areas including but not limited to entombment of ancestral remains, village identification project, charter municipality & revenue producing or generating system of governance, conservation, protection, and propagation of indigenous medicinal plants, *Konferencian Dinana Islas Marianas*, the Neighborhood Watch program, the village numbering project, the Chalan Kanoa Leadership Kiosku, the Marianas Memorial & Remembrance project, to name a few.

Offhand, the council's FY 2018 budget is also conservatively structured in response to rate increases in utilities fees such as power and water and the FEMA requirement to purchase disaster insurance policy on the building and capital items contained in the council public facilities, including a public utility vehicle for use by official off-island guests and related official business. A provision for vehicle insurance is also requested for a council vehicle. The budget likewise includes the Chalan Kanoa Kiosku's need for furniture and related equipment for public use during public outreach forums or meetings that eventually will be shifted over to a community-based organization. By then, the kiosku will be ready for transition as a center of historical research and public facilities for job and wealth creations.

The office that we used to speak of is no longer: that is, Typhoon Soudelor blew off the roof of our main building, including the council chamber and offices. We included a conservative amount in the budget request that is intended to supplement what we expect from FEMA sometime this year. The last time the entire roof was repaired was in the year 2001 from its original installation of the building's roof since 1994,or eight years ago. Now, it has been fifteen (15) years since the last major repairs in 2001 where the entire roof was replaced, but today there is no roof to repair other than to replace what was then.

In addition, the council would like to continue to certify questions before the Supreme Court over its constitutional roles, responsibilities, and duties that necessitate professional services to guide the council accordingly.

The 14th Saipan and Northern Islands Municipal Council (the "Council") submits its fiscal year (FY) 2018 budget consistent with the continued strategic direction as referenced in Article III of the NMI Constitution for public services at the local municipal level of governance to be made available on an *equitable basis through a decentralized administrative arrangement* in conjunction with Article VI Section 7(a), which mandates the power and function of the municipal council to extend to all local matters (underscored) of a predominately local nature not pre-empted by the Commonwealth Legislature. This includes the constitutional obligation to work with the mayor in the resource allocation for the municipality of Saipan in terms of the office budget and allocation of resources for operations and community improvement projects and maintenance based on the needs of Saipan, including the Northern Islands Article VI of the CNMI Constitution, and the Local Law Act of 1983, as amended.

Like the legislature, the municipal council is charged with the enactment of municipal ordinance and the codification and maintenance of the Saipan Municipal Code in conjunction with the Office of the Mayor of Saipan.

The 14th Saipan and Northern Islands Municipal Council plans to continue to work with the Mayors of Saipan and Northern Islands in the continued implementation of the following:

- Implementation of the highly successful environmental enhancement Adopt-A-Place Program.
- To continue the Saipan Neighborhood Watch Program in partnership with the business community, village residents, PTA, and the community.
- Working together with the Mayors and the Marianas Visitors Authority in making of our island a destination of choice for leisure, business, and investment.
- To introduce and bring back our culture through local indigenous education, introducing the local handicrafts to our younger generations in order to keep the host culture robust.

Building on the foundation of our success, the council's continued strategic targets for calendar 2017 and 2018 include but not limited to the major undertakings earlier described, in addition to existing ones enumerated below:

- Working with community stakeholders on destination enhancement of Saipan and the Northern Islands, such as Save Pagan and introducing the cultures from Pagan and reliving and educating the cultures of our island on Saipan as well.
- Revitalization of historic heritages on Saipan and the Northern Islands, including the removal of urban blight in Chalan Kanoa.
- Expansion of Saipan Neighborhood Watch and Adopt-a-Place Program.
- Work with Gani Island Mayor's Office for the Allotment of Gani Island homesteads in Pagan.
- Make the CNMI the Regional Leadership Forum center through AMIM on issues affecting the Marianas Archipelago, including Saipan and Northern Islands, such as Pagan Militarization and local produce for our island.
- Support Konferencia Dinana Islas Marianas to be held in Pagan in June 2016
- Expand the American Memorial Park Marianas Memorial for Civilian Casualties of the Marianas War

- Progress on a Site Development Plan for the Proposed Saipan & Northern Islands Municipal Complex
- Begin GIS Mapping on Home Numbering on Saipan
- Expand Home Stay/ Sponsor Program with Sister City

To this end, we respectfully seek your sincere support in sharing equitably our meager resources for the collective benefit of the people of Saipan and Gani Islands. We especially continue to implore Capital Hill's support in continued operation and maintenance of the Chalan Kanoa Kiosku project which will increasingly be self-sustaining with little to no assistance after this initial year of operation of the center.

Worthy programs initiated, promoted and implemented by the council in partnership with community stakeholders are worthy of the support of our local leaders.

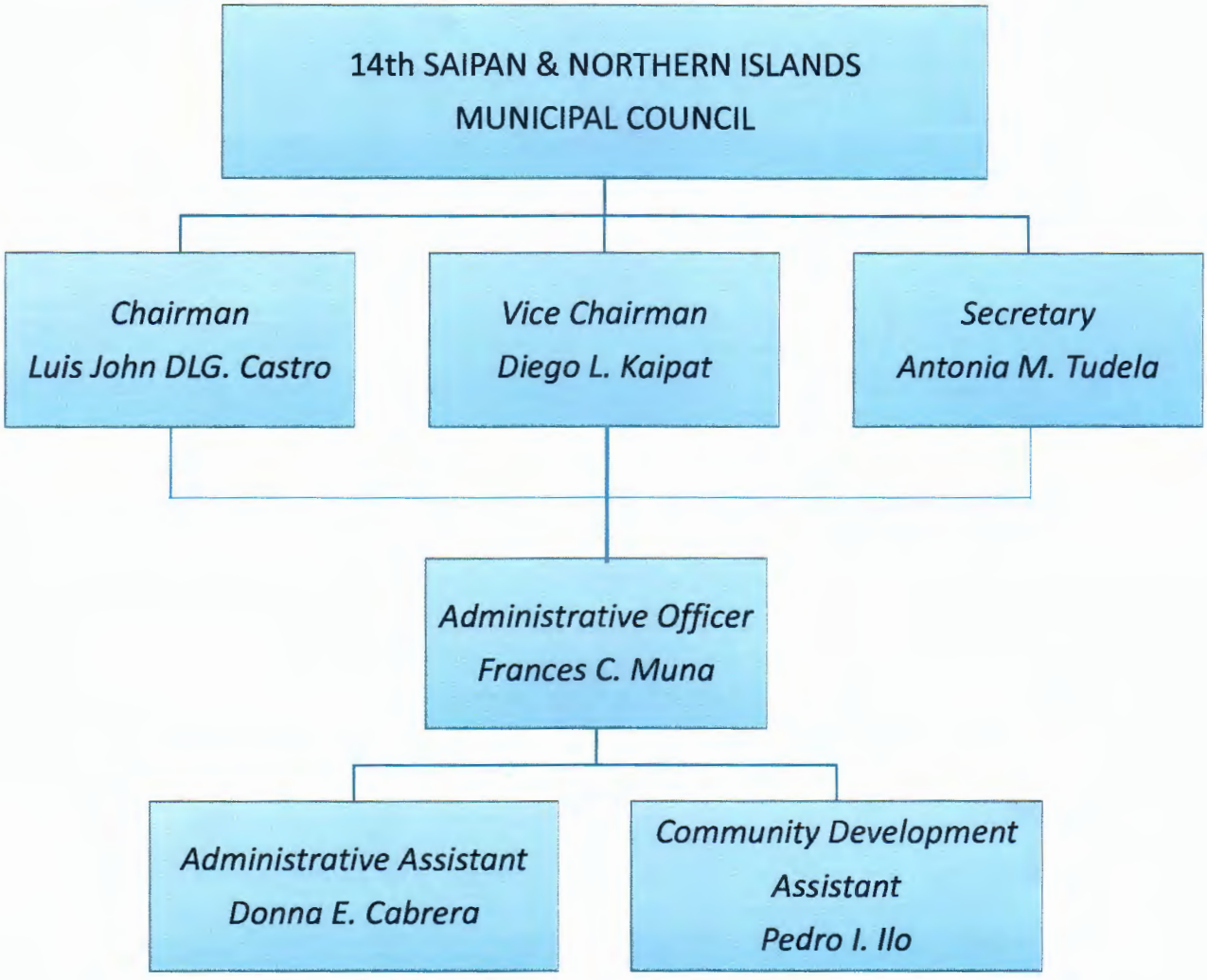
Respectfully,

Diego L. Kaipat
Acting Chairman
14th Saipan & Northern Islands Municipal Council

xc. Ms. Virginia Villagomez, Special Assistant for Planning & Budget
Hon. Angel A. Demapan, Chairman, House Ways & Means Committee
Hon. Jude U. Hofschneider, Chairman, Senate Fiscal Affairs Committee
Members, Saipan & Northern Islands Legislative Delegation (SNILD)
Hon. Acting Mayor,LJ Castro , Gani Islands
Hon. Mayor, David M. Apatang, Saipan

Attachments: "A"—Operating Expenditure Worksheet
"B"—Personnel Worksheet

ORGANIZATIONAL CHART



OPERATING EXPENDITURE WORKSHEET

DEPT.:	SAIPAN MUNICIPAL COUNCIL
ACTY.:	MUNICIPALITY
Bus. Unit	1062

CLASS CODE	OBJECT CLASSIFICATION	2015 Actual Expense	2016 Actual Expense	2017 Budget PL 19-68	Department's 2018 Request
a. PERSONNEL					
61090	WAGES / SALARIES-CSC	36,905			$38,602.00
61100	WAGES / SALARIES-UNG	13,571			$34,000.00
b. FRINGE BENEFITS					
61180	PERSONNEL INSURANCE	537			$1,053.00
61190	RETIREMENT CONTRIBUTIONS	0			$0.00
61195	401K DC RET. EMPLR. CONTR.	0			$2,904.00
61196	FICA @ 6.20%	2,982			$4,501.00
61220	MEDICARE CONTRIBUTION	697			$1,053.00
61299	PERSONNEL APPROPRIATIONS				
c.	**TOTAL PERSONNEL**	**$54,692**	**$0.00**	**$0.00**	**$82,113.00**
	NUMBER OF POSITIONS	**3**	**3**	**3**	**3**
d. TRAVEL					
62500	TRAVEL	9,646.00			$11,000.00
62500.20	PER DIEM				
	TOTAL TRAVEL	**9,646.00**	**0.00**	**0.00**	**11,000.00**
e. EQUIPMENT					
63120	EQUIPMENT UNDER $5000	170.00	2,269.00		$0.00
64540	MACHINERY, TOOLS & EQUIPMENT	280.00	864.00		$1,000.00
64550	COMPUTER SYSTEM & EQUIPMENT				$2,500.00
64560	OFFICE EQUIPMENT		388.00		$0.00
64570	OFFICE FURNITURE & FIXTURES		580.00		$1,000.00
64580	VEHICLES - PUB. SVC. & ADMIN.				$30,000.00
	TOTAL EQUIPMENT	**450.00**	**4,101.00**	**0.00**	**34,500.00**
f. SUPPLIES					
63030	FUEL & LUBRICATIONS	178.00	400.00		$1,500.00
63040	SUPPLIES - OFFICE	1,605.00	1,350.00		$4,000.00
63050	SUPPLIES - OPERATIONS		2,238.00		$4,000.00
	TOTAL SUPPLIES	**1,783.00**	**3,988.00**	**0.00**	**9,500.00**
g. CONTRACTUAL					
62060	PROFESSIONAL SERVICES				$12,500.00
62080	ADVERTISING	0.00	489.00		$1,500.00
62250	COMMUNICATIONS	2,210.00	2,592.00		$4,200.00
62260	DUES AND SUBSCRIPTIONS	500.00	500.00		$1,500.00
62280	INSURANCE - BUILDING	0.00	0.00		$12,000.00
62300	PRINTING & PHOTOCOPYING	1,093.00	400.00		$3,000.00
62400	RENTAL-VEHICLES	(110.00)			$0.00
62480	RENTAL-OTHERS	2,000.00			$0.00
62660	REPAIRS & MAINTENANCE	530.00	2,909.00		$1,500.00
62810	MISCELLANEOUS SERVICES	0	0		$100,000.00
	TOTAL CONTRACTUAL	**6,223.00**	**6,890.00**	**0.00**	**136,200.00**
h. CONSTRUCTION					
64050	BUILDINGS & IMPROVEMENTS				$0.00
64520	IMPROVEMENTS				$2,500.00
	TOTAL CONTRUCTION	**0.00**	**0.00**	**0.00**	**2,500.00**
i. OTHER					
62050	OFFICIAL REPRESENTATION	3,250.00	2,250.00		$2,500.00
62100	BOARDS AND COMPENSATION	210.00	120.00		$2,160.00
62670	ALL OTHERS (BUDGET ONLY)				
62710	UTILITIES-POWER, WATER, SEWER	12,396.00	4,002.00		$5,000.00
	TOTAL OTHERS	**15,856.00**	**6,372.00**	**0.00**	**9,660.00**
j. Total ("ALL OTHERS") (d-i)		**$33,958.00**	**$21,351.00**	**$0.00**	**$203,360.00**
62070	PUBLIC AUDITOR 1% FEE	1,165.00	213.51	0.00	2,854.73
k.	**GRAND TOTAL**	**$89,815.00**	**$21,564.51**	**$0.00**	**$288,327.73**

PERSONNEL SERVICE WORKSHEET - FY2018

Department:	**Saipan Municipal Council**
Activity:	**Municipality**
Bus.Unit:	**1062**

	Position Title	Incumbent	PL 19-68 FY2017 Emp. Stat	Grade Step	FTE	Base Salary	Council's Request FY2018 Emp. Stat	Grade Step	FTE	Base Salary
1	Administrative Officer III	Muna, F.C.	CS	CS	1	36,764	CS	CS	1	38,602
2	Administrative Assistant	Cabrera, D.E.	ESC	UNG	1	15,000	ESC	UNG	1	17,000
3	Community Dev. Assistant	Ilo, P.I.	ESC	UNG	1	15,000	ESC	UNG	1	17,000
	Elected (ELT)									
	Appointed (APT)									
	Excepted Service Contracts (ESC)									
	Limited Term Appointments Ungraded (LTU)				2	30,000			2	34,000
	Civil Service (CS)				1	36,764			1	38,602
	Limited Term Appointments Graded (LTG)									
WAGES & OTHERS:										
	Wages Civil Service (61090)					36,764				38,602
	Wages Ungraded (61100)					30,000				34,000
	Wages Adjustment for Austerity/Unpaid Holidays					0				0
	Overtime					0				0
	Differentials					0				0
	Total Wages & Others					**66,764**				**72,602**
BENEFITS:										
	Life Insurance 1.45%					968				1,053
	Retirement - 37.39%/60.86					0				0
	DB Ret. Adjustment for Austerity/Unpaid Holidays					0				0
	401K DC Retirement - 4%					0				2,904
	DC Ret. Adjustment for Austerity/Unpaid Holidays					0				0
	Social Security - 6.2%					4,139				4,501
	Medicare - 1.45%					968				1,053
	Medicare Adjustment for Austerity/Unpaid Holidays					0				0
	Subsistence					0				0
	Health Insurance					0				0
	Total Personnel Benefits					**6,075**				**9,511**
TOTAL FTEs, PERSONNEL COMPENSATION, & BENEFITS						**72,839**				**82,113**

14th SAIPAN & NORTHERN ISLANDS MUNICIPAL COUNCIL

FISCAL YEAR 2018 BUDGET REQUEST (JUSTIFICATION)

61090	WAGES/SALARIES – CSC	$38,602.00

This budget request is to cover cost for one civil service employee (Administrative Officer III) that has already reached the last step increase pursuant to PL 19-74.

61100	WAGES/SALARIES – UNG	$ 34,000.00

This budget request is to cover cost for two ungraded position for the council that Has not been given any wage increase since the position was occupied.

Positions: Administrative Assistant	Salaries:	$17,000
Community Development Assistant		$17,000

The Administrative Assistant position is needed to assist management and council members with the day to day clerical assistance and personnel services in order for the council office to function with its projects and programs. Assist with the Administrative Officer in the preparation of council sessions, annual budget, time keeping and other related duties as assigned daily.

The Community Development Assistant is needed to assist management and council members on the daily supervision of the Title V workers that have been assigned to the Kiosku for the upkeep of the Kiosku grounds. This position is also needed for the preparation of all council projects under the council outreach projects and other related duties as assigned.

61180	LIFE INSURANCE (1.45%)	$ 1,053.00

This budget request is needed to cover the employer's mandatory contribution to life insurance (CNMI Group Life Insurance Premiums) currently based at one and forty-five hundredths percent of the total base salary. This requirement is mandated by CNMI Law.

61195	401K DC RET.EMP. CONTRIBUTION (4%)	$ 2,904.00

This budget request is to cover the employer's mandatory contribution to the retirement program (Define Contribution Retirement Plan) currently based at four percent of the total base salary. This requirement is mandated by CNMI Law.

61196	FEDERAL INSURANCE CONTRIBUTION (6.20%)	$ 4,501.00

This budget request is to cover the employer's mandatory contribution to the Federal Insurance Contributions Act (FICA) currently based at six and twenty hundredths percent of the total base salary. This requirement is mandated by CNMI Law.

61220	MEDICARE CONTRIBUTION (1.45%)	$ 1,053.00

This budget request is to cover the employer's mandatory contribution to the Medicare Program currently based at one and forty-five hundredths percent of the total base salary. This requirement is mandated by CNMI Law.

62500	TRAVEL	$ 11,000.00

This budget request for travel for the council members to attend off island meeting for their annual Association of Mariana Islands' Mayors, Vice Mayors and Elected Municipal Council members on Guam, the Association of Municipal Councils within Rota and Tinian in rotation with Saipan meetings, off island training for the members and or staff, other meetings with regards to the Gani Islands and conferences that the council members will be invited to attend at the best interest of the CNMI Government. This budget section also includes the per diem and transportation as well as air fare.

64540	MACHINERY, TOOLS AND EQUIPMENT	$ 1,000.00

This budget request is for expenditures for the initial acquisition in procuring needed machineries, tools, equipment that includes lawn mowers, bush-cutters, trimmers, blowers, hand tools and other related tools and equipment.

64550	COMPUTER SYSTEM AND EQUIPMENT	$ 2,500.00

This budget request is for the procurement of new computer system with printer and copier as well as fax machine, security cameras and accessories, computer hardware, software and flat screen monitor and other related equipment.

64570	OFFICE FURNITURE & FIXTURES	$ 1,000.00

This budget request is for the procurement of furniture such as needed folding tables, chair, office chairs, lighting, fan, computer table and other related furniture and fixtures.

64580	VEHICLES – PUBLIC SVC. & ADMIN.	$30,000.00

This budget request is for the procurement of one council vehicle (pick-up truck) for the use at council projects, council daily errands, transportation of trash for disposition at the DPW transfer station in Marpi.

63030	FUEL AND LUBRICATIONS	$ 1,500.00

This budget request is to cover for the procurement of fuel and lubricants for the machineries and vehicle used for the council daily needs as up keep of council and Kiosku grounds, transportation used for disposition of council trash and use for council daily errands.

63040	SUPPLIES – OFFICE	$ 4,000.00

This budget request is to cover for the procurement of office supplies for the use of the council and kiosku office needs, projects and programs such as paper, staples, inks for the printer and copier, pens, folders, tape, glue, envelopes, labels and other related supplies.

63050	SUPPLIES – OPERATIONS	$ 4,000.00

This budget request is to cover for the procurement of operational supplies for the use of the council and kiosku office needs such as brooms, dust pans, cleaners for the restrooms and office, sanitizers, air freshners, toilet tissue, paper towels, trash bags and other related supplies for the council and kiosku.

62060	PROFESSIONAL SERVICES	$ 12,500.00

This budget request is for the required services of a legal counsel or consultant for the guidance of the council members on the matters of municipal ordinances, local bills, resolutions, council projects and programs and other related duties needed to assist the council office with legal matters. The Council plans to take trips to visit the Gani Islands as part of their on-going projects this coming year and will be seeking the assistance of charter vessels to the Gani Islands.

62080	ADVERTISING	$ 1,500.00

This budget request is to cover expenditures for the procurement of advertisement for council projects with the news and radio.

62250	COMMUNICATIONS	$ 4,200.00

This budget request is to cover expenditures for the charges of telephone, fax and internet cost.

62260	DUES AND SUBSCRIPTIONS	$ 1,500.00

This budget request is to cover for the cost associated with the annual membership dues to the CNMI Association of Mariana Islands Mayors (AMIM). This applies for the yearly subscription for the news paper.

62280	INSURANCE – BUILDING	$ 12,000.00

This budget request is to cover the procurement of typhoon and fire insurance as required from the FEMA for future protection of all government building that may be damaged by future typhoons. Insurance will be for both the Saipan Council building and Kiosku Building.

62300	PRINTING AND PHOTOCOPYING	$ 3,000.00

This budget request is to cover cost for printing of forms such as purchase requisition, allotment forms, travel authorization, resolution forms, project pamphlets, posters and publication of brochure.

62660	REPAIRS & MAINTENANCE	$ 1,500.00

This budget request is to cover for the cost for repairs and maintenance of Council computers and other equipment.

62810	MISCELLANEOUS SERVICES	$100,000.00

This budget request is to cover for the cost of chartering a vessel to the Gani Islands for the purpose of Council planned projects with the Northern Islands Mayor's Office.

64050	IMPROVEMENTS	$ 2,500.00

This budget request is to cover for the cost of Kiosku building improvements that would be needed for the continued upkeep since the last construction of the Kiosku back in 2009. Such as repainting of building, repair cracked areas within the building.

62050	OFFICIAL REPRESENTATION	$ 2,500.00

This budget request is to cover for the cost of procurement of refreshments, lunch or dinner hosting of off island delegates, Council members from our sister islands, and Mayors from Guam, Rota and Tinian in reference to AMIM and council projects.

62100	BOARD AND COMPENSATION	$ 2,160.00

This budget request is to cover for the payment of member's dues with the Association of Mariana Islands' Mayors, Vice Mayors and Elected Municipal Council members (AMIM) and the Association of Municipal Councils on an annual basis.

62710	UTILITIES (POWER,WATER & SEWAGE)	$ 5,000.00

This budget request is to cover for the Council and Kiosku building power, water and sewage.

62070	PUBLIC AUDITOR 1% FEE	$ 2,855.00

This budget is required by the office of the Public Auditor at 1%.

Misc. Comm. No. 20-28

MARIANAS
VISITORS AUTHORITY
P.O. BOX 500861 CK
SAIPAN, MP 96950
TEL.: (670) 664-3200/1
FAX: (670) 664-3237
E-mail: mva@mymarianas.com
www.mymarianas.com

February 27, 2017

OFFICE OF THE SPEAKER ★ CNMI LEGISLATURE ★
Received
By: Dolq
Date: 2/28/17
Time: 1:45 Pm

Honorable Arnold Palacios
President
SENATE
20th Northern Marianas Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

And

OFFICE OF THE SENATE PRESIDENT
RECEIVED
DATE: 2/28/17
TIME: 145pm
tmp

Honorable Rafael S. Demapan
Speaker
HOUSE OF REPRESENTATIVES
20th Northern Marianas Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

Hafa Adai Senate President Palacios and Speaker Demapan:

The Marianas Visitors Authority would like to submit our 1st Quarter report relative to 4 CMC § 2125 Section (b) and (c) below:

(b) All moneys received by the MVA from whatever source shall be deposited in the Fund and eligible banks as defined in the Commonwealth Code.

The Marianas Visitors Authority (MVA) received from the CNMI Department of Finance its share (as revenue recorded in the Books) of the Hotel Occupancy Tax and Container Tax for the 1st quarter of Fiscal Year 2017 in the amount of $3,160,015.79. This fund was deposited to MVA's Bank of Guam Account which is covered by Federal Deposit Insurance Corporation (FDIC). The fund was transferred to MVA's Bank of Hawaii Payroll and Disbursement Bank Accounts, which is also covered by FDIC, as needed to pay our Vendors.

(c) All appropriations by the Commonwealth shall be allotted and transferred to the Fund at least on a quarterly basis.

Please find the attached Projected (Unaudited) Fund Status Report as of December 31, 2016, in compliance with *Public Law 19-08 Section 303 which states, "The expenditure authorities of the foregoing activities listed in Section 301 shall submit to the Presiding Officers of the Legislature, at the end of each quarter, a fund status report on the expenditures for personnel and operations of each government entity, and the payments of the Public Auditor's fee, for the quarter ended and, if applicable, year-to-date totals as of the close of the reporting period. Furthermore, notwithstanding any provisions or laws to the contrary, all additional resources*

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3/1/17 9am

PATA Pacific Asia Travel Association
JATA Japan Association of Travel Agents

realized within the fiscal year outside of those specified and identified under this Act shall be reported to the Legislature for informational and appropriation purposes."

Should you have any questions or comments, please contact our office at 670-664-3200/3201.

Sincerely,

CHRISTOPHER A. CONCEPCION
Managing Director

MARIANAS VISITORS AUTHORITY

FUND STATUS REPORT
PERSONNEL AND ALL OTHERS
FOR THE PERIOD ENDING DECEMBER 31, 2016

Saipan Tinian Rota

CODE	EXPENDITURE	FY2017 BUDGET	FY2017 PROPOSED REDUCTION	FY2017 ADJUSTED BUDGET	FY2017 ACTUAL (YTD DEC. 2016)	REMAINING BUDGET
61000	Personnel Service	1,611,668	(70,000)	**1,541,668**	300,990	1,240,678
62060	Professional Fee	222,700		**222,700**	45,901	176,799
62060	Prof. Fee on Tourism Master Plan	350,000	(250,000)	**100,000**	-	100,000
62061	Tour Guide Certification	150,000	(75,000)	**75,000**	-	75,000
62250	Communication	34,220		**34,220**	20,222	13,998
62260	Dues & Subscription	2,800		**2,800**	395	2,405
62280	Insurance	34,500		**34,500**	24,864	9,636
62300	Printing & Publication	110,100		**110,100**	18,364	91,736
62440	Office Rental	54,000		**54,000**	14,310	39,690
62460	Office Equipt/Rental/Repairs	10,800		**10,800**	7,128	3,672
62500	Travel	50,000		**50,000**	5,449	44,551
62660	Repairs & Maintenance	20,000		**20,000**	5,198	14,802
62680	Postage & Freight	5,500		**5,500**	403	5,097
62690	Staff Training	7,500		**7,500**	-	7,500
62710	Utilities	26,600		**26,600**	28,364	(1,764)
62750	Tourist Sites Security	170,000		**170,000**	-	170,000
63030	Fuel & Lubrication	18,000		**18,000**	7,734	10,266
63040	Office Supplies	22,000		**22,000**	8,121	13,879
63050	Maintenance Supplies	24,000		**24,000**	8,921	15,079
64550	Computer Systems	10,000		**10,000**	750	9,250
64580	Capitalizeable Assets	272,937	(60,000)	**212,937**	156,435	56,502
64999	Miscellaneous	10,790	(9,000)	**1,790**	566	1,224
	TOTAL PERSONNEL AND ALL OTHERS	**3,218,115**	**(464,000)**	**2,754,115**	**654,114**	**2,100,001**
	CNMI Advertising Expense					-
1000	Saipan	792,000	(50,000)	**742,000**	82,178	659,822
2000	Tinian	94,500	-	**94,500**	3,206	91,294
3000	Rota	61,249	-	**61,249**	585	60,664
	Total CNMI Promotion	**947,749**	**(50,000)**	**897,749**	**85,968**	**811,781**
	Offshore Promotion					-
4100	Japan	2,590,000	(50,000)	**2,540,000**	461,455	2,078,545
5100	Korea	2,500,000	-	**2,500,000**	660,210	1,839,790
7100	China	1,969,800	-	**1,969,800**	359,030	1,610,770
9100	Philippines	250,000	-	**250,000**	50,841	199,159
7800	Taiwan	200,000	-	**200,000**	42,157	157,843
9200	Russia	200,000	-	**200,000**	61,883	138,117
	Total Offshore	**7,709,800**	**(50,000)**	**7,659,800**	**1,635,576**	**6,024,224**
	Local Promotion					-
4400	Japan	931,000	(76,000)	**855,000**	169,270	685,730
5400	Korea	50,000	-	**50,000**	1,500	48,500
7400	China	67,711	-	**67,711**	13,155	54,557
7840	Taiwan	35,000	-	**35,000**	-	35,000
9149	Philippines	85,000	(50,000)	**35,000**	-	35,000
7745	Hong Kong	85,000	(60,000)	**25,000**	-	25,000

MARIANAS VISITORS AUTHORITY

FUND STATUS REPORT
PERSONNEL AND ALL OTHERS
FOR THE PERIOD ENDING DECEMBER 31, 2016

Saipan Tinian Rota

CODE	EXPENDITURE	FY2017 BUDGET	FY2017 PROPOSED REDUCTION	FY2017 ADJUSTED BUDGET	FY2017 ACTUAL (YTD DEC. 2016)	REMAINING BUDGET
9240	Russia	90,000	(50,000)	40,000	22,528	17,472
	Total Local	**1,343,711**	**(236,000)**	**1,107,711**	**206,452**	**901,259**
	Adhoc Promotion					-
4600	Japan	474,177	-	**474,177**	52,807	421,370
5600	Korea	285,000	-	**285,000**	50	284,950
7600	China	295,000	-	**295,000**	19,164	275,836
7860	Taiwan	50,000	(50,000)	-	-	-
9260	Russia	95,000	-	**95,000**	3,906	91,094
	Total Adhoc	**1,199,177**	**(50,000)**	**1,149,177**	**75,927**	**1,073,250**
	Other Promotions					-
8200	US/Guam	65,000	-	**65,000**	12,661	52,339
9400	Other Ads	404,700	-	**404,700**	16,947	387,753
	Total Other Promotions	**469,700**	**-**	**469,700**	**29,608**	**440,092**
	TOTAL ADVERTISING AND MARKETING	**11,670,137**	**(386,000)**	**11,284,137**	**2,033,531**	**9,250,606**
	Support to Other Agencies				-	-
65010	Tinian and Rota Municipality	290,452		**290,452**	19,229	271,223
62089	MOS Beautification Project	200,000		**200,000**	(0)	200,000
62089	CNMI Museum	50,000		**50,000**	-	50,000
62089	Div. of Parks and Recs	50,000		**50,000**	11,120	38,880
	Total Funds allocated to other gov't agencies	**590,452**	**-**	**590,452**	**30,348**	**560,104**
	Destination Enhancement Projects					-
62089705	Beach Pathway Lighting	-		-	-	-
62089705	Landscaping Beach Road & Coral Tree	151,978		**151,978**	77,930	74,048
62089708	Rota Projects	100,000		**100,000**	259	99,741
62089707	Tinian Projects	100,000		**100,000**	18,916	81,084
62089713	Consultants (RFP)	120,000		**120,000**	2,000	118,000
62089705	Oleai Track project	250,000		**250,000**	-	250,000
62089705	PDM Landscaping	78,569		**78,569**	-	78,569
62089705	Sugar King Renovation	23,000		**23,000**	-	23,000
62089703	Garapan Trash Collection	20,410		**20,410**	5,455	14,955
62089701	Others including maintenance	979,590	(150,000)	**829,590**	99,141	730,449
	TOTAL DESTINATION ENHANCEMENTS	**1,823,547**	**(150,000)**	**1,673,547**	**203,700**	**1,469,847**
64500	**BUILDING FUND**	**835,850**		**835,850**	**-**	**835,850**
	TOTAL EXPENDITURES	**18,138,101**	**(1,000,000)**	**17,138,101**	**2,921,694**	**14,216,407**

FUND STATUS REPORT
ADVERTISING AND MARKETING
FOR THE PERIOD ENDING DECEMBER 31, 2016

CODE	EXPENDITURE	FY2017 BUDGET	FY2017 PROPOSED REDUCTION	FY2017 ADJUSTED BUDGET	FY2017 ACTUAL (YTD DEC. 2016)	REMAINING BUDGET
1000	**AD COST FOR SAIPAN**					
62081101	Christmas in the Marianas	25,000		**25,000**	21,505	3,495
62081103	Saipan Marathon	70,000		**70,000**	-	70,000
62081106	Flame Tree Arts Festival	5,000		**5,000**	-	5,000
62081107	Tagaman Triathlon	90,000		**90,000**	-	90,000
62081108	Annual MVA Tourism Month	5,000		**5,000**	-	5,000
62081109	Taste of Marianas	55,000		**55,000**	-	55,000
62081110	S.O.P.H.I.A. Fun Walk	500		**500**	-	500
62081111	Saipan Int'l Fishing Tournament	6,000		**6,000**	-	6,000
62081112	Golf Tournament of Champions	10,000		**10,000**	-	10,000
62081116	Annual Int'l Festival of Cultures	30,000		**30,000**	83	29,917
62081118	Marianas Cup Beach Volleyball	5,000		**5,000**	-	5,000
62081123	Marianas Tourism Educ. Council	6,000		**6,000**	-	6,000
62081125	Beautify CNMI	100,000		**100,000**	15,400	84,600
62081127	Hyatt Golf Classic	1,000		**1,000**	-	1,000
62081129	Hell of the Marianas	50,000		**50,000**	-	50,000
62081130	Flipper Race	7,000		**7,000**	-	7,000
62081131	Marianas Cup Windsurfing	1,000		**1,000**	-	1,000
62081132	Taga Kids Sponsorship	2,000		**2,000**	-	2,000
62081201	Katori Festival	3,500		**3,500**	339	3,161
62081202	GMM Meeting	5,000		**5,000**	750	4,250
62081204	Shiko Gakuen	1,000		**1,000**	-	1,000
62081206	Micronesia Repatriation Asst	1,000		**1,000**	-	1,000
62081207	Japanese Peace Memorial	1,000		**1,000**	675	325
62081302	Local Hospitality	10,000		**10,000**	492	9,508
62081303	Ship Arrivals	5,000		**5,000**	1,920	3,080
62081304	Gifts	500		**500**	3,220	(2,720)
62081306	Sponsorship Program	154,000	(50,000)	**104,000**	10,946	93,054
62081307	Stellar Marianas Sponsorship	5,000		**5,000**	-	5,000
62081308	Destination Video	45,000		**45,000**	6,000	39,000
62081312	MINA Sponsorship	10,000		**10,000**	9,900	100
62081314	Tennis Association Sponsorship	5,000		**5,000**	-	5,000
62081315	HANMI Golf Tournament	1,500		**1,500**	-	1,500
62081306	Kite Festival	-		**-**	10,946	(10,946)
62081318	(Docomo/MTEC)	1,000		**1,000**	-	1,000
62081320	Lunar New Year Sponsorship	20,000		**20,000**	-	20,000
62081321	PDM Activities Sponsorship	5,000		**5,000**	-	5,000
62081424	Beautification/Trash-A-Thon			**-**	-	-
62081999	Other CNMI-related events	50,000		**50,000**	-	50,000
	Sub-total for Saipan	**792,000**	**(50,000)**	**742,000**	**82,178**	**659,822**
2000	**AD COST FOR TINIAN**					
62082102	Tinian San Jose Fiesta	3,000		**3,000**	-	3,000
62082101	Christmas event	5,000		**5,000**	1,612	3,388
62082103	Tinian Triathlon/Reef Swim	10,000		**10,000**	-	10,000
62082104	Annual Tour de Tinian	5,000		**5,000**	-	5,000
62082105	Tinian Tourism Month	5,000		**5,000**	-	5,000
62082106	Tinian Fishing Derby	2,000		**2,000**	-	2,000
62082110	Tinian Cliff Fishing Derby	5,000		**5,000**	-	5,000

FUND STATUS REPORT
ADVERTISING AND MARKETING
FOR THE PERIOD ENDING DECEMBER 31, 2016

CODE	EXPENDITURE	FY2017 BUDGET	FY2017 PROPOSED REDUCTION	FY2017 ADJUSTED BUDGET	FY2017 ACTUAL (YTD DEC. 2016)	REMAINING BUDGET
62082111	Tinian Hot Pepper Festival	25,000		**25,000**	-	25,000
62082113	Okinawa Memorial Service	1,000		**1,000**	-	1,000
62082114	Japanese Peace Memorial	1,000		**1,000**	94	906
62082200	Tinian Others	15,000		**15,000**	-	15,000
62082201	Sponsorship Tinian	15,000		**15,000**	1,500	13,500
62082307	Biker's Association	2,500		**2,500**	-	2,500
	Sub-total for Tinian	**94,500**	**-**	**94,500**	**3,206**	**91,294**
3000	**AD COST FOR ROTA**					
62083101	San Francisco de Borja Fiesta	3,000		**3,000**	-	3,000
62083103	Christmas Event	5,000		**5,000**	585	4,415
62083104	Rota Blue Triathlon	10,000		**10,000**	-	10,000
62083106	Rota-Tourism Month	2,000		**2,000**	-	2,000
62083108	Japanese Memorial	1,000		**1,000**	-	1,000
62083109	Cliff Fishing Derby	5,000		**5,000**	-	5,000
62083200	Other Rota-related Events	28,249		**28,249**	-	28,249
62083303	Rota-SFDB Trolling Fishing Derby	2,000		**2,000**	-	2,000
62083312	Rota-Sweet Potato Fair	2,500		**2,500**	-	2,500
62083313	Rota-San Isidro Agri Fair	2,500		**2,500**	-	2,500
	Sub-total for Rota	**61,249**	**-**	**61,249**	**585**	**60,664**
4000	**MKTG COST FOR JAPAN**					
62084110	OF-JP-Representation	30,404		**30,404**	30,404	(0)
62084133	OF-JP-Collaterals	26,880		**26,880**	26,880	(0)
62084147	OF-JP-Seminars	701		**701**	701	(0)
62084161	OF-JP-Web Development	835		**835**	835	0
62084163	OF-JP-Domestic Travel	1,482		**1,482**	1,482	0
62084168	OF-JP-Entertainment	372		**372**	372	0
62084171	OF-JP-Group Campaign	20,000		**20,000**	-	20,000
62084191	OF-JP-Other Ads & Promotion	2,108,545	(50,000)	**2,058,545**	-	2,058,545
62084196	OF-JP-FAM Tours Media	781		**781**	781	-
62084299	OF-JP-Monthly Billing	400,000		**400,000**	400,000	-
	SUB-TOTAL	***2,590,000***	***(50,000)***	***2,540,000***	***461,455***	***2,078,545***
62084402	LC-JP-JMTC Seminar	4,500		**4,500**	-	4,500
62084408	LC-JP-JATA/World Trade Fair	76,586	(35,000)	**41,586**	41,586	(0)
62084410	LC-JP-Domanaka Festival	11,000		**11,000**	-	11,000
62084411	LC-JP-Other Promotional Supp	88,414	(35,000)	**53,414**	4,350	49,064
62084417	LC-JP-Airline Joint Promotion	746,000	(6,000)	**740,000**	123,333	616,667
62084420	LC-JP-Marianas Sales Seminar	4,500		**4,500**	-	4,500
	SUB-TOTAL	***931,000***	***(76,000)***	***855,000***	***169,270***	***685,730***
62084686	AH-JP-Other Promotion	399,617		**399,617**	-	399,617
62084680	AH-JP-Group Incentive Program	74,560		**74,560**	52,807	21,753
	SUB-TOTAL	***474,177***	***-***	***474,177***	***52,807***	***421,370***
	Sub-total for Japan	**3,995,177**	**(126,000)**	**3,869,177**	**683,531**	**3,185,646**
5000	**MKTG COST FOR KOREA**					
62085110	OF-KR-Representation Fee	270,000		**270,000**	22,500	247,500
62085120	OF-KR-Public Relations/Digital	344,460		**344,460**	29,375	315,085
62085130	OF-KR-Overhead	8,040		**8,040**	-	8,040
62085131	OF-KR-Destination Campaign	588,000		**588,000**	88,406	499,594
62085132	OF-KR-Collaterals	55,000		**55,000**	53,470	1,530

FUND STATUS REPORT
ADVERTISING AND MARKETING
FOR THE PERIOD ENDING DECEMBER 31, 2016

CODE	EXPENDITURE	FY2017 BUDGET	FY2017 PROPOSED REDUCTION	FY2017 ADJUSTED BUDGET	FY2017 ACTUAL (YTD DEC. 2016)	REMAINING BUDGET
62085133	OF-KR-TV Filming Project	200,000		**200,000**	-	200,000
62085134	OF-KR-Marianas Sales Seminar	140,000		**140,000**	-	140,000
62085135	OF-KR-FAM Tour Travel Agents	25,000		**25,000**	550	24,450
62085137	OF-KR-Wed Development	185,600		**185,600**	36,550	149,050
62085136	OF-KR-Volume Incentive Progrm	61,000		**61,000**	-	61,000
62085138	OF-KR-FAM Tour Media	44,965		**44,965**	-	44,965
62085139	OF-KR-Co-op Promotion	150,000		**150,000**	19,642	130,358
62085140	OF-KR-TV Homeshopping Promo	50,000		**50,000**	5,810	44,190
62085142	OF-KR-Entertainment	15,000		**15,000**	1,463	13,537
62085143	OF-KR-Group Incentive Program	10,000		**10,000**	245	9,755
62085144	OF-KR-Travel Trade Promotion	220,000		**220,000**	-	220,000
62085146	OF-KR-Delivery Service	6,000		**6,000**	488	5,512
62085147	OF-KR-Communication/Utilities	4,095		**4,095**	179	3,916
62085148	OF-KR-Domestic Travel	10,840		**10,840**	564	10,276
62085149	OF-KR-Other Operational Costs	12,000		**12,000**	968	11,032
62085199	OF-KR- Monthly Billing not yet received	-		-	400,000	(400,000)
62085150	OF-KR-Other Promotions	100,000		**100,000**	-	100,000
	SUB-TOTAL	***2,500,000***	-	***2,500,000***	***660,210***	***1,839,790***
62085412	LC-KR-Other Promotion	50,000		**50,000**	1,500	48,500
	SUB-TOTAL	***50,000***	-	***50,000***	***1,500***	***48,500***
62085624	AH-KR-Other Promotion	285,000		**285,000**	50	284,950
	SUB-TOTAL	***285,000***	-	***285,000***	***50***	***284,950***
	Sub-total for Korea	**2,835,000**	-	**2,835,000**	**661,760**	**2,173,240**
7000	**MKTG COST FOR CHINA**					
62087110	OF-CN-Representation Fee	46,250		**46,250**	46,250	-
62087122	OF-CN-FAM Tours Media	10,864		**10,864**	10,864	(0)
62087128	OF-CN-Entertainment	189		**189**	189	(0)
62087129	OF-CN-Delivery and Others	255		**255**	255	(0)
62087130	OF-CN-Domestic Travel	210		**210**	210	0
62087133	OF-CN-Web maintenance	939		**939**	939	-
62087137	OF-CN-Co-op Promotion	240		**240**	240	-
62087140	OF-CN-Communication/Utility	83		**83**	83	0
62087142	OF-CN-Other Promotions	1,610,770		**1,610,770**	-	1,610,770
62087199	OF-CN-Monthly billing not yet received	300,000		**300,000**	300,000	-
	SUB-TOTAL	***1,969,800***	-	***1,969,800***	***359,030***	***1,610,770***
62087404	LC-CN-FAM Tours Media	17,711		**17,711**	13,155	4,557
62087414	LC-CN-Other Promotion	50,000		**50,000**	-	50,000
	SUB-TOTAL	***67,711***	-	***67,711***	***13,155***	***54,557***
62087649	AH-CN-Other promotion	295,000		**295,000**	19,164	275,836
	SUB-TOTAL	***295,000***	-	***295,000***	***19,164***	***275,836***
	Sub-total for China Market	**2,332,511**	-	**2,332,511**	**391,349**	**1,941,162**
7000	**MKTG COST FOR TAIWAN**					
62087803	OF-TW-Representation Fee	8,916		**8,916**	8,916	-
62087806	OF-TW-Web Development	763		**763**	763	0
62087807	OF-TW-Domestic Travel	49		**49**	49	0
62087808	OF-TW-Printing	51		**51**	51	(0)
62087811	OF-TW-Entertainment	194		**194**	194	0
62087814	OF-TW-Collaterals	53		**53**	53	(0)

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CODE	EXPENDITURE	FY2017 BUDGET	FY2017 PROPOSED REDUCTION	FY2017 ADJUSTED BUDGET	FY2017 ACTUAL (YTD DEC. 2016)	REMAINING BUDGET
62087815	OF-TW-Magazines and Newspapers	10		**10**	10	0
62087816	OF-TW-Communication/Utilities	121		**121**	121	(0)
62087821	OF-TW-Other Promotion	189,843		**189,843**	-	189,843
62087899	OF-TW-Monthly Billing not yet received (estimate)			-	32,000	(32,000)
	SUB-TOTAL	***200,000***	-	***200,000***	***42,157***	***157,843***
62087848	LC-TW-Others	35,000		35,000	-	35,000
	SUB-TOTAL	***35,000***	-	***35,000***	-	***35,000***
62087999	AH-TW-Ad hoc Committee	50,000	(50,000)	-	-	-
	SUB-TOTAL	***50,000***	***(50,000)***	-	-	-
	Sub-total for Taiwan	**285,000**	**(50,000)**	**235,000**	**42,157**	**192,843**
8000	**MKTG COST FOR US/GUAM**					
62088403	LC-US-Magazines and Newspapers	55,000		**55,000**	12,661	42,339
62088406	LC-US-Other Promotions	10,000		**10,000**	-	10,000
	Sub-total for US/Guam	**65,000**	-	**65,000**	**12,661**	**52,339**
9000	**MKTG COST FOR RUSSIA**					
62089210	OF-RU-Representation Fee	22,000		**22,000**	22,000	-
62089211	OF-RU-Travel Fair and Events	1,012		**1,012**	1,012	0
62089219	OF-RU-STI Expo	1,018		**1,018**	1,018	(0)
62089220	OF-RU-Media Promotion	1,416		**1,416**	1,416	0
62089221	OF-RU-FAM Tours Media	1,650		**1,650**	1,650	-
62089223	OF-RU-Web Development	2,288		**2,288**	2,288	0
62089227	OF-RU-Delivery and Other Costs	353		**353**	353	(0)
62089231	OF-RU-Domestic Travel	147		**147**	147	0
62089299	Promotion	170,116		**170,116**	32,000	138,116
	SUB-TOTAL	***200,000***	-	***200,000***	***61,883***	***138,117***
62089244	LC-RU-FAM Tours Travel Agents	22,787		**22,787**	22,443	344
62089248	LC-RU-Other Promotion	67,214	(50,000)	**17,214**	85	17,129
	SUB-TOTAL	***90,000***	***(50,000)***	***40,000***	***22,528***	***17,472***
62089269	AH-RU-General Promotion	95,000		**95,000**	3,906	91,094
	SUB-TOTAL	***95,000***	-	***95,000***	***3,906***	***91,094***
	Sub-total for Russia	**385,000**	**(50,000)**	**335,000**	**88,317**	**246,683**
9100	**MKTG COST FOR PHILIPPINES**					
62089106	OF-PH- Other Advertisements/Initial Budget	200,887		**200,887**	-	200,887
62089114	OF-PH-Media FAM Tour	8,933		**8,933**	8,933	(0)
62089199	OF-PH-Monthly billing not yet received (est.	40,000		**40,000**	40,000	-
62089116	OF-PH-Airline Promotion	180		**180**	180	-
	SUB-TOTAL	***250,000***	-	***250,000***	***50,841***	***199,159***
62089149	LC-PH-Other Promotion	85,000	(50,000)	**35,000**	-	35,000
	SUB-TOTAL	***85,000***	***(50,000)***	***35,000***	-	***35,000***
	Sub-total for Philippines	**335,000**	**(50,000)**	**285,000**	**50,841**	**234,159**
7700	**MKTG COST FOR HONG KONG**					
	SUB-TOTAL	-	-	-	-	-
62087745	LC-HK-Other promotion	85,000	(60,000)	**25,000**	-	25,000
	SUB-TOTAL	***85,000***	***(60,000)***	***25,000***	-	***25,000***
	Sub-total for Hong Kong	**85,000**	**(60,000)**	**25,000**	-	**25,000**
9700/9800	**ALL OTHERS ADS AND MKTG COSTS**					
62089401	Magazines	2,700		**2,700**	-	2,700

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FOR THE PERIOD ENDING DECEMBER 31, 2016

CODE	EXPENDITURE	FY2017 BUDGET	FY2017 PROPOSED REDUCTION	FY2017 ADJUSTED BUDGET	FY2017 ACTUAL (YTD DEC. 2016)	REMAINING BUDGET
62089801	Happy Children in Paradise	112,000		112,000	-	112,000
62089803	Golf Campaign Support	35,000		35,000	13,888	21,112
62089901	PATA Int'l Programs/Events	35,000		35,000	2,386	32,614
62089904	Collaterals	50,000		50,000	-	50,000
62089905	Website	15,000		15,000	-	15,000
62089900	Golf Campaign Market	35,000		35,000	673	34,327
62089900	Dive Market	35,000		35,000	-	35,000
62089906	Education Tourism/Others	35,000		35,000	-	35,000
62089908	Anniversary Promotion	50,000		50,000	-	50,000
	Sub-total for All Other Promotions	**404,700**	**-**	**404,700**	**16,947**	**387,753**
	GRAND TOTAL ON MARKETING	**11,670,137**	**(386,000)**	**11,284,137**	**2,033,531**	**9,250,606**

Misc. Comm. No. 20-29

MARIANAS
VISITORS AUTHORITY
P.O. BOX 500861 CK
SAIPAN, MP 96950
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February 27, 2017

Honorable Arnold Palacios
President
THE SENATE
20th Northern Marianas Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

OFFICE OF THE SENATE
RECEIVED
DATE: 2/28/17
TIME: 145pm
PRESIDENT

And

Honorable Rafael S. Demapan
Speaker
HOUSE OF REPRESENTATIVES
20th Northern Marianas Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

Hafa Adai Senate President Palacios and Speaker Demapan:

The Marianas Visitors Authority would like to submit our 4th Quarter report relative to 4 CMC § 2125 Section (b) and (c) below:

(b) All moneys received by the MVA from whatever source shall be deposited in the Fund and eligible banks as defined in the Commonwealth Code.

The Marianas Visitors Authority (MVA) received from the CNMI Department of Finance its share (as revenue recorded in the Books) of the Hotel Occupancy Tax and Container Tax for the 4th quarter of Fiscal Year 2016 in the amount of $2,775,835.84. This fund was deposited to MVA's Bank of Guam Account which is covered by Federal Deposit Insurance Corporation (FDIC). The fund was transferred to MVA's Bank of Hawaii Payroll and Disbursement Bank Accounts, which are also covered by FDIC, as needed to pay our Vendors.

(c) All appropriations by the Commonwealth shall be allotted and transferred to the Fund at least on a quarterly basis.

MVA has $1.00 in appropriation per Public Law 19-08 known as the Appropriations and Budget Authority Act of 2016. To date, we haven't received the appropriation.

Please find the attached Projected (Unaudited) Fund Status Report as of September 30, 2016 in compliance with *Public Law 19-08 Section 303 which states "The expenditure authorities of the foregoing activities listed in Section 301 shall submit to the presiding officers of the Legislature, at the end of each quarter, a fund status report on the expenditures for personnel*

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DATE: 3/1/17

PATA Pacific Asia Travel Association
JATA Japan Association of Travel Agents

and operations of each government entity, and the payments of the public auditor's fee, for the quarter ended and, if applicable, year-to-date totals as of the close of the reporting period. Furthermore, notwithstanding any provisions or laws to the contrary, all additional resources realized within the fiscal year outside of those specified and identified under this Act shall be reported to the Legislature for informational and appropriation purposes."

Should you have any questions or comments, please contact our office at (670) 664-3200/3201.

Sincerely,

CHRISTOPHER CONCEPCION
Managing Director

MARIANAS VISITORS AUTHORITY

FUND STATUS REPORT
PERSONNEL AND ALL OTHERS
FY2016 ACTUAL (UNAUDITED)

The Marianas
Saipan | Tinian | Rota

CODE	EXPENDITURE	FY2016 ACTUAL (UNAUDITED)
61000	Personnel Service	1,065,349
62060	Professional Fee	199,042
62250	Communication	23,539
62260	Dues & Subscription	2,239
62280	Insurance	31,638
62300	Printing & Publication	54,916
62440	Office Rental	54,000
62460	Office Equipt/Rental/Repairs	10,209
62500	Travel	49,696
62660	Repairs & Maintenance	17,028
62680	Postage & Freight	1,346
62710	Utilities	21,887
62750	Tourist Sites Security	156,749
63030	Fuel & Lubrication	13,350
63040	Office Supplies	16,293
63050	Maintenance Supplies	24,624
64550	Computer Systems	9,645
64580	Capitalizeable Assets	27,160
64999	Miscellaneous	6,007
	TOTAL PERSONNEL AND ALL OTHERS	**1,784,717**
	CNMI Advertising Expense	
1000	Saipan	520,427
2000	Tinian	25,440
3000	Rota	15,924
	Total CNMI Promotion	**561,791**
	Offshore Promotion	
4100	Japan	2,163,295
5100	Korea	1,986,860
7100	China	1,682,935
9100	Philippines	109,581
7720	Hong Kong	52,569
7800	Taiwan	263,707
9200	Russia	212,672

MARIANAS VISITORS AUTHORITY

FUND STATUS REPORT
PERSONNEL AND ALL OTHERS
FY2016 ACTUAL (UNAUDITED)

The Marianas
Saipan | Tinian | Rota

CODE	EXPENDITURE	FY2016 ACTUAL (UNAUDITED)
	Total Offshore	**6,471,618**
	Local Promotion	
4400	Japan	416,928
5400	Korea	480
7400	China	52,878
9240	Russia	27,970
	Total Local	**498,256**
	Adhoc Promotion	
4600	Japan	102,869
5600	Korea	108,547
9260	Russia	2,400
	Total Adhoc	**213,816**
	Other Promotions	
8200	US/Guam	42,210
9400	Other Ads	186,147
	Total Other Promotions	**228,357**
	TOTAL ADVERTISING AND MARKETING	**7,973,837**
	Support to Other Agencies	-
65010	Tinian and Rota Municipality	226,961
62089	MOS Beautification Project	200,000
62089	DPW - Street Lights	1,565,436
	Total Funds allocated to other gov't agencies	**1,992,397**
	Destination Enhancement Projects	
62089705	Beach Pathway Lighting	714,701
62089705	Landscaping Beach Road & Coral Tree	143,277
62089708	Rota Projects	2,733
62089707	Tinian Projects	47,700
62089713	Consultants (RFP)	7,476
62089703	Garapan Trash Collection	2,125
62089701	Others including maintenance	224,284
	TOTAL DESTINATION ENHANCEMENTS	**1,142,296**
	TOTAL EXPENDITURES	**12,893,247**

MARIANAS VISITORS AUTHORITY

FUND STATUS REPORT
ADVERTISING AND MARKETING
FY2016 ACTUAL (UNAUDITED)

The Marianas
| Saipan | Tinian | Rota |

CODE	EXPENDITURE	FY2016 ACTUAL (UNAUDITED)
1000	**AD COST FOR SAIPAN**	
62081101	Christmas in the Marianas	3,920
62081103	Saipan Marathon	58,954
62081106	Flame Tree Arts Festival	1,000
62081107	Tagaman Triathlon	91,078
62081108	Annual MVA Tourism Month	4,658
62081109	Taste of Marianas	46,743
62081110	S.O.P.H.I.A. Fun Walk	500
62081111	Saipan Int'l Fishing Tournament	5,000
62081112	Golf Tournament of Champions	10,000
62081116	Annual Int'l Festival of Cultures	16,688
62081123	Marianas Tourism Educ. Council	5,000
62081127	Hyatt Golf Classic	1,000
62081129	Hell of the Marianas	50,000
62081130	Flipper Race	4,354
62081131	Marianas Cup Windsurfing	670
62081201	Katori Festival	485
62081202	GMM Meeting	3,702
62081206	Micronesia Repatriation Asst	86
62081207	Japanese Peace Memorial	60
62081301	Saipan - Others	300
62081302	Local Hospitality	8,940
62081303	Ship Arrivals	2,477
62081304	Gifts	520
62081306	Sponsorship Program	64,210
62081307	Stellar Marianas Sponsorship	5,000
62081308	Destination Video	36,999
62081312	MINA Sponsorship	6,000
62081315	HANMI Golf Tournament	1,000
62081318	Golf Tournament Sponsorship (Docomo/MTEC)	500
62081320	Lunar New Year Sponsorship	14,014
62081321	PDM Activities Sponsorship	14,522
62081424	Beautification/Trash-A-Thon	62,048
	Sub-total for Saipan	**520,427**
2000	**AD COST FOR TINIAN**	
62082101	Christmas event	3,248
62082104	Annual Tour de Tinian	3,113

MARIANAS VISITORS AUTHORITY

FUND STATUS REPORT
ADVERTISING AND MARKETING
FY2016 ACTUAL (UNAUDITED)

The Marianas
| Saipan | Tinian | Rota |

CODE	EXPENDITURE	FY2016 ACTUAL (UNAUDITED)
62082105	Tinian Tourism Month	1,084
62082106	Tinian Fishing Derby	2,500
62082111	Tinian Hot Pepper Festival	14,865
62082113	Okinawa Memorial Service	480
62082114	Japanese Peace Memorial	50
62082200	Tinian Others	100
	Sub-total for Tinian	**25,440**
3000	**AD COST FOR ROTA**	
62083101	San Francisco de Borja Fiesta	500
62083103	Christmas Event	300
62083104	Rota Blue Triathlon	10,179
62083106	Rota-Tourism Month	352
62083108	Japanese Memorial	362
62083109	Cliff Fishing Derby	1,731
62083303	Rota-SFDB Trolling Fishing Derby	2,000
62083313	Rota-San Isidro Agri Fair	500
	Sub-total for Rota	**15,924**
4000	**MKTG COST FOR JAPAN**	
62084110	OF-JP-Representation	605,000
62084120	OF-JP-Public Relations Fee	154,000
62084130	OF-JP-PR and Advertisement	742,812
62084133	OF-JP-Collaterals	2,975
62084147	OF-JP-Seminars	993
62084161	OF-JP-Web Development	45,000
62084162	OF-JP-Web Marketing Ads	5,371
62084163	OF-JP-Domestic Travel	17,180
62084164	OF-JP-Storage/Warehousing	20,280
62084165	OF-JP-Outsourced Translation	793
62084166	OF-JP-Printing	781
62084167	OF-JP-Delivery Service	2,226
62084168	OF-JP-Entertainment	5,363
62084170	OF-JP-Marianas Sales Seminar	27,286
62084171	OF-JP-Group Campaign	14,910
62084172	OF-JP-Trade and Consumer Event	29,063
62084173	OF-JP-Sports Marketing	201,785
62084175	OF-JP-JATA/World Trade Fair	323
62084178	OF-JP-On-line Promotion	62,890

MARIANAS VISITORS AUTHORITY

FUND STATUS REPORT
ADVERTISING AND MARKETING
FY2016 ACTUAL (UNAUDITED)

The Marianas
| Saipan | Tinian | Rota |

CODE	EXPENDITURE	FY2016 ACTUAL (UNAUDITED)
62084179	OF-JP-Travel International	4,666
62084180	OF-JP-Other Media Promotion	1,750
62084182	OF-JP-Airline Promotion	1,282
62084191	OF-JP-Other Ads & Promotion	35,636
62084196	OF-JP-FAM Tours Media	26,099
62084197	OF-JP-FAM Tours Travel Agents	7,468
62084199	OF-JP-Co-op Promotion	147,363
	SUB-TOTAL	*2,163,295*
62084402	LC-JP-JMTC Seminar	450
62084408	LC-JP-JATA/World Trade Fair	101,217
62084410	LC-JP-Domanaka Festival	5,862
62084411	LC-JP-Other Promotional Supp	2,213
62084412	LC-JP-Sports Marketing	1,477
62084413	LC-JP-Brochure Promotion	4,050
62084414	LC-JP-FAM Tours Media	17
62084417	LC-JP-Airline Joint Promotion	300,773
62084418	LC-JP-Hotel Support	220
62084420	LC-JP-Marianas Sales Seminar	650
	SUB-TOTAL	*416,928*
62084674	AH-JP-Sports Marketing	12,581
62084675	AH-JP-Co-op promotion	7,383
62084686	AH-JP-Other Promotion	7,464
62084680	AH-JP-Group Incentive Program	75,440
	SUB-TOTAL	*102,869*
	Sub-total for Japan	**2,683,092**
5000	**MKTG COST FOR KOREA**	
62085110	OF-KR-Representation Fee	270,000
62085120	OF-KR-Public Relations/Digital	344,460
62085130	OF-KR-Overhead	7,370
62085131	OF-KR-Destination Campaign	439,065
62085132	OF-KR-Collaterals	45,319
62085133	OF-KR-TV Filming Project	77,970
62085134	OF-KR-Marianas Sales Seminar	117,276
62085135	OF-KR-FAM Tour Travel Agents	29,609
62085137	OF-KR-Wed Development	155,454
62085136	OF-KR-Volume Incentive Progrm	44,267
62085138	OF-KR-FAM Tour Media	22,134

MARIANAS VISITORS AUTHORITY

FUND STATUS REPORT
ADVERTISING AND MARKETING
FY2016 ACTUAL (UNAUDITED)

The Marianas
| Saipan | Tinian | Rota |

CODE	EXPENDITURE	FY2016 ACTUAL (UNAUDITED)
62085139	OF-KR-Co-op Promotion	126,380
62085140	OF-KR-TV Homeshopping Promo	30,758
62085142	OF-KR-Entertainment	18,999
62085143	OF-KR-Group Incentive Program	3,805
62085144	OF-KR-Travel Trade Promotion	165,261
62085145	OF-KR-Golf Product Incentive	10,677
62085146	OF-KR-Delivery Service	4,506
62085147	OF-KR-Communication/Utilities	3,756
62085148	OF-KR-Domestic Travel	9,281
62085149	OF-KR-Other Operational Costs	6,889
62085151	OF-KR-Sports Marketing	6,731
62085150	OF-KR-Other Promotions	46,895
	SUB-TOTAL	*1,986,860*
62085407	LC-KR-Airlines Joint Promotion	100
62085412	LC-KR-Other Promotion	380
	SUB-TOTAL	*480*
62085612	AH-KR-Fam Tour agents	98,675
62085615	AH-KR-Sports Marketing	5,000
62085624	AH-KR-Other Promotion	4,872
	SUB-TOTAL	*108,547*
	Sub-total for Korea	**2,095,887**
7000	**MKTG COST FOR CHINA**	
62087110	OF-CN-Representation Fee	418,320
62087120	OF-CN-Public Relation Fee	959
62087121	OF-CN-Tax for Retainer/Bus. Tx	160,279
62087122	OF-CN-FAM Tours Media	65,711
62087123	OF-CN-FAM Tours Travel Agents	53,229
62087124	OF-CN-Other Media Promotion	277,234
62087125	OF-CN-Travel Fairs and Events	75,505
62087126	OF-CN-Collaterals	75,564
62087127	OF-CN-Trade Shows	41,404
62087128	OF-CN-Entertainment	33,039
62087129	OF-CN-Delivery and Others	13,547
62087130	OF-CN-Domestic Travel	20,771
62087132	OF-CN-Consumer Event	300
62087133	OF-CN-Web maintenance	40,660
62087134	OF-CN-Web ads and promotion	25,000

MARIANAS VISITORS AUTHORITY

FUND STATUS REPORT
ADVERTISING AND MARKETING
FY2016 ACTUAL (UNAUDITED)

The Marianas
| Saipan | Tinian | Rota |

CODE	EXPENDITURE	FY2016 ACTUAL (UNAUDITED)
62087135	OF-CN-Magazines and Newsletter	40,381
62087137	OF-CN-Co-op Promotion	130,477
62087140	OF-CN-Communication/Utility	3,607
62087141	OF-CN-Storage Fee	21,601
62087147	OF-CN-Airline Joint Promotion	184,946
62087142	OF-CN-Other Promotions	400
	SUB-TOTAL	*1,682,935*
62087404	LC-CN-FAM Tours Media	20,565
62087402	LC-CN-Airlines Joint Promotion	60
62087405	LC-CN-FAM Tours Travel Agents	15,738
62087407	LC-CN-Travel Fair and Events	13,103
62087409	LC-CN-Collaterals	270
62087414	LC-CN-Other Promotion	3,142
	SUB-TOTAL	*52,878*
	Sub-total for China Market	**1,735,812**
7000	**MKTG COST FOR TAIWAN**	
62087803	OF-TW-Representation Fee	107,000
62087804	OF-TW-Travel Fairs and Events	16,902
62087805	OF-TW-FAM Tours Media	59,220
62087806	OF-TW-Web Development	10,356
62087807	OF-TW-Domestic Travel	1,079
62087808	OF-TW-Printing	487
62087809	OF-TW-Delivery and Others	218
62087810	OF-TW-Trade & Consumer Events	609
62087811	OF-TW-Entertainment	2,073
62087814	OF-TW-Collaterals	15,302
62087815	OF-TW-Magazines and Newspapers	7,440
62087816	OF-TW-Communication/Utilities	1,215
62087817	OF-TW-Dues and Subscription	7,664
62087819	OF-TW-Web Advertisement	15,369
62087820	OF-TW-Fam Tours Travel Agents	17,287
62087822	OF-TW-Group Incentive Program	1,487
	SUB-TOTAL	*263,707*
	Sub-total for Taiwan	**263,707**
8000	**MKTG COST FOR US/GUAM**	
62088204	LC-US-Military Market Promo	1,185
62088403	LC-US-Magazines and Newspapers	40,225

MARIANAS VISITORS AUTHORITY

FUND STATUS REPORT
ADVERTISING AND MARKETING
FY2016 ACTUAL (UNAUDITED)

The Marianas
| Saipan | Tinian | Rota |

CODE	EXPENDITURE	FY2016 ACTUAL (UNAUDITED)
62088406	LC-US-Other Promotions	800
	Sub-total for US/Guam	**42,210**
9000	**MKTG COST FOR RUSSIA**	
62089210	OF-RU-Representation Fee	132,000
62089211	OF-RU-Travel Fair and Events	4,205
62089213	OF-RU-Co-op Promotion	4,400
62089216	OF-RU-Airlines Joint Promotion	6,204
62089217	OF-RU-Magazines and Newspapers	4,760
62089219	OF-RU-STI Expo	4,000
62089220	OF-RU-Media Promotion	9,937
62089221	OF-RU-FAM Tours Media	13,672
62089222	OF-RU-FAM Tours Travel Agents	11,573
62089223	OF-RU-Web Development	8,826
62089227	OF-RU-Delivery and Other Costs	2,664
62089230	OF-RU-Marianas Sales Seminar	8,176
62089231	OF-RU-Domestic Travel	2,255
	SUB-TOTAL	*212,672*
62089243	LC-RU-FAM Tours Media	11,505
62089242	LC-RU-MITT	12,745
62089241	LC-RU-SITT	1,800
62089244	LC-RU-FAM Tours Travel Agents	1,920
	SUB-TOTAL	*27,970*
62089270	AH-RU-TA Incentive Program	2,400
	SUB-TOTAL	*2,400*
	Sub-total for Russia	**243,041**
9100	**MKTG COST FOR PHILIPPINES**	
62089106	OF-PH- Other Advertisements/Initial Budget	7,629
62089101	OF-PH-Represenation Fee	12,500
62089118	OF-PH-Utilities	778
62089109	OF-PH-Printing Jobs	396
62089107	OF-PH- Collaterals	4,603
62089112	OF-PH-Co-op promotion	3,970
62089113	OF-PH-Domestic Travel	2,401
62089114	OF-PH-Media FAM Tour	48,196
62089115	OF-PH-Travel Agent FAM Tour	17,825
62089119	OF-PH-Storage	207
62089117	OF-PH-Entertainment	523

MARIANAS VISITORS AUTHORITY

FUND STATUS REPORT
ADVERTISING AND MARKETING
FY2016 ACTUAL (UNAUDITED)

The Marianas
| Saipan | Tinian | Rota |

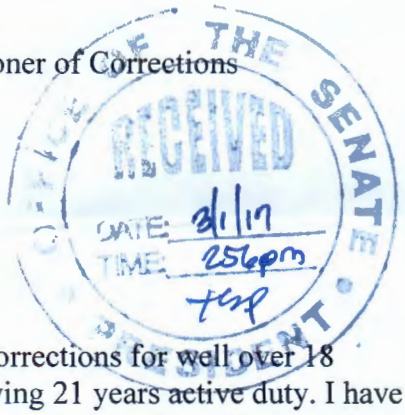
CODE	EXPENDITURE	FY2016 ACTUAL (UNAUDITED)
62089120	OF-PH- Government Tax	2,500
62089116	OF-PH-Airline Promotion	8,051
	SUB-TOTAL	*109,581*
	Sub-total for Philippines	**109,581**
7700	**MKTG COST FOR HONG KONG**	
62087701	OF-HK-Representation Fee	20,000
62087702	OF-HK-Media & Prom. Support	500
62087703	OF-HK-Travel Trade and Fairs	23
62087706	OF-HK- Other Advertisements/Initial Budget	22,127
62087707	OF-HK-Collaterals	13
62087711	OF-HK-Co-op promotion	4,840
62087712	OF-HK-Domestic Travel	71
62087713	OF-HK-Media FAM Tour	4,358
62087715	OF-HK-Airline Promotion	22
62087716	OF-HK-Entertainment	143
62087717	OF-HK-Utilities	472
	SUB-TOTAL	*52,569*
62087745	LC-HK-Other promotion	20
	SUB-TOTAL	*20*
	Sub-total for Hong Kong	**52,589**
9700/9800	**ALL OTHERS ADS AND MKTG COSTS**	
62089401	Magazines	2,000
62089801	Happy Children in Paradise	112,000
62089901	PATA Int'l Programs/Events	30,076
62089904	Collaterals	21,295
62089905	Website	1,078
62089906	Education Tourism/Others	1,280
62089908	Anniversary Promotion	18,419
	Sub-total for All Other Promotions	**186,147**
	GRAND TOTAL ON MARKETING	**7,973,857**

Misc. Comm. No. 20-30

February 28, 2017

Honorable Senate President Arnold I. Palacios
20th Legislature

RE: Testimony in Support of Confirmation as Commissioner of Corrections
Case of; Lino S. Tenorio



Dear Honorable Senate President:

Warm Greetings yan Hafa adai.

My name is Gregory F. Castro, the Director of the Division of Corrections for well over 18 years. I served and retired from the U. S. Marine Corps after serving 21 years active duty. I have a Bachelor of Science degree in Management, plus attended two day Leadership offered by the Graduate School. Having presented my credentials, I humbly ask you and your EAGI committee to give the highest regard and credence to my Testimony in support of Mr. Tenorio's confirmation as the Commissioner for the Department of Corrections.

I never formally met Mr. Tenorio until November 2006, the very first day when he reported to the Department of Corrections to serve as Commissioner (acting capacity) through his confirmation and tenure.

I served under six different commissioners including Mr. Tenorio over the last 18 years as the Director of Corrections. All the commissioners I served under have their own ideas of running DOC, but Mr. Tenorio is not germane to just being a government bureaucrat. He is different. How he is different from the others is the reason I write.

Mr. Tenorio was the Commissioner that orchestrated DOC's Transition into the New Facility and did it with great success. He is self-driven, passionate and has the knack to correctly assess his employee's knowledge, skills and abilities (KSA), and then place them in the areas where they can be most efficient and productive. Only a leader does things in this manner. For one, it recognizes employees worth and what they can contribute, while at the same getting the job done in the most effective and efficient manner. It also enhances the overall morale because the employees feel that their leader values their contribution to the overall mission. Favoritism or clicks does not exist in his vocabulary. A true leader, not a person placed in a leadership position. He is not afraid to get down and into the trenches with his employees. His position no matter how high does not prevent him from getting dirty with his employees. Very different from those "I'm in-charge! My men do as I tell them", He is not order "barker," but order helper as well. For this, I would gladly serve under his leadership once again.

In closing, if any of you breaks out "Webster" and look up the meaning of the word, Leader, surely you will see Mr. Tenorio's picture in it.

Dom
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DATE: 3/3/17 9:05am

Without further due, I am banking on my credentials and this writing to weigh heavily, heavy enough to out weight any opposition that would result in a favorable consideration in support of confirming Mr. Tenorio as the Commissioner of the Department of Corrections. After all, I am the one who will eventually work directly under his supervision 24/7, 365 days a year.

Sincerely,

Gregory F. Castro

CC: Honorable Senator Cruz, Chairman EAGI