COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

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

YEAR ENDED SEPTEMBER 30, 2010

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

BASIC FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2010

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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YEAR ENDED SEPTEMBER 30, 2010

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Deloitte & Touche LLC
P.O. Box 500308
Saipan, MP 96950-0308
USA

Tel: +1 670 322 7337/0860/0861
Fax: +1 670 322 7340
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Honorable Benigno R. Fitial
Governor
Commonwealth of the Northern Mariana Islands:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (CNMI) as of and for the year ended September 30, 2010, which collectively comprise the CNMI's basic financial statements as set forth in Section III of the foregoing table of contents. These financial statements are the responsibility of the CNMI's management. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the financial statements of the Commonwealth Utilities Corporation, the Public School System, and the Marianas Visitors Authority, which represent 38%, 33% and 75%, respectively, of the assets, net assets and revenues of the CNMI's discretely presented component units, or the financial statements of the Northern Mariana Islands Retirement Fund, the Northern Mariana Islands Government Health and Life Insurance Trust Fund and the CNMI Workers' Compensation Commission, which represent 95% and 78%, respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Commonwealth Utilities Corporation, the Public School System, the Marianas Visitors Authority, the Northern Mariana Islands Retirement Fund, the Northern Mariana Islands Government Health and Life Insurance Trust Fund, and the CNMI Workers' Compensation Commission, is based solely on the reports of the other auditors.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CNMI's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

The propriety of the Public School System due from primary government could not be determined as of September 30, 2010. The financial activities of the Public School System are included in the CNMI's basic financial statements as a discretely presented component unit and represent 16.1%, 16.3% and 31.0% of the assets, net assets and revenues, respectively, of the CNMI's aggregate discretely presented component units.

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In our opinion, based on our audit and the reports of other auditors, except for the effects on the respective financial statements of such adjustments, if any as might have been determined to be necessary had we been able to determine the adequacy of the allowance for uncollectible appropriations receivable from the CNMI of the Public School System, as discussed in the third paragraph above, such financial statements, as set forth in Section III of the foregoing table of contents, present fairly, in all material respects, the respective financial position 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 as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 17 to the financial statements, the beginning net assets of the aggregate discretely presented component units have been restated for the correction of an error.

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.

The Management's Discussion and Analysis, on pages 3 through 8, as well as 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, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the management of the CNMI. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the CNMI's respective 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 the purpose of additional analysis and is not a required part of the basic financial statements of the CNMI. This supplementary information is the responsibility of the management of the CNMI. Such additional information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2012, 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* and should be considered in assessing the results of our audit.

Deloitte & Touche LLC

May 1, 2012

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
Year Ended September 30, 2010

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, 2010. Please read it in conjunction with the CNMI's financial statements, which follow this section. Fiscal year 2009 comparative information has been included where appropriate for comparative purposes.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2010, the CNMI's total net deficiency increased by $56.0 million, to a net deficiency position of $220.2 million, which represents an increase of approximately 34.1% from the net deficiency position at the beginning of the year.

- During the year, the CNMI's expenses for governmental activities were $316.0 million, including expenses recorded for payments made or due to the autonomous agencies, and were funded in part by program revenues of $144.6 million, further funded with taxes and other general revenues that totaled $115.4 million. The difference between total revenues of $260.0 million and total expenses of $316.0 million is what resulted in the $56.0 million increase in net deficiency.

- At September 30, 2010, the General Fund reported an unreserved fund deficit of $336.9 million, which is an increase in the unreserved fund deficit of 12% from the prior year's reported unreserved fund deficit of $300.8 million.

- For budgetary reporting purposes, General Fund actual revenues were lower than final estimates by $2.5 million, or 1.7%, while reported actual expenditures exceeded final estimated appropriations by $24.0 million, or 14.7%. These amounts do not include transfers to and from other funds, nor does it 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 governmental-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 Assets 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 Assets 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 assets and changes in them from the prior year. You can think of the CNMI's net assets - 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 assets 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 Assets 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, health care, 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 - When 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 assets and a statement of changes in fiduciary net assets. We exclude these activities from the CNMI's government-wide financial statements because the CNMI cannot use these assets to finance operations.

A FINANCIAL ANALYSIS OF THE CNMI AS A WHOLE

Net Deficiency

The CNMI's governmental activities net deficiency increased from $164.2 million to a net deficiency of $220.2 million, an increase in the deficit of 34.1%, between fiscal years 2009 and 2010.

A summary of net deficiency (condensed) is presented below, with comparable balances for fiscal year 2009.

	Governmental Activities 2010	Governmental Activities 2009
Current assets	$ 60,079,180	$ 73,671,850
Capital assets, net	202,298,579	202,241,528
Other noncurrent assets	4,171,303	4,171,303
Total assets	**266,549,062**	**280,084,681**
Current liabilities	377,409,867	331,852,997
Noncurrent liabilities	109,351,499	112,435,577
Total liabilities	**486,761,366**	**444,288,574**
Net deficiency:		
Invested in capital assets, net of related debt	105,873,882	103,755,326
Restricted net assets	4,181,690	14,039,212
Unrestricted net assets	(330,267,876)	(281,998,431)
Total net deficiency	**$ (220,212,304)**	**$ (164,203,893)**

Changes in Net Deficiency

For the year ended September 30, 2010, net deficiency of the primary government changed as follows, with comparable amounts for fiscal year 2009:

	Governmental Activities 2010	Governmental Activities 2009
Revenues:		
Program revenues	$ 144,597,041	$ 117,388,634
Taxes and other general revenues	115,380,079	112,792,636
Total revenues	**259,977,120**	**230,181,270**
Expenses:		
Capital projects	1,356,436	3,903,155
Health	76,591,258	72,234,921
Public safety and law enforcement	39,079,894	38,316,996
General government	30,818,642	11,520,567
Community and social services	25,888,448	22,262,830
Other elected officials	8,270,492	11,005,409
Utilities	12,237,666	5,894,904
Public works	11,919,986	12,939,634
Lands and natural resources	14,940,598	18,113,526
Legislative branch	5,803,592	6,352,636
Judicial branch	4,247,425	4,693,945
Education	11,428,510	7,061,963
Unallocated interest	7,549,242	6,345,299
Economic development	7,786,441	2,209,762
Payments to autonomous agencies	58,066,901	52,537,285
Total expenses	**315,985,531**	**275,392,832**
Increase in net deficiency	**$ (56,008,411)**	**$ (45,211,562)**

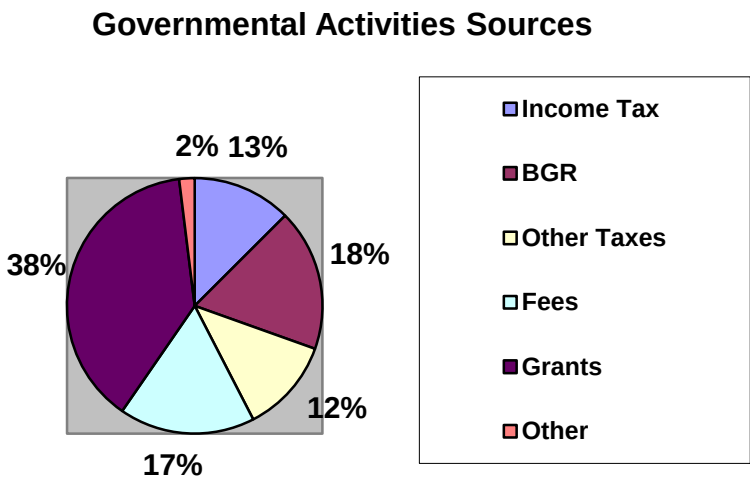
The CNMI's governmental activities' increase in net deficiency of $56.0 million represents a 34.1% increase from the prior year. The results indicate the CNMI's financial condition, as a whole, continued to decline in the current year.

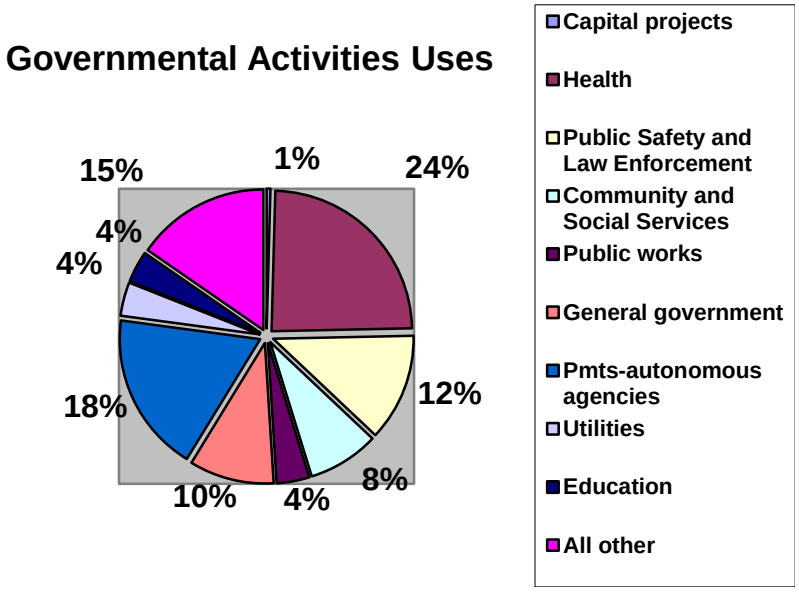
Governmental Activities

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, Expenses, 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 kind of format is to highlight the relative financial burden of each of the functions on the CNMI's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended September 30, 2010, the CNMI's governmental activities were funded as follows:





For the year ended September 30, 2010, total expenses for governmental activities amounted to $316.0 million. Of these total expenses, taxpayers and other general revenues funded $115.4 million, while those directly benefiting from the activities funded $99.9 million from grants and other contributions and $44.7 million from charges for services, with the remaining expenses in excess of revenues increasing the net deficiency.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services 2010	Net Revenue (Expense) of Services 2010	Total Expense of Services 2009	Net Revenue (Expense) of Services 2009
Capital projects	$ 1,356,436	$ 1,279,361	$ 3,903,155	$ 2,384,158
Health	76,591,258	(29,404,404)	72,234,921	(34,802,773)
Public safety and law enforcement	39,079,894	(22,117,742)	38,316,996	(16,733,052)
General government	30,818,642	(15,877,315)	11,520,567	2,736,449
Community and social services	25,888,448	(5,740,649)	22,262,830	(6,217,926)
Public works	11,919,986	(4,463,394)	12,939,634	(8,444,530)
Utilities	12,237,666	(11,247,374)	5,894,904	(5,894,904)
Education	11,428,510	(6,900,163)	7,061,963	(6,851,948)
Payments to autonomous agencies	58,066,901	(46,988,273)	52,537,285	(50,097,285)
All others	48,597,790	(29,928,537)	48,720,577	(34,082,387)
Total	**$ 315,985,531**	**$ (171,388,490)**	**$ 275,392,832**	**$ (158,004,198)**

A FINANCIAL ANALYSIS OF THE CNMI'S FUNDS

As the CNMI completed its 2010 fiscal year, the governmental funds reported a combined fund deficit of $305.6 million, when compared with the prior year fund deficit of $247.3 million, is an increase in the deficit of $58.3 million, or 23.6%. This increase in the deficit is due in large part to the continued decline of general revenues, without a sufficient, corresponding reduction in governmental expenditures.

Individual fund highlights include:

- For the year ended September 30, 2010, the General Fund's total fund deficit increased by $44.1 million or 16.2%, to a total fund deficit of $316.7 million, while the total unreserved fund deficit increased by $36.1 million or 12%, for a total unreserved fund deficit of $336.9 million.

- The Grants Assistance Fund's revenues and expenditures netted to approximately a $3.5 million decrease in fund balance, leaving a remaining fund balance for grant expenditures of $5.5 million.

- The Pension and Other Employee Benefit Trust Fund shows a decrease in net assets of the various funds of $8.9 million or 2.6% for the year. This Fund type includes the retirement fund, the group health and life insurance fund and the worker's compensation fund.

General Fund Budgetary Highlights

Original and final revenue estimates remained constant at $148.1 million, while original expenditure estimates were reduced by 0.2%, or $215,000. The General Fund's actual revenues of $145.7 million were less than the final estimates by $2.5 million, a variance of 1.7%, due to the continued decline in the local economy. The General Fund's actual expenditures of $162.8 million exceeded appropriations by $24.0 million, a variance of 14.7%, due mainly to unanticipated expenditures that significantly increased for government utilities, medical referral and the local match for Medicaid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2010, the CNMI had $202.3 million invested in capital assets, net of 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 increase of $57,051 or .03% from last year.

	2010	2009
Infrastructure, net	$ 26,665,659	$ 26,408,979
Buildings and improvements, net	125,702,223	130,819,161
Machinery and equipment, net	10,006,747	9,227,185
Land	29,262,552	29,083,069
Construction in progress	10,661,398	6,703,134
Total	**$ 202,298,579**	**$ 202,241,528**

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

Long- Term Debt

At year end, the CNMI had $144.2 million in long-term debt outstanding, which represents a net increase of $13.1 million or 10% from the prior year. The CNMI's changes in long-term debt by type of debt are as follows:

	2010	2009
Accrued compensated absences	$ 7,230,663	$ 6,733,679
Bonds payable	95,232,543	97,117,871
Notes payable	6,094,644	6,950,565
Claims and judgments payable	32,632,308	17,624,190
Other	3,053,895	2,672,158
Total	**$ 144,244,053**	**$ 131,098,463**

See note 10 to the financial statements for more detail 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, still slowed by the effects of a drop in tourism and the loss of the garment industry, has continued to follow a trend of decreasing revenues. The prospects for fiscal year 2011 appear similar, with not much recovery in sight.

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. The Management's Discussion and Analysis for the year ended September 30, 2009 is set forth in the report on the audit of the CNMI's financial statements which is dated June 23, 2010. That Discussion and Analysis explains the major factors impacting the 2009 financial statements. If you have questions about this report or need additional financial information, contact the Office of the Secretary of Finance P.O. Box 5234 (CHRB), Saipan, MP 96950 or phone at (670) 664-1100 or email larrisa.larson@gmail.com.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Net Assets
September 30, 2010

	Primary Government	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,533,505	$ 18,476,190
Time certificates of deposit	-	341,432
Receivables, net of allowance for uncollectibles	29,949,229	44,489,545
Due from primary government	-	6,893,866
Due from component units	517,741	-
Due from Pension (and Other Employee Benefit) Trust Fund	523	-
Inventories	2,402,968	10,530,073
Advances	4,228,302	-
Other assets	-	1,897,853
Restricted assets:		
Cash and cash equivalents	17,754,644	13,737,960
Time certificates of deposit	3,692,268	3,912,273
Investments	-	76,187,368
Total current assets	60,079,180	176,466,560
Noncurrent assets:		
Investments	2,500,000	5,421,759
Receivables:		
Loans, net of allowance for uncollectibles	-	12,856,860
Notes, net of allowance for uncollectibles	-	9,356,270
Other	-	2,285,900
Deferred bond issue costs, net of current portion	1,671,303	1,327,427
Foreclosed real estate	-	2,602,955
Capital assets, net of accumulated depreciation	202,298,579	387,983,187
Total noncurrent assets	206,469,882	421,834,358
Total assets	266,549,062	598,300,918
LIABILITIES		
Current liabilities:		
Current portion of notes and bonds payable	3,456,382	5,597,234
Accounts payable	14,353,408	20,976,205
Current portion of compensated absences	3,667,582	1,304,894
Tax rebates payable	47,555,380	-
Recovery rebate payable	418,390	-
Accrued interest payable	2,123,848	894,261
Other liabilities and accruals	12,108,422	16,854,263
Claims and judgments payable	27,768,590	-
Due to external parties	1,378,340	-
Due to component units	13,496,072	-
Due to primary government	-	7,148,996
Due to Pension (and Other Employee Benefit) Trust Fund	246,512,787	23,083,507
Deferred revenues	4,570,666	3,744,174
Total current liabilities	377,409,867	79,603,534
Noncurrent liabilities:		
Notes and bonds payable, net of current portion	97,870,805	58,176,519
Obligations under preferred stock agreement	-	19,579,335
Claims and judgments payable	4,863,718	-
Compensated absences, net of current portion	3,563,081	2,357,288
Deferred revenues, net of current portion	-	4,975,214
Other noncurrent liabilities	3,053,895	-
Total noncurrent liabilities	109,351,499	85,088,356
Total liabilities	486,761,366	164,691,890
Net assets (deficiency):		
Invested in capital assets, net of related debt	105,873,882	308,623,848
Restricted for:		
Capital projects	2,002,898	-
Other purposes	2,178,792	129,856,286
Unrestricted	(330,267,876)	(4,871,106)
Total net assets (deficiency)	$ (220,212,304)	$ 433,609,028

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Activities
For the Year Ended September 30, 2010

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 Assets: Primary Government	Net (Expenses) Revenues and Changes in Net Assets: Component Units
Primary government:						
Governmental activities:						
Health	$ 76,591,258	$ 21,839,023	$ 24,994,210	$ 353,621	$ (29,404,404)	$ -
Public safety and law enforcement	39,079,894	5,497,113	11,331,976	133,063	(22,117,742)	-
General government	30,818,642	11,562,055	2,690,670	688,602	(15,877,315)	-
Community and social services	25,888,448	239,462	19,286,441	621,896	(5,740,649)	-
Other elected officials	8,270,492	-	-	-	(8,270,492)	-
Utilities	12,237,666	-	477,087	513,205	(11,247,374)	-
Utilities - Capital Projects	1,356,436	-	-	2,635,797	1,279,361	-
Public works	11,919,986	366,488	1,101,411	5,988,693	(4,463,394)	-
Lands and natural resources	14,940,598	4,108,086	7,222,779	-	(3,609,733)	-
Legislative branch	5,803,592	-	-	-	(5,803,592)	-
Judicial branch	4,247,425	775,006	-	-	(3,472,419)	-
Education	11,428,510	10,612	4,169,684	348,051	(6,900,163)	-
Unallocated interest	7,549,242	-	-	-	(7,549,242)	-
Economic development	7,786,441	288,042	4,786,320	1,489,020	(1,223,059)	-
Education:						
Payments to Public School System	41,985,954	-	10,745,008	-	(31,240,946)	-
Payments to Northern Marianas College	5,821,991	-	333,620	-	(5,488,371)	-
Payments to Marianas Visitors Authority	6,020,390	-	-	-	(6,020,390)	-
Payments to Pension (and Other Employee Benefit) Trust Fund	2,683,913	-	-	-	(2,683,913)	-
Payments to Commonwealth Utilities Corporation	1,554,653	-	-	-	(1,554,653)	-
Total primary government	$ 315,985,531	$ 44,685,887	$ 87,139,206	$ 12,771,948	(171,388,490)	-
Component units:						
Commonwealth Ports Authority	$ 33,428,299	$ 17,469,307	$ -	$ 13,621,618	-	(2,337,374)
Commonwealth Development Authority	8,055,383	1,265,237	6,781,587	-	-	(8,559)
Commonwealth Utilities Corporation	93,077,799	82,656,150	-	5,810,246	-	(4,611,403)
Marianas Public Land Trust	2,624,253	-	-	-	-	(2,624,253)
Northern Marianas College	15,025,733	2,632,579	7,848,780	-	-	(4,544,374)
Public School System	83,998,808	1,124,758	42,641,462	302,108	-	(39,930,480)
Marianas Visitors Authority	6,292,225	83,478	281,659	-	-	(5,927,088)
Total component units	$ 242,502,500	$ 105,231,509	$ 57,553,488	$ 19,733,972	-	(59,983,531)
General revenues:						
Taxes:						
Income					32,551,524	-
Gross receipts					46,638,306	-
Excise					13,756,684	-
Hotel					5,486,621	-
Fuel					3,029,915	-
Cigarette					4,924,426	-
Other taxes					3,906,145	-
Unrestricted investment earnings and dividends					81,168	1,414,987
Contributions from primary government					-	44,117,743
Other					5,005,290	12,679,701
Total general revenues					115,380,079	58,212,431
Change in net assets					(56,008,411)	(1,771,100)
Net assets - beginning, as previously reported					(164,203,893)	440,134,961
Prior period adjustment (note 17)					-	(4,754,833)
Net assets (deficiency) - beginning, as restated					(164,203,893)	435,380,128
Net assets (deficiency) - ending					$ (220,212,304)	$ 433,609,028

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Balance Sheet
Governmental Funds
September 30, 2010

	General	Grants Assistance	Special Revenue NMTIT Rebate Trust	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	$ 1,164,195	$ -	$ -	$ 369,310	$ 1,533,505
Investments	2,500,000	-	-	-	2,500,000
Restricted cash and cash equivalents	9,617,458	5,404,120	-	2,733,066	17,754,644
Restricted time certificates of deposit	-	-	-	3,692,268	3,692,268
Receivables, net:					
Federal agencies	-	6,992,659	-	956,008	7,948,667
Taxes	12,902,759	-	6,671,841	-	19,574,600
General	660,370	-	-	-	660,370
Other	-	12,831	-	1,752,761	1,765,592
Due from component units	500,000	-	-	17,741	517,741
Due from other funds	6,681,807	1,999,723	40,883,539	5,871,919	55,436,988
Due from Pension (and Other Employee Benefit) Trust Fund	-	-	-	523	523
Advances	626,892	3,601,410	-	-	4,228,302
Inventories	1,390,968	1,012,000	-	-	2,402,968
	$ 36,044,449	$ 19,022,743	$ 47,555,380	$ 15,393,596	$ 118,016,168
Liabilities and Fund Balances (Deficit)					
Liabilities:					
Accounts payable	$ 12,011,365	$ 1,530,289	$ -	$ 811,754	$ 14,353,408
Tax rebates payable	-	-	47,555,380	-	47,555,380
Recovery rebates payable	418,390	-	-	-	418,390
Other liabilities and accruals	5,748,171	3,255,612	-	3,104,639	12,108,422
Claims and judgments payable	25,078,570	-	-	2,690,020	27,768,590
Due to other funds	50,133,521	4,773,045	-	1,908,762	56,815,328
Due to component units	13,342,647	-	-	153,425	13,496,072
Due to Pension (and Other Employee Benefit) Trust Fund	246,036,676	-	-	476,111	246,512,787
Deferred revenues	-	3,926,883	-	643,783	4,570,666
Total liabilities	352,769,340	13,485,829	47,555,380	9,788,494	423,599,043
Fund balances (deficit):					
Reserved for:					
Supplies inventory	1,390,968	-	-	-	1,390,968
Related assets	11,889,904	5,404,120	-	4,178,290	21,472,314
Land claims	1,922	-	-	-	1,922
Debt service	-	-	-	4,788	4,788
Encumbrances	6,762,114	23,244,442	-	13,399,653	43,406,209
Continuing appropriations	164,304	-	-	685,678	849,982
Unreserved (deficits) reported in:					
General fund	(336,934,103)	-	-	-	(336,934,103)
Special revenue funds	-	-	-	(346,812)	(346,812)
Capital projects funds	-	(23,111,648)	-	(12,316,495)	(35,428,143)
Total equity (deficit) and other credits	(316,724,891)	5,536,914	-	5,605,102	(305,582,875)
	$ 36,044,449	$ 19,022,743	$ 47,555,380	$ 15,393,596	$ 118,016,168

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

Total fund deficit - governmental funds		$ (305,582,875)
Amounts reported for governmental activities in the statement of net assets are different because:		
Bonds issued by the CNMI have associated costs that are paid from current available resources in the funds. However, these costs are deferred on the statement of net assets.		1,671,303
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	$ 29,262,552	
Construction in progress	10,661,398	
Depreciable capital assets and infrastructure, net of $173,368,118 of accumulated depreciation	162,374,629	
Capital assets, net of accumulated depreciation		202,298,579
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:		
Bonds payable	(95,232,543)	
Accrued interest payable	(2,123,848)	
NMIRF loan payable	(6,094,644)	
Compensated absences payable	(7,230,663)	
Claims and judgments payable	(4,863,718)	
Landfill closure and postclosure costs	(3,053,895)	
Long-term liabilities		(118,599,311)
Net assets (deficiency) of governmental activities		$ (220,212,304)

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, 2010

	General	Grants Assistance	Special Revenue NMTIT Rebate Trust	Other Governmental Funds	Total
Revenues:					
Taxes	$ 107,256,159	$ -	$ -	$ 3,037,462	$ 110,293,621
Federal contributions	4,006,914	87,128,525	-	5,520,767	96,656,206
Charges for sales and services	22,389,247	-	-	3,005,375	25,394,622
Licenses and fees	8,428,453	157,405	-	7,532,760	16,118,618
Interest and dividends	24,006	2,560	-	54,602	81,168
Contributions from component units	2,554,653	348,051	-	326,446	3,229,150
Other	5,005,290	429,806	-	2,768,639	8,203,735
Total revenues	149,664,722	88,066,347	-	22,246,051	259,977,120
Expenditures:					
Current:					
Health	46,165,414	28,977,737	-	951,129	76,094,280
Public safety and law enforcement	27,449,878	10,090,157	-	833,117	38,373,152
General government	30,075,958	569,572	-	88,945	30,734,475
Community and social services	4,380,417	20,060,195	-	871,680	25,312,292
Other elected officials	8,181,013	-	-	89,479	8,270,492
Utilities	9,422,232	2,815,434	-	-	12,237,666
Lands and natural resources	4,800,813	7,403,975	-	2,802,778	15,007,566
Legislative branch	5,802,203	-	-	1,389	5,803,592
Judicial branch	3,947,481	-	-	8,670	3,956,151
Education	2,981,133	4,251,224	-	4,196,153	11,428,510
Economic development	1,071,348	6,708,801	-	6,292	7,786,441
Payments to:					
Public School System	31,240,946	10,745,008	-	-	41,985,954
Northern Marianas College	4,401,783	455,911	-	964,297	5,821,991
Marianas Visitors Authority	6,020,390	-	-	-	6,020,390
Commonwealth Utilities Corporation	1,554,653	-	-	-	1,554,653
Pension (and Other Employee Benefit) Trust Fund	2,683,913	-	-	-	2,683,913
Debt service:					
Principal retirement	-	1,755,000	-	1,290,921	3,045,921
Interest and fiscal charges	23,535	105,989	-	7,086,033	7,215,557
Capital outlay:					
Utilities - Capital Projects	-	1,289,136	-	67,300	1,356,436
Public works	4,668,112	1,644,767	-	7,246,999	13,559,878
Total expenditures	194,871,222	96,872,906	-	26,505,182	318,249,310
Excess (deficiency) of revenues over (under) expenditures	(45,206,500)	(8,806,559)	-	(4,259,131)	(58,272,190)
Other financing sources (uses):					
Operating transfers in	17,124,621	10,100,987	-	6,029,483	33,255,091
Operating transfers out	(16,060,033)	(4,834,714)	-	(12,360,344)	(33,255,091)
Total other financing sources (uses), net	1,064,588	5,266,273	-	(6,330,861)	-
Net change in fund balances (deficit)	(44,141,912)	(3,540,286)	-	(10,589,992)	(58,272,190)
Fund balances (deficit) at beginning of year	(272,582,979)	9,077,200	-	16,195,094	(247,310,685)
Fund balances (deficit) at end of year	$ (316,724,891)	$ 5,536,914	$ -	$ 5,605,102	$ (305,582,875)

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Deficit
of Governmental Funds to the Statement of Activities
September 30, 2010

Net change in fund deficit - total governmental funds	$ (58,272,190)
Add:	
Capital assets purchased that were capitalized	10,121,725
Principal payments on long-term debt	3,045,921
Claims and judgments	373,213
Net change in accrued interest payable	43,652
Less:	
Depreciation expense	(10,064,674)
Net change in compensated absences	(496,984)
Provision for landfill closure costs	(381,737)
Amortization of bond premium and deferred costs of bond refunding	(304,672)
Amortization of bond discount and issuance costs	(72,665)
Change in net assets of governmental activities	$ (56,008,411)

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2010

	Pension (and Other Employee Benefit) Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	$ 6,281,245	$ 2,057,959
Receivables:		
Loan	6,094,644	-
Notes	8,276,843	-
Benefits	1,746,646	-
Interest and dividends	877,194	-
Other	1,916,112	-
	18,911,439	-
Due from General Fund	239,951,467	1,378,340
Less allowance for uncollectible receivables	(176,201,994)	-
	63,749,473	1,378,340
Due from Miscellaneous Special Revenue Funds	475,711	-
Due from other funds	568,368	-
Prepaid items	5,540	-
Investments, at fair market value:		
Equity securities	197,659,077	-
Corporate debt securities	48,177,949	-
U.S. Government securities	38,027,498	-
Mutual funds	45,553,942	-
Real estate investment trust	1,001,220	-
Cash equivalents	149,894	-
Money market placements	45,052	-
	330,614,632	-
Restricted assets	133,101	2,887,716
Capital assets	4,067,816	-
Total assets	424,807,325	$ 6,324,015
Liabilities and Other Credits		
Accounts payable	18,901,833	-
Claims and judgments payable	-	1,378,340
Deposits payable	-	4,945,675
Other liabilities and accruals	682,613	-
Due to Judicial Building Fund	523	-
Due to other funds	568,368	
Deferred revenue	65,158,630	-
Total liabilities and other credits	85,311,967	$ 6,324,015
Net assets:		
Held in trust for pension benefits	355,557,796	
Held in trust for medical and life insurance benefits	(17,465,694)	
Held in trust for workers' compensation benefits and other purposes	1,403,256	
Total net assets	$ 339,495,358	

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2010

	Pension (and Other Employee Benefit) Trust Fund
Additions	
Contributions:	
Employer	$ 34,541,111
Employee	13,105,581
Revenues:	
Premiums	238,834
Rent income and other	3,763,090
Total contributions and revenues	51,648,616
Net investment earnings:	
Net appreciation in fair value of investments	19,598,785
Interest	7,968,767
Total investment earnings	27,567,552
Less: investment expense	1,739,073
Net investment earnings	25,828,479
Other financing sources:	
Transfers in	1,481,782
Total additions	78,958,877
Deductions	
Benefits	67,466,946
General and administrative	2,388,031
Bad debts	12,105,394
Refunds and withdrawals	5,208,932
Medical claims	729,109
Total deductions	87,898,412
Change in net assets	(8,939,535)
Net assets at beginning of year	348,434,893
Net assets at end of year	$ 339,495,358

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Net Assets
Component Units
September 30, 2010

	Commonwealth Ports Authority	Commonwealth Development Authority	Commonwealth Utilities Corporation	Marianas Public Land Trust	Northern Marianas College	Public School System	Marianas Visitors Authority	Total
Assets								
Current assets:								
Cash and cash equivalents	$ 5,678,533	$ 4,222,924	$ 3,006,820	$ 1,212,726	$ 3,514,276	$ 693,114	$ 147,797	$ 18,476,190
Time certificates of deposit	-	-	-	-	341,432	-	-	341,432
Receivables, net of allowance for uncollectibles:								
Loans	-	4,497,462	-	-	-	-	-	4,497,462
Notes	-	-	-	604,538	-	-	-	604,538
Federal agencies	5,169,090	-	1,751,336	-	1,325,664	3,712,593	-	11,958,683
General	2,786,832	-	17,959,330	-	2,031,232	-	-	22,777,394
Interest and dividends	-	571,044	-	400,184	-	-	-	971,228
Other	2,200,264	256,012	1,081,712	55,359	-	63,900	22,993	3,680,240
Due from primary government	-	-	-	-	413,920	3,846,402	2,633,544	6,893,866
Inventories	-	-	10,200,734	-	329,339	-	-	10,530,073
Other assets	75,321	330	1,407,076	4,633	5,514	399,035	5,944	1,897,853
Restricted assets:								
Cash and cash equivalents	-	6,028,811	7,709,149	-	-	-	-	13,737,960
Time certificates of deposit	-	3,912,273	-	-	-	-	-	3,912,273
Investments	15,394,649	-	-	60,792,719	-	-	-	76,187,368
Total current assets	31,304,689	19,488,856	43,116,157	63,070,159	7,961,377	8,715,044	2,810,278	176,466,560
Noncurrent assets:								
Investments	-	-	-	-	5,421,759	-	-	5,421,759
Receivables:								
Loans, net	-	12,856,860	-	-	-	-	-	12,856,860
Notes	-	-	-	9,356,270	-	-	-	9,356,270
Other	1,691,084	594,816	-	-	-	-	-	2,285,900
Deferred bond issue costs	1,327,427	-	-	-	-	-	-	1,327,427
Capital assets (net of accumulated depreciation)	195,240,319	11,269,356	87,822,594	354,358	5,903,617	87,337,279	55,664	387,983,187
Foreclosed real estate	-	2,602,955	-	-	-	-	-	2,602,955
Total noncurrent assets	198,258,830	27,323,987	87,822,594	9,710,628	11,325,376	87,337,279	55,664	421,834,358
Total assets	229,563,519	46,812,843	130,938,751	72,780,787	19,286,753	96,052,323	2,865,942	598,300,918
Liabilities and Net Assets								
Current liabilities:								
Current portion of notes and bonds payable	1,721,814	131,900	3,743,520	-	-	-	-	5,597,234
Accounts payable	6,592,142	647,277	8,754,128	32,863	887,709	2,350,168	1,711,918	20,976,205
Compensated absences	213,228	-	195,513	-	395,024	500,000	1,129	1,304,894
Due to primary government	1,718,711	500,000	4,912,544	17,741	-	-	-	7,148,996
Other liabilities and accruals	2,436,667	2,024,656	10,675,134	64,656	372,385	522,422	758,343	16,854,263
Due to Pension (and Other Employee Benefit) Trust Fund	25,201	-	3,882,111	-	-	19,176,195	-	23,083,507
Accrued interest payable	546,679	-	347,582	-	-	-	-	894,261
Deferred revenues	20,601	578,390	-	-	1,286,298	1,858,885	-	3,744,174
Total current liabilities	13,275,043	3,882,223	32,510,532	115,260	2,941,416	24,407,670	2,471,390	79,603,534
Noncurrent liabilities:								
Notes and bonds payable, net of current portion	51,530,748	1,120,943	5,524,828	-	-	-	-	58,176,519
Obligations under preferred stock agreement	-	-	19,579,335	-	-	-	-	19,579,335
Compensated absences, net of current portion	333,123	-	586,540	-	220,824	1,101,510	115,291	2,357,288
Deferred revenue, net of current portion	-	4,975,214	-	-	-	-	-	4,975,214
Total noncurrent liabilities	51,863,871	6,096,157	25,690,703	-	220,824	1,101,510	115,291	85,088,356
Total liabilities	65,138,914	9,978,380	58,201,235	115,260	3,162,240	25,509,180	2,586,681	164,691,890
Net assets:								
Invested in capital assets, net of related debt	141,987,757	13,872,311	59,112,862	354,358	5,903,617	87,337,279	55,664	308,623,848
Restricted	15,394,649	22,962,152	13,766,557	72,311,169	5,421,759	-	-	129,856,286
Unrestricted	7,042,199	-	(141,903)	-	4,799,137	(16,794,136)	223,597	(4,871,106)
Total net assets	$ 164,424,605	$ 36,834,463	$ 72,737,516	$ 72,665,527	$ 16,124,513	$ 70,543,143	$ 279,261	$ 433,609,028

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Revenues, Expenses, and Changes in Net Assets
Components Units
Year Ended September 30, 2010

	Commonwealth Ports Authority	Commonwealth Development Authority	Commonwealth Utilities Corporation	Marianas Public Land Trust	Northern Marianas College	Public School System	Marianas Visitors Authority	Total
Operating revenues:								
Charges for services and fees	$ 11,024,574	$ 1,071,520	$ 85,584,175	$ -	$ 1,386,475	$ 1,124,758	$ 43,207	$ 100,234,709
Grants and contributions	-	6,781,587	-	-	7,848,780	42,641,462	281,659	57,553,488
Other	6,444,733	193,717	-	5,565,526	1,296,650	-	40,271	13,540,897
	17,469,307	8,046,824	85,584,175	5,565,526	10,531,905	43,766,220	365,137	171,329,094
Provision for uncollectible receivables	(623,954)	3,159,411	(2,928,025)	-	(50,546)	-	-	(443,114)
Total operating revenues	16,845,353	11,206,235	82,656,150	5,565,526	10,481,359	43,766,220	365,137	170,885,980
Operating expenses:								
Cost of services	5,647,359	3,835,791	67,443,039	-	9,981,582	61,046,759	4,598,881	152,553,411
Depreciation and amortization	11,675,296	378,228	8,164,412	19,168	659,187	1,501,763	18,078	22,416,132
Administration	7,282,991	5,526,195	13,633,092	772,600	4,384,964	21,450,286	1,675,266	54,725,394
Total operating expenses	24,605,646	9,740,214	89,240,543	791,768	15,025,733	83,998,808	6,292,225	229,694,937
Operating income (loss)	(7,760,293)	1,466,021	(6,584,393)	4,773,758	(4,544,374)	(40,232,588)	(5,927,088)	(58,808,957)
Nonoperating revenues (expenses):								
Contributions from the primary government	-	-	1,554,653	-	5,323,044	31,219,656	6,020,390	44,117,743
Contributions to the primary government	-	(1,377,993)	(694,759)	(1,832,485)	-	-	-	(3,905,237)
Unrestricted investment earnings	528,382	8,483	878,122	-	-	-	-	1,414,987
Interest expense	(3,485,643)	(85,089)	(2,631,291)	-	-	-	-	(6,202,023)
Amortization of bond issue cost	(66,935)	-	-	-	-	-	-	(66,935)
Other expenses	(4,646,121)	(11,498)	(511,206)	-	-	-	-	(5,168,825)
Other revenues	6,171,004	270,253	206,282	-	466,636	-	-	7,114,175
Nonoperating revenues (expenses), net	(1,499,313)	(1,195,844)	(1,198,199)	(1,832,485)	5,789,680	31,219,656	6,020,390	37,303,885
Income (loss) before capital contributions	(9,259,606)	270,177	(7,782,592)	2,941,273	1,245,306	(9,012,932)	93,302	(21,505,072)
Capital contributions	13,621,618	-	5,810,246	-	-	302,108	-	19,733,972
Change in net assets	4,362,012	270,177	(1,972,346)	2,941,273	1,245,306	(8,710,824)	93,302	(1,771,100)
Net assets - beginning, as previously reported	160,062,593	36,564,286	79,464,695	69,724,254	14,879,207	79,253,967	185,959	440,134,961
Prior period adjustment (note 17)	-	-	(4,754,833)	-	-	-	-	(4,754,833)
Net assets - beginning, as restated	160,062,593	36,564,286	74,709,862	69,724,254	14,879,207	79,253,967	185,959	435,380,128
Net assets - ending	$ 164,424,605	$ 36,834,463	$ 72,737,516	$ 72,665,527	$ 16,124,513	$ 70,543,143	$ 279,261	$ 433,609,028

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 financial statements to be misleading or incomplete. The net assets and results of operations of the following legally separate entities are presented as part of the CNMI's operations:

1. Blended Component Units

Blended component units are entities that are legally separate from the CNMI, but are so related to the CNMI that they are, in substance, the same as the CNMI or entities providing services entirely or almost entirely to the CNMI.

(a) 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 a seven-member Board of Trustees appointed by the Governor.

(b) The Northern Mariana Islands Government 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. The Board of Trustees of the Northern Mariana Islands Retirement Fund administers GHLITF. The GHLITF health benefit administration was privatized on November 1, 2007.

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

1. Blended Component Units, Continued

(c) The CNMI Workers' Compensation Commission (WCC), a Fiduciary Fund Type - Pension (and Other Employee Benefit) Trust Fund, is responsible for the payment of compensation to workers who are not adequately covered under their employer's insurance policy. The Board of Trustees of the Northern Mariana Islands Retirement Fund administers WCC.

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 501247
Saipan, MP 96950-1247

Northern Mariana Islands Government Health
and Life Insurance Trust Fund
P.O. Box 501247
Saipan, MP 96950-1247

CNMI Workers' Compensation Commission
P.O. Box 501247
Saipan, MP 96950-1247

2. Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the CNMI, but are financially accountable to the CNMI, or whose relationships with the CNMI are such that exclusion would cause the CNMI's financial statements to be misleading or incomplete. The Component Units' column of the basic financial statements includes the financial data of the following entities:

(a) 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.

(b) 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 six-member Board of Directors appointed by the Governor.

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

(c) The Commonwealth Utilities Corporation (CUC) is responsible for supervising the construction, maintenance operations and regulation of all utility services within the CNMI. CUC is governed by a six-member Board of Directors appointed by the Governor.

(d) The Marianas Public Land Trust (MPLT) manages all monies received by it from the CNMI Division 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.

(e) The Northern Marianas College (NMC) serves as the state education 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.

(f) The Public School System (PSS) is responsible for supervising preschool, elementary and secondary education programs in the CNMI. PSS is governed by a five-member Board of Education elected at large.

(g) The Marianas Visitors Authority (MVA) is responsible for the promotion and development of the tourism industry in the CNMI. It is governed by a fourteen-member Board of Directors, nine of which are appointed by the Governor with the remaining five coming from specified industry groups within the CNMI.

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

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

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

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

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

Each blended and discretely presented component unit has a September 30 year end.

3. Omitted Component Unit

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.

4. 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 Assets 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.

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements, Continued

The Statement of Net Assets presents all of the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

- *Unrestricted net assets* consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations.

The government-wide Statement of Net Assets reports $4,181,690 of restricted net assets, of which $2,178,792 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.

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting

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.

Governmental Funds - 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 60 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 12 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.

The CNMI reports the following fund types:

1. Governmental Fund Types

i. General Fund

This fund is the CNMI's primary operating fund. It accounts for all financial transactions not accounted for in any other fund.

ii. Special Revenue Funds

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

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

1. Governmental Fund Types, Continued

iii. Capital Projects Funds

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.

iv. Debt Service Funds

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

2. Fiduciary Funds Types

i. Pension (and Other Employee Benefit) Trust Fund

These funds are used to account for assets held by the CNMI as trustee. The Pension (and Other Employee Benefit) Trust Fund are accounted for on the accrual basis of accounting. This fund combines the NMIRF, GHLITF and WCC and is detailed in the combining statement.

ii. Agency Fund

These funds are normally used to account for assets held by a government as an agent for individuals, private organizations, or other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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. 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:

- 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.

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

- NMTIT Rebate Trust, a Governmental Fund Type - Special Revenue Fund. This fund was established 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. Although the fund does not record revenues and expenditures, the CNMI has taken the position that tax payments received constitute revenue sources and the fund meets the definition of a special revenue fund.

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. For all discretely presented component units, the CNMI applies GASB Statement No. 20, unless FASB pronouncements conflict with or contradict GASB pronouncements, and has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

E. Program and Other Revenue Recognition

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.

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.

F. 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, 2010, 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

G. 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 assets/balance sheet.

H. 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".

I. 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.

J. 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 assets. Interfund receivables and payables have been eliminated from the statement of net assets.

K. 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.

(1) Summary of Significant Accounting Policies, Continued

L. Inventories

Inventories are stated at the lower of cost or market using the first-in/first-out (FIFO) method. Inventories of the Commonwealth Health Center in the General Fund are offset by a fund balance reserve for supplies inventory, totaling $1,390,968, as they do not represent resources available for appropriation.

Food stamp balances held at year end are recorded as inventories based on face value. Inventories reported in the Grants Assistance Fund of $1,012,000 are offset by deferred revenues.

M. 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 and the Commonwealth Hospital Complex. 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

N. Net Assets

The CNMI reports net assets 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.

(1) Summary of Significant Accounting Policies, Continued

N. Net Assets, Continued

Net Assets have 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.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

O. 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, 2010. However, the CNMI has estimated the aggregate assessed valuation of real property to be $1,596,236,822 as of September 30, 2010. This estimation was based on the 1995 CNMI Mid-Decade Census.

P. 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 assets with amounts to be paid during the next fiscal year reported as current. The liability as of September 30, 2010, is $7,230,663.

Annual leave accumulates at the rate of thirteen working days for each year of service for up to three years of service, 19.5 working days for each year of service for three to six years of service, and 26 working days for each year of service for more than six years of service. Accrued annual leave is limited to 45 working days, with any amounts over 45 days transferred to sick leave.

(1) Summary of Significant Accounting Policies, Continued

Q. Deferred Revenues

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements, deferred 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. Deferred 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 deferred revenue is removed from the governmental fund balance sheet and revenue is recognized.

R. Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements, bond discounts and issuance costs 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 issue costs are reported as deferred charges.

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

S. 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 in the Rebate Trust Fund and as a 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.

Movements in income taxes and wage and salary taxes for the year ended September 30, 2010, are as follows:

(1) Summary of Significant Accounting Policies, Continued

S. Income Taxes and Wage and Salary Taxes, Continued

Total income tax and wage and salary tax collections	$ 56,825,965
Transfers to Rebate Trust Fund	24,274,441
Income taxes and wage and salary taxes per the statement of activities	$ 32,551,524

T. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use or not expected to be realized in cash during the ensuing year. The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

The reserve for related assets as of September 30, 2010, is represented by the following assets:

	General	Grant Assistance	Other Governmental	Total
Restricted cash and cash equivalents	$ 9,389,904	$ 5,404,120	$ 2,733,076	$ 17,527,100
Restricted time certificate of deposit	-	-	1,445,214	1,445,214
Investments	2,500,000	-	-	2,500,000
	$ 11,889,904	$ 5,404,120	$ 4,178,290	$ 21,472,314

At September 30, 2010, a reserve for land claims of $1,922 was recorded in the General Fund representing the undistributed proceeds of land settlement claims administered by the Department of Public Lands.

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 2010, the CNMI implemented the following pronouncements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.

(1) Summary of Significant Accounting Policies, Continued

V. New Accounting Standards, Continued

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.

- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that implementation of this statement will have on the financial statements of the CNMI.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the CNMI.

(1) Summary of Significant Accounting Policies, Continued

V. New Accounting Standards, Continued

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the CNMI.

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 liabilities 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. Landfill

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 $3,053,895 liability reported as landfill closure and postclosure costs at September 30, 2010 within the accompanying financial statements, represents the cumulative amount reported based on capacity used. This amount is based on what it would cost to perform all closure and post closure care in 2010. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

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, 2009 from which summarized information was derived.

(2) Deposits and Investments

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

Cash and Cash Equivalents and Time Certificates of Deposit

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

Category 1 Deposits that are federally insured or collateralized with securities held by the CNMI or its agent in the CNMI's name;

Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the CNMI's name; or

Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the CNMI's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the CNMI's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The CNMI does not have a deposit policy for custodial credit risk.

As of September 30, 2010, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit were $22,980,417 and the corresponding bank balances were $23,608,212. Of the bank balance amounts, $17,110,371 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of $3,909,482 represents short-term investments held and administered by the CNMI's trustees in accordance with various trust agreements and bond indentures and $2,588,359 represents amounts maintained in a non-FDIC insured bank. 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, 2010. As of September 30, 2010, bank deposits in the amount of $750,000 were FDIC insured. Public Law No. 12-61, the Government Deposit Safety Act of 1994, as amended, governs the general deposit policies of the CNMI and requires that all deposits of public funds made by the CNMI are to be collateralized by U.S. Government obligations at the rate of 100% of the corresponding bank deposit. Compliance with Public Law No. 12-61 as of September 30, 2010, is presently not determinable. Accordingly, these deposits are exposed to custodial credit risk.

(2) Deposits and Investments, Continued

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

Restricted cash and cash equivalents and time certificates of deposit as of September 30, 2010 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 and time certificates of deposit at September 30, 2010 amounted to $21,446,912.

As of September 30, 2010, the carrying amount of the Fiduciary Fund's total cash and cash equivalents were $8,339,204 and the corresponding bank balances were $9,557,377, which are maintained in financial institutions subject to FDIC insurance. As of September 30, 2010, bank deposits in the amount of $9,557,377 were FDIC insured. NMIRF has a legal requirement to collateralize amounts in excess of insurable limits. At September 30, 2010, approximately $4,910,883 of NMIRF's cash and cash equivalents are collateralized with their bank's securities.

As of September 30, 2010, the carrying amount of the discretely presented component units' total cash and cash equivalents and time certificates of deposit were $36,467,855 and the corresponding bank balances were $37,975,576. Of the bank balance amounts, $36,855,053 is maintained in financial institutions subject to FDIC insurance and $7,108 represents amounts maintained in a non-FDIC insured bank. The remaining amount of $1,113,415 represents amount held and administered by the discretely presented components units' investment manager subject to Securities Investor Protection Corporation Insurance. As of September 30, 2010, bank deposits in the amount of $3,185,756 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

Category 1 — Investments that are insured or registered, or securities held by the CNMI or its agent in the CNMI's name;

Category 2 — Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the CNMI's name; or

Category 3 — Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the CNMI's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

(2) Deposits and Investments, Continued

Investments, Continued

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, 2010.

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, 2010, the General Fund holds 17% 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.

B. Fiduciary Funds

NMIRF:

NMIRF's investments are held by a bank-administered trust company. Investments that represent 5% or more of NMIRF's assets at September 30, 2010, are equity securities of $197,659,077, U.S. government securities of $38,027,498, corporate debt instruments of $48,177,949 and mutual funds of $44,877,685.

(2) Deposits and Investments, Continued

Investments, Continued

B. Fiduciary Funds, Continued

NMIRF, Continued:

As of September 30, 2010, NMIRF's investment breakdown is as follows:

Investment Type	Carrying Value DB Plan	Carrying Value DC Plan	Total
Investments categorized:			
U.S. Treasury TIPS	$ 35,546,898	$ -	$ 35,546,898
U.S. Treasuries	2,480,600	-	2,480,600
Mortgage pass throughs	17,549,367	-	17,549,367
Collateralized mortgage obligations	3,106,861	-	3,106,861
Domestic corporate bonds	27,521,721	-	27,521,721
Domestic stocks (common, preferred, ADRs)	194,394,682	-	194,394,682
Foreign stocks	3,264,395	-	3,264,395
Total categorized	283,864,524	-	283,864,524
Investments not categorized:			
Money market funds	5,748,349	-	5,748,349
Stock mutual funds	21,562,490	17,566,846	39,129,336
Real estate investment trust	1,001,220	-	1,001,220
Cash equivalents	149,894	-	149,894
Total not categorized	28,461,953	17,566,846	46,028,799
Total investments held outside the State Treasury	$ 312,326,477	$ 17,566,846	$ 329,893,323

Credit Risk

NMIRF utilizes external investment managers to manage its portfolios. NMIRF's investment policy for its DB Plan specifies the following regarding fixed income investments held in its portfolio:

- All fixed income securities shall have a Moody's, Standard and Poor's and/or Fitch credit quality rating of no less than BBB.
- The exposure of the portfolio to any one company, other than securities of the U.S. government, shall not exceed 5% of the market value of the portfolio under management by each investment manager.
- Each fixed income portfolio of each investment manager shall be suitably diversified as to any single issuer or class of issuer so that an adversity affecting a particular issuer or sector will not impact a substantial share of the total portfolio.
- NMIRF's portfolios per investment managers are regularly reviewed to ensure compliance to abovementioned requirements.

(2) Deposits and Investments, Continued

Investments, Continued

B. Fiduciary Funds, Continued

NMIRF, Continued:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that NMIRF manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Summarized below are NMIRF's fixed income investments and their maturities:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
U.S. Treasury TIPS	$ 35,546,898	$ 460,300	$ 14,694,510	$ 7,249,217	$ 13,142,871	AAA
U.S. Treasuries	2,480,600	-	-	-	2,480,600	AAA
Mortgage pass through	17,549,367	-	1,820,686	1,409,478	14,319,203	Aaa/AAA
Collateralized mortgage obligations	3,106,861	-	240,204	-	2,866,657	Aaa/AAA
Domestic corporate bonds	27,521,721	2,267,366	13,828,397	6,337,955	5,088,003	Aa/AA/A/Baa/BBB
	$ 86,205,447	$ 2,727,666	$ 30,583,797	$ 14,996,650	$ 37,897,334	

Figures were from NMIRF's fixed income portfolio managed by external investment managers.

Securities Lending

CNMI statutes permit NMIRF to participate in securities lending transactions, and NMIRF has, pursuant to a Securities Lending Authorization Agreement, authorized an agent in lending NMIRF's securities to broker-dealers and banks pursuant to a form of loan agreement. During the year ended September 30, 2010, the agent loaned, on behalf of NMIRF, securities, including U.S. government obligations, domestic corporate bonds, and domestic and international equities, held by agent as custodian and received, as collateral, United States and foreign currency cash, securities issued or guaranteed by the United States government, sovereign debt of foreign countries and irrevocable bank letters of credit. The agent does not have the ability to pledge or sell collateral securities absent borrower default. Borrowers delivered collateral for each loan equal to 125% of the fair value of the loaned securities. In accordance with GASB Statement No. 28, securities lending collateral reported in the statement of plan net assets represented only cash collateral invested in the lending agent's cash collateral investment pool.

(2) Deposits and Investments, Continued

Investments, Continued

B. Fiduciary Funds, Continued

NMIRF, Continued:

Securities Lending Collateral Interest Rate Risk

Cash collaterals from loans of securities are reinvested by the investment manager. A duration mismatch between loan and reinvestment is limited to a conservative maximum of fifteen days.

Securities loaned are covered by a contractual indemnification against broker default, that is, if a broker fails to return loaned securities when required, the investment manager will, within two business days, and at its expense, either replace the loaned securities or credit NMIRF for the market value of the unreturned loaned securities determined as of the close of business on the date the securities should have been returned.

Concentration of Credit

As of September 30, 2010, NMIRF had no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

Custodial Credit Risk

As of September 30, 2010, 100% of NMIRF's investments were held in NMIRF's name, and NMIRF is not exposed to custodial credit risk related to these investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

NMIRF's investments in foreign currency are comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held as a form of investment. Foreign currency is held for less than thirty days in foreign accounts until it can be repatriated or expended.

Derivatives

NMIRF's investment policy allows investment managers to use derivative instruments for certain purposes and within certain parameters. Such instruments include currency contracts, including futures and forward contracts, to hedge foreign currency exposure into U.S. dollars. Leverage may not be used and an investment manager may not hedge more than 25% of the value of the non US assets managed by such investment manager.

(2) Deposits and Investments, Continued

Investments, Continued

B. Fiduciary Funds, Continued

WCC:

WCC's investments are held by a bank administered trust company. Investments that represent 32% of WCC's total assets at September 30, 2010, are as follows:

Stock mutual fund	$ 489,234
Mutual bond funds	187,023
Money market placements	45,052
	$ 721,309

The following is a listing of WCC's fixed income securities at September 30, 2010:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Mutual bond funds	$ 187,023	$ -	$ -	$ 187,023	$ -	Unrated

C. Discretely Presented Component Units

CPA:

CPA's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on those agreements, all of those deposits were held in CPA's name by CPA's custodial financial institutions at September 30, 2010. As of September 30, 2010, investments at fair value consist of investments in U.S. Government money market placements amounting to $15,394,649.

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, 2010.

As of September 30, 2010, investments at fair value are as follows:

Mutual funds	$ 8,289,520
Fixed income securities:	
Domestic fixed income	34,888,937
Other investments:	
Domestic equities	17,614,262
	$ 60,792,719

(2) Deposits and Investments, Continued

Investments, Continued

C. Discretely Presented Component Units, Continued

MPLT, Continued:

The following is a listing of MPLT's fixed income securities at September 30, 2010:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Mortgage and asset backed securities	$ 2,945,731	$ 12,682	$ 1,109,518	$ -	$ 1,823,531	AAA
Mortgage and asset backed securities	8,166,246	-	356,248	677,371	7,132,627	No rating
Government and Government Sponsored Entity (GSE) Bonds	1,737,501	-	-	-	1,737,501	AAA
International bonds	280,767	-	280,767	-	-	A
International bonds	124,452	-	124,452	-	-	BB-
International bonds	43,313	-	-	43,313	-	B
Corporate bonds	210,111	-	-	210,111	-	AAA
Corporate bonds	909,699	-	551,368	358,331	-	AA
Corporate bonds	686,570	60,118	414,921	211,531	-	AA+
Corporate bonds	299,537	-	-	118,028	181,509	AA-
Corporate bonds	7,560,023	-	2,814,854	3,676,963	1,068,206	A
Corporate bonds	2,089,918	-	1,476,300	261,126	352,492	A+
Corporate bonds	3,404,580	-	1,837,058	1,211,681	355,841	A-
Corporate bonds	595,725	-	356,152	186,004	53,569	BBB
Corporate bonds	1,346,385	-	862,922	149,573	333,890	BBB+
Corporate bonds	579,621	-	196,852	334,035	48,734	BBB-
Corporate bonds	591,409	-	164,911	379,354	47,144	BB
Corporate bonds	559,325	-	220,119	339,206	-	BB+
Corporate bonds	1,086,077	-	252,486	833,591	-	BB-
Corporate bonds	502,786	-	237,236	175,460	90,090	B
Corporate bonds	512,664	-	211,777	254,393	46,494	B+
Corporate bonds	392,631	-	282,724	109,907	-	B-
Corporate bonds	178,050	-	-	178,050	-	CCC
Corporate bonds	85,816	-	85,816	-	-	CCC+
	$ 34,888,937	$ 72,800	$ 11,836,481	$ 9,708,028	$ 13,271,628	

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, 2010.

As of September 30, 2010, investments at fair value are as follows:

Fixed income securities:	
Domestic fixed income	$ 1,924,912
International fixed income	100,993
	2,025,905
Other investments:	
Domestic equities	2,112,517
Other	1,283,337
	3,395,854
	$ 5,421,759

(2) Deposits and Investments, Continued

Investments, Continued

C. Discretely Presented Component Units, Continued

NMC, Continued:

The following is a listing of NMC's fixed income securities at September 30, 2010:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
International bonds	$ 75,565	$ 24,803	$ 25,340	$ 25,422	$ -	A-
International bonds	25,428	-	-	25,428	-	BBB+
Corporate bonds	46,187	-	46,187	-	-	AA+
Corporate bonds	76,045	-	25,727	-	50,318	AA
Corporate bonds	78,321	-	28,224	25,542	24,555	AA-
Corporate bonds	76,554	-	24,675	25,495	26,384	A+
Corporate bonds	157,169	-	80,829	76,340	-	A
Corporate bonds	51,270	-	-	51,270	-	A-
Corporate bonds	100,970	-	-	25,640	75,330	BBB+
Corporate bonds	80,320	-	52,453	27,867	-	BBB
Corporate bonds	109,411	-	57,814	25,638	25,959	BBB-
Government and GSE bonds	1,148,665	314,539	346,446	373,121	114,559	AAA
	$ 2,025,905	$ 339,342	$ 687,695	$ 681,763	$ 317,105	

(3) Receivables

Governmental Funds

Receivables as of September 30, 2010, for the primary government's individual major governmental funds and nonmajor governmental funds in the aggregate, including allowances for uncollectible accounts, are as follows:

	General	Grants Assistance	NMTIT Rebate Trust	Other Governmental Funds	Total
Receivables:					
Federal agencies	$ -	$ 17,787,182	$ -	$ 1,691,006	$ 19,478,188
Other agencies	183,657,265	-	-	-	183,657,265
Taxes	12,902,759	-	6,671,841	-	19,574,600
General	2,157,565	-	-	-	2,157,565
Other	-	12,831	-	16,738,828	16,751,659
Gross receivables	198,717,589	17,800,013	6,671,841	18,429,834	241,619,277
Less allowance for uncollectibles	(185,154,460)	(10,794,523)	-	(15,721,065)	(211,670,048)
Net receivables	$ 13,563,129	$ 7,005,490	$ 6,671,841	$ 2,708,769	$ 29,949,229

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.

(3) Receivables, Continued

Fiduciary Funds

Receivables as of September 30, 2010, for the fiduciary funds, including allowances for uncollectible accounts, are as follows:

	NMIRF	GHLITF	WCC	Total
Receivables:				
Contributions	$ 31,514,881	$ -	$ -	$ 31,514,881
Loan	6,094,644	-	-	6,094,644
Notes	8,276,843	-	-	8,276,843
Benefits	1,002,670	-	743,976	1,746,646
Interest and dividends	877,194	-	-	877,194
Other	1,909,466	50	6,596	1,916,112
Gross receivables	49,675,698	50	750,572	50,426,320
Less allowance for uncollectibles	(31,514,881)	-	-	(31,514,881)
Net receivables	$ 18,160,817	$ 50	$ 750,572	$ 18,911,439

Contributions receivable of $31,514,881 recorded by the NMIRF represent amounts owed to the NMIRF for employer contributions from various CNMI autonomous agencies. At September 30, 2010, a corresponding allowance for uncollectible contribution receivables of $31,514,881 is recorded by the NMIRF.

Loan receivable of $6,094,644 recorded by the NMIRF represents a receivable from the CNMI pursuant to a loan agreement entered into in February 28, 1995. The loan is for a period of twenty years, with interest rate at 7.75% per annum and payable in monthly installments of $120,000.

Notes receivable recorded by the NMIRF include $4,843,796 under the NMIRF's Member Home Loan Program (MHLP). The MHLP was created through Public Law 6-17, which authorized up to 40% of NMIRF's assets to be made available to the program. Borrowings are restricted to the construction, purchase, and improvement of principal residence or refinancing of existing mortgages on a member's home. NMIRF can lend amounts ranging from $5,000 to $150,000 at interest rates of 8.5% to 9% per annum. Notes receivable also include $1,860,823 due from the Municipality of Tinian pursuant to a memorandum of understanding to convert past due employer contributions to notes receivable bearing interest at 9% per annum, payable in monthly installments of $15,000 until January 1, 2021. Remaining notes receivable of $1,572,224 represent a receivable due from CGECU. The note is for a period of thirty years beginning October 12, 1995 and bears interest at an initial rate of 8% per annum and adjusted at a rate that is at least equal to the actuarially assumed rate of return on NMIRF's plan assets. For the year ended September 30, 2010, the interest rate is 7.5% per annum.

(3) Receivables, Continued

Discretely Presented Component Units

Receivables as of September 30, 2010, for the discretely presented component units, including allowances for uncollectible accounts are as follows:

	CPA	CDA	CUC	MPLT	NMC	PSS	MVA	Total
Receivables:								
Loans	$ 7,101,895	$ 50,056,641	$ -	$ -	$ -	$ -	$ -	$ 57,158,536
Notes	-	-	-	14,275,965	-	-	-	14,275,965
Federal agencies	5,169,090	-	1,751,336	-	1,325,664	-	-	8,246,090
General	4,350,501	-	34,449,255	-	4,123,114	3,712,593	-	46,635,463
Interest and dividends	-	4,378,983	-	400,184	-	-	-	4,779,167
Other	15,335	850,829	1,991,867	55,358	-	63,900	22,993	3,000,282
Gross receivables	16,636,821	55,286,453	38,192,458	14,731,507	5,448,778	3,776,493	22,993	134,095,503
Less allowance for uncollectibles	(4,789,551)	(36,510,259)	(17,400,080)	(4,315,156)	(2,091,882)	-	-	(65,106,928)
Net receivables	$ 11,847,270	$ 18,776,194	$ 20,792,378	$ 10,416,351	$ 3,356,896	$ 3,776,493	$ 22,993	$ 68,988,575

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

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. CPA's utility charges can be offset in lieu of payments.	$ 3,716,764
Loan receivable from CUC, bearing interest at 6.25% per annum, for repayment of wharfage fees. Utility charges can be offset in lieu of payments.	3,385,131
	$ 7,101,895

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 for an additional thirty years with a mandated three year callable provision where warranted and justified.	$ 35,405,415
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.	8,930,186

(3) Receivables, Continued

Discretely Presented Component Units, Continued

CDA, Continued:

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 maturity date of June 15, 2030.	5,721,040
	$ 50,056,641

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.	$ 8,634,619
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.	143,156
Note receivable from CUC, interest at 7% per annum, due in full on August 4, 2011. Public Law 16-7 (as amended by Public Law 17-7) earmarks future interest income distributions of fiscal years 2009, 2010, 2012 and additional future fiscal years until the note is fully reimbursed. Interest is due in equal monthly installments.	245,347
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.	1,252,843
Note receivable from the CNMI Government, interest at 7% per annum. Public Law 17-7 earmarks and appropriates from future interest income distributions of fiscal years 2009, 2010, 2012 and additional future fiscal years until the note is fully reimbursed. Interest is due annually.	4,000,000
	$ 14,275,965

(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, 2010, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 1,908,762
Grants Assistance	General	1,999,723
General	Grants Assistance	4,773,045
NMTIT Rebate Trust	General	40,883,539
Nonmajor governmental	General	5,871,919
Fiduciary	General	1,378,340
Fiduciary	Fiduciary	568,368
		$ 57,383,696

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, 2010, are summarized as follows:

Due From	Due To	Amount
General	CDA	$ 500,000
Nonmajor governmental	MPLT	17,741
		$ 517,741
PSS	General	$ 3,846,402
NMC	General	260,495
MVA	General	3,489,435
CUC	General	1,746,315
MPLT	General	4,000,000
NMC	Nonmajor governmental funds	153,425
		$ 13,496,072

The amount recorded as due from component units of the primary government of $517,741 does not equal the corresponding due to primary government of the discretely presented component units of $7,148,996 due to CPA and CUC recording 1% public auditor fee of $1,718,711 and $4,912,544, respectively, for which the primary government recorded a corresponding allowance.

(4) Interfund Receivables and Payables, Continued

The amount recorded as due from primary government of the discretely presented component units of $6,893,866 does not equal the corresponding due to component units of the primary government of $13,496,072 by $6,602,206. The difference of $1,746,315 with CUC is due to the amount recorded as general receivables by CUC. The difference of $4,000,000 with MPLT is due to the amount recorded as notes receivables by MPLT. The difference of $855,891 is due to an allowance recorded by MVA.

As of September 30, 2010, the due to Pension (and Other Employee Benefit) Trust Fund consists of the following:

	NMIRF	GHLITF	WCC	Total
Employer contributions	$ 171,790,171	$ -	$ -	$ 171,790,171
Penalty on unpaid contributions	47,862,142	-	-	47,862,142
Deficiency in NMC's retirement contributions	6,128,657	-	-	6,128,657
Appropriations in prior years not transferred	15,112,799	-	-	15,112,799
Early retirement bonus program	3,631,090	-	-	3,631,090
Prior service contributions	780,733	-	-	780,733
Other	731,084	-	476,111	1,207,195
	$ 246,036,676	$ -	$ 476,111	$ 246,512,787

On January 24, 2008, Public Law 15-126 was enacted to reduce the employer retirement contribution rate to 18% for employees funded by the CNMI General Fund, effective October 1, 2007. Further, Section 2(b) of the law states that any difference between the 36.7727% rate and the sum remitted by the employer shall accrue as a liability of the CNMI government. On May 3, 2008, Public Law 16-2 was enacted suspending Public Law 15-126 for fiscal year 2008 except for Section 2(b). Further, Section 7(b) of Public Law 16-2 mandates the CNMI government to accrue NMC's deficient retirement contribution as its liability. Public Law 16-2 also sets a rate of 11% beginning October 1, 2007. On June 24, 2008, the Office of the Governor confirmed that the CNMI government will be responsible for NMC's deficient retirement contribution beginning October 1, 2005 and subsequent years. NMC's deficient retirement contributions, including penalties and interest, amounted to $6,128,657 as of September 30, 2010.

The amount recorded as due to Pension (and Other Employee Benefit) Trust Fund of $246,512,787 does not equal the corresponding due from the general fund and due from miscellaneous special revenue funds of the Fiduciary Funds of $240,427,178 due to $6,128,657 in NMC's deficient retirement contributions recorded by the primary government as a liability and recorded by the Pension (and Other Employee Benefit) Trust Fund as part of receivables from autonomous agencies and $43,048 in timing differences.

Of the amount due from the General Fund of $239,951,467, the Pension (and Other Employee Benefit) Trust Fund recorded an allowance for uncollectible receivables of $176,201,994 as of September 30, 2010. The remaining due from the General Fund of $63,749,473 has been offset by deferred revenue of the same amount.

(5) Restricted Assets

Governmental Funds

Restricted assets of $9,617,458 recorded in the General Fund represents cash and cash equivalents of $2,249,089 for capital projects, $367,832 for tax rebate payments, $227,555 for recovery rebate payments, $2,748,420 for federal programs and projects, and $4,024,562 for various purposes.

Restricted assets of $5,404,120 recorded in the Grants Assistance Fund represents $3,773,216 cash and cash equivalents restricted for capital projects, and $1,630,904 for federal programs and projects.

Restricted assets of $6,425,334 recorded in the Other Governmental Funds represents cash and cash equivalents of $129,965 for capital projects, $4,265 for future debt service requirements, $6,282,565 Department of Public Lands (DPL) bank deposits in which DPL has been restricted from full access, and $8,539 for other purposes.

Fiduciary Fund Type - Pension (and Other Employee Benefit) Trust Fund

WCC

Restricted assets of $133,101 represents time certificates of deposit established for the purpose of making compensation for injury increasing disability in accordance with Subsection (f) of Section 9308 of Public Law 10-19.

Fiduciary Fund Type - Agency Fund

Restricted assets of $2,887,716 as of September 30, 2010, represent deposits of foreign investors required by law to operate a business in the CNMI.

Discretely Presented Component Units

CPA:

Restricted assets 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 Revenues Bonds	Total
Bond Reserve Fund	$ 1,568,337	$ 3,479,556	$ 5,047,893
Supplemental Reserve Fund	-	8,034,239	8,034,239
Construction Fund	-	8,876	8,876
Reimbursement Fund	-	5,807	5,807
Bond Fund	360,606	682,368	1,042,974
Maintenance and Operation	858,474	382,751	1,241,225
Optional Redemption Fund	12,100	-	12,100
Revenue Fund	724	811	1,535
	$ 2,800,241	$ 12,594,408	$ 15,394,649

(5) Restricted Assets, Continued

Discretely Presented Component Units, Continued

CDA:

Restricted assets of CDA are comprised of the following:

	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Total
Cash and cash equivalents	$ 2,601,155	$ -	$ 3,427,656	$ 6,028,811
Time certificates of deposit	3,265,295	646,978	-	3,912,273
	$ 5,866,450	$ 646,978	$ 3,427,656	$ 9,941,084

Restricted assets of CDA's Development Banking Division 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 represent cash and cash equivalents and time certificates of deposit maintained at a non-FDIC insured bank as guarantee against loans issued by the bank.

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

Escrow account maintained as a guarantee for any deficiency in foreclosure proceeds related to USDA Rural Development Loans	$ 2,169,557
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development	197,480
Savings account maintained as a guarantee of housing loans made by a savings and loan in the CNMI	13,211
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	880,916
Other depository accounts reserved for various purposes	166,492
	$ 3,427,656

CUC:

Cash and cash equivalents of $7,709,149 as of September 30, 2010, represent customer deposits segregated pursuant to CUC policy. Of the $7,709,149, $7,500,000 is held as security pursuant to a letter of credit obtained from a financial institution to secure a $7,500,000 credit limit for fuel purchases.

(5) Restricted Assets, Continued

Discretely Presented Component Units, Continued

MPLT:

Restricted assets of $60,792,719 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) Fixed Assets and Depreciation

Capital assets activities of the primary government for the year ended September 30, 2010, are as follows:

	Balance October 1, 2009	Additions	Retirements	Reclassifications	Balance September 30, 2010
Historical cost:					
Assets not being depreciated:					
Land	$ 29,083,069	$ 179,483	$ -	$ -	$ 29,262,552
Construction in progress	6,703,134	7,007,231	-	(3,048,967)	10,661,398
Subtotal assets not being depreciated	35,786,203	7,186,714	-	(3,048,967)	39,923,950
Depreciable assets:					
Buildings and other improvements	179,195,193	-	-	651,606	179,846,799
Machinery and equipment	20,293,655	2,935,011	-	195,947	23,424,613
Infrastructure	130,269,921	-	-	2,201,414	132,471,335
Subtotal depreciable assets	329,758,769	2,935,011	-	3,048,967	335,742,747
Total capital assets at cost	365,544,972	10,121,725	-	-	375,666,697
Accumulated depreciation:					
Buildings and other improvements	(48,376,032)	(5,768,544)	-	-	(54,144,576)
Machinery and equipment	(11,066,470)	(2,351,396)	-	-	(13,417,866)
Infrastructure	(103,860,942)	(1,944,734)	-	-	(105,805,676)
Total accumulated depreciation	(163,303,444)	(10,064,674)	-	-	(173,368,118)
Capital assets, net	$ 202,241,528	$ 57,051	$ -	$ -	$ 202,298,579

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

Community and Social Services	$ 1,165,793
General Government	894,310
Health	1,839,381
Public Works	3,690,167
Judicial Branch	291,274
Public Safety and Law Enforcement	2,088,733
Lands and Natural Resources	95,016
Total depreciation expense - governmental activities	$ 10,064,674

(7) Tax Rebates Payable

The CNMI makes significant estimates in determining tax rebates payable as recorded in the Rebate Trust Fund, a major governmental fund. Although the Rebate Trust Fund does not record revenues and expenditures, the CNMI has taken the position that tax payments received constitute revenue sources and thus the fund meets the definition of a special revenue fund.

The 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. 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. Tax rebate liabilities amounted to $47,555,380 as of September 30, 2010. 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.

(8) 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 $418,390 recorded in the General Fund represents the remaining undisbursed funds as of September 30, 2010.

(9) Deferred Revenues

As of September 30, 2010, deferred revenues for individual major fiduciary funds are as follows:

	NMIRF	GHLITF	WCC	Totals
Penalty on unpaid contributions	$ 47,862,142	$ -	$ -	$ 47,862,142
CNMI appropriations	15,112,799	-	-	15,112,799
Benefits receivable	1,002,670	-	-	1,002,670
Fines and other penalties	-	-	743,976	743,976
Special annuity	385,577	-	-	385,577
Prior service trust fund	51,466	-	-	51,466
	$ 64,414,654	$ -	$ 743,976	$ 65,158,630

(9) Deferred Revenues, Continued

Pursuant to Public Law No. 6-41, codified in 1CMC§ 8362, any employer who fails to pay or remit contributions as required by this section shall pay a penalty of 10% per month or part thereof for which the contribution remains unpaid, up to a maximum penalty of 25% of the unpaid contribution. At September 30, 2010, the $47,862,142 penalty on unpaid contributions represents assessed penalties on unpaid CNMI Government employer contributions.

The $15,112,799 deferred revenue recorded by the NMIRF represents remaining uncollected appropriations from the CNMI Government of $8,494,020 pursuant to Public Law No. 11-41, which earmarked 90% of poker machine licensing fees for the NMIRF, and $6,618,779 pursuant to Public Law No. 8-31, which earmarked the NMIRF with $2,000,000 for fiscal years 2004, 2005 and 2006.

(10) Long-Term Debt Obligations

NMIRF Loan

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. As of September 30, 2010, cash balances held by NMIRF for the retirement of debt totaled $523. 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. As of September 30, 2010, the principal outstanding and payable is $6,094,644.

$60,000,000 Bond Issue

On November 18, 2000, CDA, acting for and on behalf of the CNMI, issued $60,000,000 in 2000 Series A general obligation bonds, with interest rates varying between 4.875% beginning June 1, 2004 and 7.375% on June 1, 2030. The bonds were authorized by Public Law Nos. 11-3 and 11-102. Bond proceeds, net of bond issuance costs of $3,210,104, were used to fund certain capital improvement projects and to retire certain interim financing.

Installments of principal are paid to the Bond Trustee annually commencing June 1, 2004 through June 1, 2030. Interest is payable annually, commencing June 1, 2001 through June 1, 2030.

The 2000 Series A general obligation bonds are subject to redemption prior to their respective maturities (on or after June 1, 2011), at the option of the CNMI, from any source of available funds, on any date on or after June 1, 2010, as a whole or in part by such maturity or maturities as may be specified by request of the CNMI (and by lot within a maturity as selected by the Trustee) at a redemption price of 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

(10) Long-Term Debt Obligations, Continued

$60,000,000 Bond Issue, Continued

The Bonds maturing on June 1, 2014, June 1, 2020 and June 1, 2030 are subject to redemption prior to their stated maturities, in part, by lot, from mandatory sinking fund payments deposited in the Principal Account in the Bond Payment Fund pursuant to Section 4.05 of the Indenture Agreement dated November 15, 2000, on each June 1, from and after June 1, 2011, June 1, 2015 and June 1, 2021, respectively, at the principal amount thereof plus accrued interest thereon, if any, to the date of redemption (without premium).

Mandatory sinking fund payments due June 1 are as follows:

Year	Amount	Year	Amount	Year	Amount	Year	Amount
2011	$ 1,850,000	2016	$ 2,470,000	2021	$ 1,775,000	2026	$ 2,535,000
2012	$ 1,965,000	2017	$ 2,620,000	2022	$ 1,910,000	2027	$ 2,725,000
2013	$ 2,085,000	2018	$ 2,780,000	2023	$ 2,050,000	2028	$ 2,925,000
2014	$ 2,210,000 *	2019	$ 2,945,000	2024	$ 2,200,000	2029	$ 3,140,000
2015	$ 2,330,000	2020	$ 3,125,000 *	2025	$ 2,365,000	2030	$ 3,375,000 *

* The Paying Agent shall apply moneys transferred by the Trustee from the Principal Account to the redemption of Bonds maturing on June 14, 2014, June 1, 2020 and June 1, 2030, in the principal amounts and on the mandatory sinking fund payment dates.

As of September 30, 2010, the debt was retired in full.

$40,000,000 Bond Issue

On December 1, 2003, CDA, acting for and on behalf of the CNMI, issued $40,000,000 in 2003A general obligation bonds, with interest rate at 6.75% per annum. The bonds were authorized by Public Law 13-17 as amended by Public Law 13-25, Public Law 13-39 and Public Law 13-56. Bond proceeds, net of bond issuance costs and discount of $999,309, were used to fund the (i) land compensation claims amounting to $28,000,691, (ii) the prison project of $9,104,694 and (iii) reimburse CDA for interim financing of $1,895,306.

Installments of principal are paid to the Bond Trustee annually commencing October 1, 2009 through October 1, 2033. Interest is payable semiannually beginning April 1, 2004 through October 1, 2033.

The 2003 Series A general obligation bonds are subject to redemption.

(a) Optional Redemption - The bonds maturing after October 1, 2013 are subject to redemption prior to their respective maturities, at the option of the Commonwealth, from any source of available funds, on any date on or after October 1, 2013, as a whole, or in part by such maturity or maturities as may be specified by request of the Commonwealth (and by lot within a maturity as selected by the Trustee), at a redemption price of one hundred percent (100%) of the principal amount thereof plus accrued interest thereon to the dated fixed for redemption.

(10) Long-Term Debt Obligations, Continued

$40,000,000 Bond Issue, Continued

(b) Mandatory Redemption from Sinking Fund Payments - The bonds are subject to redemption prior to their stated maturities, in part, by lot, from mandatory sinking fund payments deposited in the principal account in the Bond Payment Fund pursuant to Section 4.05 of this Indenture, on each October 1 from and after October 1, 2009, at the principal amount thereof plus accrued interest thereon, if any, to the date of redemption (without premium).

(c) Partial Redemption of Bonds - Upon surrender of any bond redeemed in part only, the Paying Agent shall provide a replacement bond in a principal amount equal to the portion of such bond not redeemed, and deliver it to the registered owner thereof. The bond so surrendered shall be cancelled by the Paying Agent as provided herein. The Authority, the Trustee and the Paying Agent shall be fully released and discharged from all liability to the extent of payment of the redemption price for such partial redemption.

(d) Effect of Redemption - Moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the bonds (or portions thereof) so called for redemption being held by the Paying Agent, on the redemption date designated in such notice, shall become due and payable at the redemption price specified in such notice and interest accrued thereon to the redemption date, said bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Holders of said bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the redemption date. Any accrued interest payable upon the redemption of bonds may be paid from amounts held in the interest account for the payment of interest on the next following interest payment date.

All bonds redeemed pursuant to the provision of this Article, shall be cancelled upon surrender thereof and shall be destroyed by the Paying Agent, who shall thereupon deliver to the Trustee or the Authority a certificate evidencing such destruction if so requested.

As of September 30, 2010, principal outstanding and payable is $2,600,000 less unamortized discount on bond issuance of $29,104.

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.

(10) Long-Term Debt Obligations, Continued

Refunding of Debt, Continued

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, 2010, 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, 2010, Series 2000A bonds outstanding of $49,380,000 and Series 2003A bonds outstanding of $37,400,000, for a total of $86,780,000 are considered defeased.

$57,800,000 Bond Issue

In April 2007, CDA, acting for and on behalf of the CNMI, issued general obligations 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, 2010, consist of the following:

Series 2007A general obligations refunding bonds	$ 56,950,000
Unamortized premium on bond issuance	86,239
Deferred costs on bond refunding	(2,559,234)
	$ 54,477,005

$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.

Amount outstanding and payable as of September 30, 2010, consist of the following:

(10) Long-Term Debt Obligations, Continued

$42,690,000 Bond Issue, Continued

Series 2007B general obligations refunding bonds	$ 42,690,000
Unamortized premium on bond issuance	59,118
Deferred costs on bond refunding	(4,564,478)
	$ 38,184,640

Changes in long-term liabilities for the year ended September 30, 2010, are as follows:

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Due Within One Year
Loans and bonds payable:					
NMIRF loan	$ 6,950,565	$ -	$ (855,921)	$ 6,094,644	$ 1,256,054
2000 Series A Bonds	1,755,000	-	(1,755,000)	-	-
2003 Series A Bonds	2,600,000	-	-	2,600,000	200,000
2007 Series A Bonds	57,385,000	-	(435,000)	56,950,000	2,305,000
2007 Series B Bonds	42,690,000	-	-	42,690,000	-
	111,380,565	-	(3,045,921)	108,334,644	3,761,054
Deferred amounts:					
Deferred costs of bond refunding	(7,433,437)	-	309,727	(7,123,710)	(309,727)
Unamortized discount on bonds issued	(30,369)	-	1,265	(29,104)	(1,265)
Unamortized premium on bonds issued	151,677	-	(6,320)	145,357	6,320
	104,068,436	-	(2,741,249)	101,327,187	3,456,382
Other:					
Compensated absences	6,733,679	7,939,713	(7,442,729)	7,230,663	3,667,582
Claims and judgments payable	17,624,190	19,905,226	(4,897,108)	32,632,308	27,768,590
Landfill closure	2,672,158	381,737	-	3,053,895	-
	27,030,027	28,226,676	(12,339,837)	42,916,866	31,436,172
	$ 131,098,463	$ 28,226,676	$ (15,081,086)	$ 144,244,053	$ 34,892,554

The annual requirement to amortize all debt of the governmental activities outstanding as of September 30, 2010, is as follows:

Year ending September 30,	Principal	Interest	Total
2011	$ 3,761,054	$ 5,574,576	$ 9,335,630
2012	4,527,976	5,339,524	9,867,500
2013	4,858,411	5,061,589	9,920,000
2014	5,200,229	4,763,396	9,963,625
2015	5,316,974	4,454,685	9,771,659
2016 - 2020	23,630,000	18,740,125	42,370,125
2021 - 2025	21,535,000	13,361,750	34,896,750
2026 - 2030	27,650,000	6,549,750	34,199,750
2031 - 2034	11,855,000	1,215,125	13,070,125
	$ 108,334,644	$ 65,060,520	$ 173,395,164

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units

CPA

Note payable to CDA, due November 16, 2014, 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.	$ 5,721,040

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, and is being repaid from earnings of the investments pursuant to CNMI Public Law 11-72.	1,252,843

CUC

Loan payable to CPA. Principal of $3,385,131, interest at 6.25% 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.	3,559,068
Loan payable to CPA. Principal of $4,829,895, interest at 6.25% per annum, with a maturity date of October 31, 2012. Principal and interest payments are due in monthly installments of $93,938 beginning October 31, 2007.	3,545,383
Note payable to a construction company for the unpaid balance of a construction contract. Principal and interest payments are due in monthly installments of $105,000 beginning August 2010 through October 2012.	1,918,550
Loan payable to MPLT, bearing interest at 7% per annum, due in full on August 4, 2011. Interest is due in equal monthly installments.	245,347
	$ 16,242,231

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

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, 2010, consist of the following:

1998 Senior Series A tax-exempt airport revenue bonds	$ 14,930,000

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.

The 1998 Senior Series A tax-exempt airport revenue bonds are subject to redemption prior to their respective stated maturities on or after March 15, 2013, at the option of CPA, from any source of available funds, as a whole on any date, or in part on any interest payment date and by lot within a maturity, at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus interest accrued thereon to the date fixed for redemption:

Redemption Dates	Redemption Prices
March 15, 2013 through March 14, 2014	102%
March 15, 2014 through March 14, 2015	101%
March 15, 2015 and thereafter	100%

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 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 $1,724,777 and a decrease of $6,983,345 in future debt service payments.

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

CPA $33,775,000 Bond Issue, Continued

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.

Revenue bonds payable as of September 30, 2010, consist of the following:

1998 Senior Series A tax-exempt seaport revenue bonds	$ 26,900,000
Deferred costs of debt refunding	(953,106)
	$ 25,946,894

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, 2010, total deposits in the Seaport supplemental reserve fund amounted to $8,034,239.

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, 2010, consist of the following:

2005 Senior Series A tax-exempt seaport revenue bonds	$ 6,755,000
Discount on bonds	(100,372)
	$ 6,654,628

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

CPA $7,225,000 Bond Issue, Continued

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, 2010, except for the collection of gross revenues requirement related to the Airport and Seaport bond indenture. Section 6.11 (A) of the Airport and Seaport Bond Indenture Agreement (Indenture) states that CPA shall impose, levy, enforce and collect such fees/dockage, entry and wharfage fees, tariffs, lease rentals, licensing fees and other fees and charges in aggregate amount with respect to each fiscal year to produce gross revenues to comply with subsections (A)(1), (A)(2), (A)(3) and (A)(4) of Section 6.11. CPA failed to comply with this requirement for the Airport Division for the year ended September 30, 2010.

Section 6.11(B) of the Indenture states that if the financial statements prepared pursuant to Section 6.06(B) of the Indenture reflect that at the end of a fiscal year, net revenues are less than the amount required by Section 6.11(A) for such fiscal year or if the revenues are less than the aggregate amount of all transfers required by Section 5.02(a) through (e) for such fiscal year, CPA shall not be in default under Section 7.01 if within sixty days after the date of such financial statements or the end of the fiscal year, CPA shall employ an independent consultant to make recommendations as to a revision of the rates, fees and charges or the methods of operation of the airports and seaports. If such recommendations fail to meet the requirements of Section 6.11(a), such deficiency will constitute an event of default under Section 7.01.

Annual debt service requirements to maturity for these discretely presented component units outstanding as of September 30, 2010, including interest payments, for those audit entities whose audit reports include such, are as follows:

Year ending September 30,	Principal	Interest	Total
2011	$ 5,597,234	$ 3,250,143	$ 8,847,377
2012	4,482,593	3,137,927	7,620,520
2013	3,197,152	3,018,965	6,216,117
2014	2,535,967	2,892,914	5,428,881
2015	2,688,137	2,759,163	5,447,300
2016 - 2020	14,449,935	11,522,590	25,972,525
2021 - 2025	17,024,597	7,046,989	24,071,586
2026 - 2030	14,326,616	2,152,995	16,479,611
2031 - 2035	525,000	14,437	539,437
	$ 64,827,231	$ 35,796,123	$ 100,623,354

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

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.

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 to CDA amounting to $45,000,000 and yielding annual dividends of two percent per annum. 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 amounting to $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 annual 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, 2010, CUC has recorded an obligation to CDA of $19,579,335 and CDA has recorded an investment of $11,309,651, with a corresponding 100% valuation allowance.

Future receipts (which do not factor in CUC's right to purchase up to $16,200,000 of preferred stock through offset against CUC's future, internally-funded capital improvement projects) for subsequent fiscal years are as follows:

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

Obligations Under Preferred Stock Agreement, Continued

Year ending September 30,	Principal Balance
2011	$ -
2012	-
2013	1,080,000
2014	1,080,000
2015	1,080,000
2016 - 2020	5,400,000
2021 - 2025	5,400,000
2026 - 2030	4,860,000
2031 - 2035	4,500,000
2036 - 2039	48,600,000
Total payments	72,000,000
Amount representing dividends	(26,100,000)
Face value of debt	45,900,000
Unamortized discount	(26,320,665)
	$ 19,579,335

Changes in long-term liabilities of the discretely presented component units for the year ended September 30, 2010, are as follows:

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Due Within One Year
Notes and bonds payable:					
CPA	$ 55,783,610	$ -	$ (1,477,570)	$ 54,306,040	$ 1,721,814
CUC	9,067,447	1,976,232	(1,775,331)	9,268,348	3,743,520
CDA	1,374,243	-	(121,400)	1,252,843	131,900
NMC	42,527	-	(42,527)	-	-
	66,267,827	1,976,232	(3,416,828)	64,827,231	5,597,234
Deferred amounts:					
CPA:					
Deferred costs of debt refunding	(991,758)	-	38,652	(953,106)	-
Discount	(105,152)	-	4,780	(100,372)	-
	65,170,917	1,976,232	(3,373,396)	63,773,753	5,597,234
Other liabilities:					
Obligations under preferred stock agreement	18,379,268	1,200,067	-	19,579,335	-
Obligations under capital lease	23,548	-	(23,548)	-	-
Compensated absences	3,098,102	1,879,318	(1,315,238)	3,662,182	1,304,894
Deferred revenues	8,474,052	1,836,711	(1,591,375)	8,719,388	3,744,174
	$ 95,145,887	$ 6,892,328	$ (6,303,557)	$ 95,734,658	$ 10,646,302

(11) Reserve for Continuing Appropriations

The CNMI's fund balance reserved for continuing appropriations represents those portions of fund balance legally segregated for a specific future use.

Continuing appropriations as of September 30, 2010, consist of the following:

(11) Reserve for Continuing Appropriations, Continued

	Authorizing Legislation	Outstanding Balance
General Fund:		
Homeland Security	Public Law No. 14-63	$ 42,400
Board of Nurse Examiners	Public Law No. 14-62	6,014
PSS Bond Interest	Public Law No. 14-3	32,665
Environmental Health and Sanitation	Public Law No. 12-48	12,479
Prosecutor Grant	Grant	57,816
Other programs	Various	12,930
		$ 164,304
Nonmajor governmental funds:		
CUC Emergency Power Plant	House Joint Resolution No. 14-36	$ 315,985
Rota Hemodialysis Facility	Public Law Nos. 14-20 and 13-56	254,058
Gualo Rai Sewer System	Public Law No. 12-21	28,631
Sadog Tasi/Chalan Kiya Road Paving	Saipan Local Law Nos. 12-20 and 12-23	36,570
Other programs	Various	50,434
		$ 685,678

(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, 2010, are as follows:

Source/Recipient	Transfer Out	Transfer In
General Fund		
From General Fund to:		
Grants Assistance Fund	$ 10,088,487	$ -
Nonmajor governmental funds	5,971,546	-
To General Fund from:		
Nonmajor governmental funds	-	12,347,844
Grants Assistance Fund	-	4,776,777
	16,060,033	17,124,621
Grants Assistance Fund		
From Grants Assistance Fund to:		
General Fund	4,776,777	-
Nonmajor governmental funds	57,937	-
To Grants Assistance Fund from:		
General Fund	-	10,088,487
Nonmajor governmental funds	-	12,500
	4,834,714	10,100,987
Nonmajor governmental funds		
From nonmajor governmental funds to:		
General Fund	12,347,844	-
Grants Assistance Fund	12,500	-
To nonmajor governmental funds from:		
Grants Assistance Fund	-	57,937
General Fund	-	5,971,546
	12,360,344	6,029,483
	$ 33,255,091	$ 33,255,091

(12) Transfers In/Out, Continued

Operating Fund Transfers, Continued

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

The amount recorded as payments to component units from the primary government of $55,419,233 does not equal the corresponding contributions from the primary government of $44,153,988 by $11,265,245. The difference of $498,947 with NMC is due to $455,911 Compact Impact and American Recovery and Reinvestment Act of 2009 (ARRA) funds recorded by NMC as grants and contribution revenues while the CNMI recorded the amount as payments to NMC, $53,039 of 1% Office of the Public Auditor (OPA) fees recorded by the CNMI as reductions of payments to NMC and $96,075 in unreconciled differences. The difference of $10,766,298 with PSS is due to ARRA funds recorded by PSS as grants and contribution revenues while the CNMI recorded the amount as payments to PSS.

The amount recorded as contributions from component units of the primary government of $3,229,150 does not equal the corresponding contributions to the primary government of the component units of $3,905,237 due to $277,832 recorded as contributions to the primary government by MPLT relating to the repayment of MPLT's loans receivable from CDA, $694,759 recorded as contributions to the primary government by CUC relating to the 1% OPA fees which have not been paid by CUC, $348,051 contributions from PSS recorded as operating expenses by PSS and $51,547 with CDA due to timing difference in recording payments.

(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.

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. Total principal and interest remaining on this loan is approximately $8,673,211 payable through September 2015. For the year ended September 30, 2010, principal and interest paid were $855,921 and $534,055, respectively, and total Judicial Building Fund revenues were $795,611.

(13) Commitments, Continued

Discretely Presented Component Units

CPA has pledged future gross revenues to repay $20,050,000 and $33,775,000 in 1998 Senior Series A and $7,225,000 of 2005 Senior Series A tax-exempt special revenue bonds. Proceeds from the bonds provided financing for capital assets. The bonds are payable from pledged gross revenues. The bonds are payable through fiscal years 2028, 2028 and 2031, respectively. The total principal and interest payable for the remainder of the life of these bonds is $81,993,202 at September 30, 2010. Pledged gross revenues received during the year ended September 30, 2010 were $17,469,307. Debt service payments during the year ended September 30, 2010 amounted to $4,519,399, representing 26% 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, 2010, is $200,000.

CNMI's future rentals under the lease as of September 30, 2010, are as follows:

September 30,	
2011	$ 200,000
2012	200,000
2013	200,000
2014	200,000
2015	200,000
2016 - 2020	1,000,000
2021 - 2025	1,000,000
	$ 3,000,000

(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. The future costs associated with closing this disposal site is presently not determinable.

(14) Contingencies, Continued

Questioned Costs Under Federally Funded Programs

The CNMI participates in a number of federally assisted grant programs funded by the United States Government. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs of $24,714,864 have been set forth in the CNMI's Single Audit Report for the year ended September 30, 2010. 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.

Unfunded Pension Liability

Pursuant to Public Law No. 6-17, the CNMI is to make contributions to the Northern Mariana Islands Retirement Fund (NMIRF) each year on an actuarially funded basis toward the annuities related to retirement and other benefits. These contributions are to equal the sum of normal cost determined under an acceptable actuarial funding method, allowance for expenses, interest on any due but unpaid obligations, plus an amount sufficient to amortize the initial unfunded liability and unfunded accrued liability for Class I and Class II members respectively, as a level percentage of total payroll over specified period, determined by the Board upon recommendation of the actuary, but not to exceed a period of forty years from October 1, 1980.

The unfunded pension liability is the amount of contributions that the CNMI should have paid to the NMIRF for the retirement benefits of an undetermined number of individuals employed before October 1, 1980, the date the Fund was established, who collected money from the Fund based on their years of service but were not required to pay their share of contribution as mandated by this law. Based on the latest actuarial valuation report, dated October 1, 2009, the actual unfunded pension liability is $591,775,065.

General Fund Financial Position

The CNMI's General Fund has sustained recurring operating deficits and has an unreserved fund deficit of $336,934,103 at September 30, 2010. In addition, at September 30, 2010, the primary government's current liabilities exceed current assets by $317,330,687, and total liabilities exceed total assets by $220,212,304.

Management has taken the following actions and measures to address the CNMI's General Fund deficit position:

(14) Contingencies, Continued

General Fund Financial Position, Continued

1. The deficit in the CNMI General Fund is in large part the result of underfunding of employer retirement contributions and related penalties totaling $246.5 million as of September 30, 2010. On June 16, 2006, the CNMI passed three laws related to public employee pensions (Public Law Nos. 15-13, 15-14 and 15-15).

   Public Law No. 15-13 established a Defined Contribution Retirement Plan (DCP) for all new public employees hired after January 1, 2007 (eligible employees hired prior to this date participate in the Retirement Fund which is a defined benefit plan) and defined the conditions under which certain members of the defined benefit Retirement Fund could transfer benefits to the DCP. Since the DCP has a 4% employer contribution rate versus 24% for the defined benefit plan, increasing annual savings will result as government employment includes more and more DCP participants. The defined benefit plan will have a fixed or declining number of members which will stabilize required contributions.

   Public Law No. 15-14 extended the date by which the defined benefit plan must be fully funded from the year 2020 to 2045. This will reduce the annual amount required to liquidate the unfunded liability and reduce the annual required employer contribution.

   Public Law No. 15-70 was passed on June 14, 2007 increasing employee contributions to the defined benefit plan by 1% per year beginning in fiscal year 2008 until reaching 10.5% for Class I members and 11% for Class II members. This will decrease the required employer contribution by a similar amount.

   An actuarial study, completed in May 2010 (as of October 1, 2008) incorporating the above plan changes and related assumptions, showed the actuarial accrued liability (AAL) declined from $1,007.3 billion at October 1, 2005 to $899.4 million and the unfunded AAL declined from $547.2 million to $529.9 million despite an investment portfolio loss of $72.5 million from the 2008 market decline.

   In May 2010, the Retirement Fund and Executive Branch agreed to a plan that would define a corpus to be maintained, include a portion of earnings to be used for payment of pensions, proposed an initiative to be placed on the ballot for voters to approve issuance of pension obligation bonds to pay the outstanding liability and amend the required employer contribution to a dollar amount rather than a rate as the number of contributing members continues to decline. This plan was presented to the Legislature along with proposed legislation to implement retirement plan changes that would reduce future government retirement liabilities such as paying cost of living increases as annual bonuses rather than as additions to the base annuity.

2. Various laws and other austerity measures, including reduced work hours, a hiring freeze, stringent review of nonpersonnel expenditures and reduced budget allotments are being implemented to reduce expenditures. Public Law No. 16-32 authorized $3.5 million in General Fund expenses to be transferred to other funds. On the revenue side, Public Law No. 15-48 reinstated payment of Marianas Public Land Trust interest to the General Fund and Public Law No. 16-2 increased various government fees by 100%. Additionally, the ARRA State Stabilization grant authorized reimbursement of $4 million in General Fund medical referral expenses as pre-award costs.

(14) Contingencies, Continued

General Fund Financial Position, Continued

3. During fiscal year 2010, Public Law No. 17-6 authorized the Governor to reprogram available resources and transfer General Fund expenses to other funds up to $10 million and the ARRA State Stabilization grant reimbursed $3 million in General Fund expenditures. In addition, paid work hours were reduced from 80 hours per pay period to 72 hours per pay period through executive actions.

4. The FY2011 budget reduced paid work hours from 80 to 64 hours per pay period and authorized $3.5 million in expense transfers from the General Fund to other funds. In addition, transfers and reprogrammings of $1.7 million were authorized under the Governor's emergency declaration powers.

Management believes that actions presently being taken to revise the CNMI's operating requirements, as outlined above, provide the opportunity for the CNMI to commence the process of reducing the abovementioned General Fund deficit position. The General Fund unreserved fund deficit increased by $36.1 million in fiscal year 2010 following increases of $44.6 million in fiscal year 2009 and $38.1 million in fiscal year 2008.

Other

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, 2010, is $41,462,896.

As of September 30, 2010, the Northern Mariana Islands Government Health and Insurance Trust Fund (GHLITF) has a net deficit of $17,465,694. In addition, GHLITF submitted unprocessed claims from service providers with service dates as of September 30, 2010 and earlier that totaled $38.9 million. These claims include claims from the Commonwealth Health Center (CHC), Rota Health Center (RHC) and Tinian Health Center which are part of the General Fund. The ultimate liability that will result from these claims has not been determined by GHLITF; as such these claims have not been recorded as of September 30, 2010. Under Public Law No. 10-19, liabilities of the GHLITF shall be liabilities of the primary government, and unless GHLITF becomes profitable, the General Fund could be liable for the amount in excess of the claims from the CHC, RHC and THC. The related CHC, RHC and THC receivables from the GHLITF recorded by the General Fund are fully reserved for as of September 30, 2010. The outcome of this matter is presently not determinable; therefore, no provision has been made in the accompanying financial statements. With the privatization of the health benefit plan in November 1, 2007, the CNMI will not be liable for medical claims accruing after privatization. The CNMI is only liable for its share of medical premiums.

(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 $4,897,108, $458,314 and $584,315 for the years ended September 30, 2010, 2009 and 2008, 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	$ 17,624,190
Incurred claims	19,905,226
Claim payments	(4,897,108)
Unpaid claims at end of year	$ 32,632,308

(16) Pension and Other Postemployment Benefits Trust Fund

The CNMI contributes to NMIRF's defined benefit plan (DB Plan) and defined contribution plan (DC Plan), a cost sharing, multi-employer plan (the Plan) established and administered by the CNMI.

The Plan provides retirement, disability, security and other benefits to employees, and their spouses and dependents, of the CNMI Government and CNMI agencies, instrumentalities and public corporations. 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 and 11-9.

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 NMIRF. 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 NMIRF 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 the NMIRF financial report. CNMI management is unable to obtain the required disclosures and is of the opinion that such information must be obtained from NMIRF. It is the position of the management of the CNMI that NMIRF is solely responsible for disclosure of OPEB information.

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

NMIRF issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to NMIRF, P.O. Box 501247, Saipan, MP, 96950-1247.

Defined Benefit Plan (DB Plan)

DB Plan members are required to contribute 8.5% and 11% of their annual covered salary for fiscal year 2010 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 CNMI is required to contribute at an actuarially determined rate. The actuarially determined contribution rate for the fiscal year ended September 30, 2010 is 60.8686 % of covered payroll based on an actuarial valuation as of October 1, 2009 issued in May 2011. The established statutory rate at September 30, 2010 is 37.3909 % 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%.

The CNMI's contributions to the DB Plan for fiscal years 2010, 2009 and 2008 were $9,972,999, $7,168,476 and $8,240,468, respectively.

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. The CNMI is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. The DC Plan by its nature is fully funded on a current basis from employer and member contributions.

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

The CNMI's contributions to the DC Plan for fiscal years 2010, 2009 and 2008 were $987,936, $781,941 and $348,068, respectively.

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

Pursuant to Public Law No. 6-41, codified in 1CMC § 8362, any employer who fails to pay or remit contributions as required by this section shall pay a penalty of 10% per month or part thereof for which the contribution remains unpaid, up to a maximum penalty of 25% of the unpaid contribution. At September 30, 2010, NMIRF assessed accumulated penalties of $47,862,142. The CNMI has recorded a liability of $47,862,142 at September 30, 2010.

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

Defined Contribution Plan (DC Plan), Continued

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) Restatement

Subsequent to the issuance of the CNMI's 2009 financial statements, which included the unaudited financial statements of CUC, audited financial statements of CUC were provided. The financial statements of CUC are included in the CNMI's basic financial statements as a discretely presented component unit. As a result of the availability of audited financial statements of CUC for 2009, net assets have been restated from the amount previously reported by $4,754,833.

(18) Subsequent Event

On April 17, 2012 NMIRF filed a bankruptcy petition in the U.S. District Court for the CNMI. The ultimate disposition of this petition is currently unknown and no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING

YEAR ENDED SEPTEMBER 30, 2010

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund Year Ended September 30, 2010

	Budgeted Amounts		Actual - Budgetary Basis	
	Original	Final	(Budgetary)	Variance
Revenues:				
Taxes	$ 115,850,000	$ 115,850,000	$ 107,256,159	$ (8,593,841)
Charges for sales and services	20,545,000	20,545,000	22,389,247	1,844,247
Licenses and fees	8,455,000	8,455,000	8,428,453	(26,547)
Contributions from component units	1,700,000	1,700,000	2,554,653	854,653
Other	1,595,000	1,595,000	5,029,296	3,434,296
Total revenues	148,145,000	148,145,000	145,657,808	(2,487,192)
Expenditures - budgetary basis by function:				
Executive branch	64,707,579	60,690,236	80,378,770	(19,688,534)
Second Senatorial District - Tinian	7,715,178	7,347,022	7,556,111	(209,089)
First Senatorial District - Rota	7,716,782	7,309,938	8,152,814	(842,876)
Government utilities	922,451	5,309,850	6,262,573	(952,723)
Legislative branch	5,681,246	5,549,688	5,435,180	114,508
Judicial branch	3,278,455	2,957,431	3,624,630	(667,199)
Independent programs	938,211	823,073	614,040	209,033
Third Senatorial District - Saipan	1,670,098	1,626,228	1,393,201	233,027
Office of the Public Auditor	1,015,251	1,001,042	1,237,542	(236,500)
Resident Representative to the United States	280,968	382	(58,833)	59,215
Boards and commissions	502,088	576,406	792,580	(216,174)
Education (payment to Public School System, Northern Marianas College and Board of Education	35,331,287	36,577,129	38,755,457	(2,178,328)
Tourism (payment to Marianas Visitors Authority)	6,131,680	6,056,636	6,020,390	36,246
Employee benefits (payment to Pension (and Other Employee Benefit) Trust Fund)	928,952	917,582	2,180,913	(1,263,331)
Public Law 16-7 (Marianas Public Land Trust funds diverted to Commonwealth Utilities Corporation	1,700,000	1,700,000	1,554,653	145,347
Judgments	337,291	202,230	46,000	156,230
Disaster expenditures	-	-	558,742	(558,742)
Miscellaneous/continuing appropriations	-	-	1,556,834	(1,556,834)
Unallocated	192,483	190,127	(3,221,294)	3,411,421
Total expenditures	139,050,000	138,835,000	162,840,303	(24,005,303)
Excess (deficiency) of revenues over (under) expenditures	9,095,000	9,310,000	(17,182,495)	(26,492,495)
Other financing sources (uses):				
Operating transfers in	1,525,000	1,525,000	10,066,894	8,541,894
Operating transfers out	(10,620,000)	(10,835,000)	(8,783,545)	2,051,455
Total other financing sources (uses), net	(9,095,000)	(9,310,000)	1,283,349	10,593,349
Deficiency of revenues and other financing sources under expenditures and other financing uses	-	-	(15,899,146)	(15,899,146)
Other changes in unreserved deficit:				
Decrease in reserve for supplies	-	-	22,271	22,271
Decrease in reserve for related assets	-	-	7,584,074	7,584,074
Decrease in reserve for continuing appropriations	-	-	470,605	470,605
Deficit at beginning of year	(182,052,653)	(182,052,653)	(182,052,653)	-
Deficit at end of year	$ (182,052,653)	$ (182,052,653)	$ (189,874,849) *	$ (7,822,196)

* 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 unreserved deficit of the Governmental Fund Balance Sheet within the other changes in unreserved 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 reappropriated and honored during the subsequent fiscal year.

On March 11, 2009, the CNMI passed Public Law 16-32 as the Appropriations and Budget Authority Act for 2009. During the year ended September 30, 2010, the CNMI operated under a continuing resolution of Public Law 16-32. On March 9, 2010, the CNMI Governor mandated a proportional reduction of 7.25% in the continuing budget authority.

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.

For the year ended September 30, 2010, 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:	
Attorney General	$ 60,919
Community & Cultural Affairs	$ 489,122
Commerce	$ 125,360
Corrections	$ 466,977
Finance	$ 1,432,733
Lands and Natural Resources	$ 212,906
Office of the Governor	$ 416,288
Public Health	$ 13,250,876
Public Safety	$ 3,199,531
Public Works	$ 136,870

(1) Budgetary Information, Continued

Program Area	Excess
Second Senatorial District - Tinian:	
Dental Services	$ 28,911
DPS Police	$ 149,052
Environmental Health	$ 4,521
Finance and Accounting	$ 4,988
Fish and Wildlife	$ 14,613
Historic Preservation	$ 14,052
Inauguration - Tinian Mayor	$ 5,644
Mayor Tinian	$ 139,656
Parks and Recreation	$ 15,884
Procurement and Supply	$ 17,929
Sports and Recreation	$ 16,343
First Senatorial District - Rota:	
Agriculture	$ 74,175
Customs Service	$ 48,289
DPS Police	$ 141,917
DPS Port and Prop	$ 53,254
Economic Development	$ 24,024
Environmental Health	$ 9,941
Finance and Accounting	$ 6,376
Historic Preservation	$ 24,461
Inauguration - Rota Mayor	$ 6,799
Land Registration	$ 39,396
Mayor Rota	$ 199,686
Operations and Maintenance	$ 90,635
Parks and Recreation	$ 20,930
Procurement and Supply	$ 9,159
Revenue and Taxation	$ 25,909
Rota Health Center	$ 128,370
Soil and Water Conservation	$ 5,028
Sports and Recreation	$ 13,670
Government Utilities	$ 952,723
Judicial Branch:	
CNMI Superior Court	$ 376,998
CNMI Supreme Court	$ 199,399
Administrative	$ 104,527
Independent Programs:	
La Fiesta Lease	$ 16,767
Pacific Basin Development Council	$ 1,647
Joeten/Kiyu Public Library	$ 45,116
Third Senatorial District - Saipan:	
Inauguration - Saipan Mayor	$ 6,446
Office of the Public Auditor	$ 236,500
Boards and Commissions:	
Board of Professional Licensing	$ 583
Civil Service Commission	$ 24,916
CNMI Election Commission	$ 197,568
Education (payment to Public School System):	
Payments to Public School System	$ 2,940,971
Employee Benefits (payment to Pension (and Other Employee Benefit) Trust Fund):	
Payments to CNMI Workers' Compensation Commission and the Northern Mariana Islands Retirement Fund	$ 1,263,331
Disaster Expenditures	$ 558,742

(2) Explanation of Differences

CNMI Public Law 15-15 authorized the suspension of government obligations owing to the Northern Mariana Islands Retirement Fund (NMIRF) for parts of fiscal year 2006 and all of fiscal year 2007. The CNMI budgeted for this deferred retirement contribution on the cash basis rather than the modified accrual basis. At September 30, 2010, the accumulated deferred retirement contribution is $47,035,810.

During the fiscal year ended September 30, 2010, the established statutory rate for employer retirement contributions for employees under the defined benefit plan is 37.3909% of covered payroll. Public Laws 16-32 and 16-2 authorized the CNMI Government to remit employer retirement contributions at 11% of covered payroll and accrue the remaining as a liability to NMIRF. Pursuant to a court order, the employer retirement contribution rate was increased to 20%, effective November 2009. The CNMI budgeted for employer retirement contributions on the cash basis rather than the modified accrual basis. The accumulated difference between the statutory rate and applicable contribution rate amounted to $36,068,635. Of this amount, $7,737,980 relates to fiscal year 2010.

Pursuant to Public Law 6-41, any employer who fails to pay or remit contributions shall pay a penalty of 10% per month or part thereof for which the contributions remains unpaid, up to a maximum penalty of 25% of the unpaid contributions. As of September 30, 2010, the accumulated penalty in retirement contributions amounted to $28,538,493. Of this amount, $4,530,753 relates to fiscal year 2010.

On June 24, 2008, the Office of the Governor confirmed that the CNMI will be responsible for the Northern Marianas College's (NMC) deficient retirement contributions from October 1, 2005 through September 30, 2007 totaling $2,514,213. This amount was not budgeted under Public Law 15-28, as amended by Public Law 15-71.

Further, Public Laws 16-32 and 16-2 mandated the CNMI Government to accrue as a liability the difference between the statutory rate and contribution rate of 11% in employer retirement contribution, including statutory penalties, of the NMC. Pursuant to a court order, the employer retirement contribution rate was increased to 20%, effective November 2009. The accumulated difference between the statutory rate and applicable contribution rate amounted to $3,614,444. Of this amount, $1,121,158 relates to fiscal year 2010.

Public Law 16-10 appropriated funds from the PSS CIP GO Bond and any fund balance available at the closure of the indenture trust agreement to fund major classroom repairs and renovations projects at the public schools. For the fiscal year ended September 30, 2010, the CNMI transferred to PSS remaining funds from the PSS CIP GO Bonds amounting to $494,464. Funding to these payments was derived from bond issuances obtained in prior years, which had been reserved against unreserved deficit.

As of September 30, 2010, the accumulated land compensation payments made by the CNMI amounted to $109,076. Funding to these payments was derived from bond issuances obtained in prior years, which had been reserved within unreserved deficit. As related budgetary basis revenues were not reflected for the year ended September 30, 2010, the CNMI had netted payments with the decrease in the reserve for land claims in the schedule of revenues, expenditures and changes in deficit-budget and actual-general fund.

(2) Explanation of Differences, Continued

The CNMI recognizes bad debts (recovery) based on identification of receivables. The CNMI budget does not reflect bad debts on the modified accrual basis. As of September 30, 2010, the accumulated bad debts amounted to $4,212,625.

The CNMI recognizes claims and judgment expenditures when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The CNMI budget does not reflect claims and judgment expenditures on the modified accrual basis. As of September 30, 2010, the accumulated claims and judgments expenditures accrued is $24,578,570. Of this amount, $14,881,331 relates to fiscal year 2010.

The amount reported as revenues of $149,664,722 under GAAP basis does not equal the amount reported as revenues of $145,657,808 under budgetary basis due to $4,006,914 in reimbursements reported as federal contribution revenues in the governmental fund financial statements but were reported as a reduction of expenditures for budgetary purposes.

The amount reported as operating transfers in of $17,124,621 under GAAP basis does not equal the amount reported as operating transfers in of $10,066,894 under budgetary basis by $7,057,727 due to: (a) $1,808,184 in Compact impact funds; and (b) $5,249,543 of transfers pursuant to Public Law 17-6 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 $16,060,033 under GAAP basis does not equal the amount reported as operating transfers out of $8,783,545 under budgetary basis due to $7,276,488 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:

	October 1, 2009	September 30, 2010
Deficit, budgetary basis	$ 182,052,653	$ 189,874,849
Deferred retirement contributions per Public Law 15-15	47,035,810	47,035,810
Deficiency in retirement contributions per Public Law 16-2	15,891,259	15,891,259
Deficiency in retirement contributions per Public Law 16-32	12,439,396	20,177,376
Penalty in retirement contributions per Public Law 6-41	24,007,740	28,538,493
NMC Retirement Contributions	5,007,499	6,128,657
Payments to PSS, offset against decrease in reserve for related assets	1,708,269	1,708,269
Reserve for related assets	(1,708,269)	(1,708,269)
Payments to PSS, offset against operating transfers in	496,464	496,464
Payments to DPL, offset against decrease in reserve for land claims	109,076	109,076
Reserve for land claims	(109,076)	(109,076)
Accumulated bad debts	4,212,625	4,212,625
Claims and judgments	9,697,239	24,578,570
Deficit, GAAP basis	$ 300,840,685	$ 336,934,103

The amount reported as “deficit” on the budgetary basis of accounting derives from the basis of accounting used in preparing the CNMI’s budget. This amount differs from the deficit reported in the balance sheet-governmental funds and the statement of revenues, expenditures and changes in deficit because of the effect of the above transaction.

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2010

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Expenditures by Account
Governmental Funds
Year Ended September 30, 2010

	General	Grants Assistance	NMTIT Rebate Trust	Other Governmental Funds	Total
Salaries and wages	$ 60,488,912	$ 14,565,501	$ -	$ 2,134,430	$ 77,188,843
Employee benefits	26,375,811	3,451,746	-	755,817	30,583,374
Construction in progress	-	5,189,383	-	744,044	5,933,427
Professional services	5,067,647	23,507,769	-	2,058,872	30,634,288
Capital outlay:					
Office equipment	109,928	2,124,697	-	33,136	2,267,761
Vehicles	74,443	574,368	-	108,225	757,036
Machinery and equipment	546,761	1,409,985	-	22,501	1,979,247
Furniture and fixtures	37,141	358,752	-	76,366	472,259
Road improvements	(6,491)	371,037	-	4,457,092	4,821,638
Building improvements	38,900	284,896	-	-	323,796
Other	322,685	751,254	-	312,412	1,386,351
Utilities	9,458,291	544,509	-	215	10,003,015
Supplies	7,236,294	1,952,418	-	230,772	9,419,484
Food items	1,128,273	13,958,961	-	33,479	15,120,713
Scholarships/grants	3,291,775	854,193	-	3,901,207	8,047,175
Interest	15,835	100,912	-	7,086,033	7,202,780
Travel	4,728,953	4,646,498	-	361,376	9,736,827
Rentals	2,480,744	1,315,956	-	1,084,968	4,881,668
Communications	967,185	699,602	-	104,432	1,771,219
Repairs and maintenance	1,538,004	817,747	-	244,243	2,599,994
Bad debts (recovery)	12,434	-	-	-	12,434
Indirect costs	1,219	2,523,304	-	-	2,524,523
Principal repayment	-	1,755,000	-	1,290,921	3,045,921
Education:					
Payments to Public School System	31,245,527	10,745,008	-	39,985	42,030,520
Payments to Northern Marianas College	4,421,254	455,911	-	964,297	5,841,462
Payments to Marianas Visitors Authority	6,020,390	-	-	-	6,020,390
Payments to Pension (and Other Employee Benefit) Trust Fund	2,623,562	-	-	-	2,623,562
Payments to Commonwealth Utilities Corporation	1,554,653	-	-	-	1,554,653
Miscellaneous services	928,977	91,807	-	17,571	1,038,355
Fuel and lubrication	1,157,004	531,887	-	176,410	1,865,301
Claims and judgments	15,024,135	-	-	17,373	15,041,508
Printing	107,807	309,617	-	31,182	448,606
Official representation	192,260	-	-	8,313	200,573
Advertising	48,677	743,645	-	39,854	832,176
Dues and subscriptions	165,868	64,904	-	32,077	262,849
Freight	67,901	50,543	-	7,829	126,273
Insurance	23,482	459,902	-	48,329	531,713
Books and library materials	30,358	148,490	-	6,337	185,185
Licenses and fees	35,887	3,779	-	883	40,549
Penalty on retirement contributions	4,530,753	-	-	-	4,530,753
NMC retirement contributions	1,121,158	-	-	-	1,121,158
Other	1,656,825	1,508,925	-	74,201	3,239,951
	$ 194,871,222	$ 96,872,906	$ -	$ 26,505,182	$ 318,249,310

See Accompanying Independent Auditors' Report.

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

DOI Capital Projects Fund

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

Federal Grants Fund

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

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet
Grants Assistance Fund
September 30, 2010

	Federal Grants	DOI Capital Projects	Total
Assets			
Restricted cash and cash equivalents	$ 1,630,904	$ 3,773,216	$ 5,404,120
Receivables, net of allowance for uncollectibles:			
Federal agencies	5,174,836	1,817,823	6,992,659
Other	-	12,831	12,831
Due from other funds	-	1,999,723	1,999,723
Inventories	1,012,000	-	1,012,000
Advances	3,601,410	-	3,601,410
	$ 11,419,150	$ 7,603,593	$ 19,022,743
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 694,040	$ 836,249	$ 1,530,289
Other liabilities and accruals	2,186,898	1,068,714	3,255,612
Due to other funds	4,611,329	161,716	4,773,045
Deferred revenues	3,926,883	-	3,926,883
Total liabilities	11,419,150	2,066,679	13,485,829
Fund balances:			
Reserved for:			
Related assets	1,630,904	3,773,216	5,404,120
Encumbrances	11,345,015	11,899,427	23,244,442
Unreserved deficits reported in:			
Undesignated	(12,975,919)	(10,135,729)	(23,111,648)
Total equity and other credits	-	5,536,914	5,536,914
	$ 11,419,150	$ 7,603,593	$ 19,022,743

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, 2010

	Federal Grants	DOI Capital Projects	Total
Revenues:			
Federal contributions	$ 80,577,640	$ 6,550,885	$ 87,128,525
Licenses and fees	157,405	-	157,405
Interest and dividends	-	2,560	2,560
Contributions from component units	-	348,051	348,051
Other	429,806	-	429,806
Total revenues	81,164,851	6,901,496	88,066,347
Expenditures:			
Current:			
Health	28,678,125	299,612	28,977,737
Public safety and law enforcement	9,982,893	107,264	10,090,157
General government	359,451	210,121	569,572
Community and social services	19,424,408	635,787	20,060,195
Utilities	477,087	2,338,347	2,815,434
Lands and natural resources	7,403,975	-	7,403,975
Education	4,169,684	81,540	4,251,224
Economic development	4,786,320	1,922,481	6,708,801
Payments to:			
Public School System	10,745,008	-	10,745,008
Northern Marianas College	455,911	-	455,911
Debt service:			
Principal retirement	-	1,755,000	1,755,000
Interest and fiscal charges	-	105,989	105,989
Capital outlay:			
Utilities - Capital Projects	-	1,289,136	1,289,136
Public works	1,101,411	543,356	1,644,767
Total expenditures	87,584,273	9,288,633	96,872,906
Deficiency of revenues under expenditures	(6,419,422)	(2,387,137)	(8,806,559)
Other financing sources (uses):			
Operating transfers in	8,227,574	1,873,413	10,100,987
Operating transfers out	(1,808,152)	(3,026,562)	(4,834,714)
Total other financing sources (uses), net	6,419,422	(1,153,149)	5,266,273
Net change in fund balances	-	(3,540,286)	(3,540,286)
Fund balances at beginning of year	-	9,077,200	9,077,200
Fund balances at end of year	$ -	$ 5,536,914	$ 5,536,914

See Accompanying Independent Auditors' Report.

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.

Commonwealth Arts Council Fund

The Commonwealth Arts Council 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.

Human Resources Development Trust Fund

The Human Resources Development Trust Fund was established pursuant to 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.

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

The Commonwealth Nonresident Workers Fee Fund was established pursuant to Public Law No. 5-32, as amended by Public Law No. 10-66. The fund accounts for the collection of fees related to application and renewal certificates of nonresident workers and their immediate relatives. In accordance with the enabling legislation, the fees collected are to be appropriated by the CNMI Legislature for several educational and training programs administered through the Northern Marianas College and the Mayors' offices.

Commonwealth Alien Deportation Fund

The Commonwealth Alien Deportation Fund was established pursuant to Public Law No. 10-1. The fund accounts for the collection of nonresident workers' fees designated for the fund and for the expenditure of those funds in detecting and deporting illegal aliens.

Commonwealth Museum Fund

The Commonwealth Museum Fund was established pursuant to Public Law No. 10-5. This fund accounts 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.

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, 2010, the project was completed. Revenues generated by the court will be used to finance the debt service on the loan with NMIRF.

Local Revenue 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

The Saipan Trust Fund accounts for funds from the United States Government to develop the Saipan Marine and Fishing Complex.

Tobacco Settlement Trust Fund

Pursuant to Public Law No. 13-37, the Tobacco Settlement Trust Fund was established to account for all monies received from the Master Settlement Agreement. The monies shall be used to implement programs and services to achieve the goals stated in Section 3 of Public Law 13-37.

Micronesian Garment Manufacturing Fund

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

See Accompanying Independent Auditors' Report.

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.

Governor's Education Initiative Fund

This fund was established by Executive Order No. 232, *Establishment of Governor's Education Initiative Fund and Related Programs*. The fund accounts for specific education programs appropriated by the Governor.

Managaha Landing Fee Fund

This fund was established 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.

La Fiesta Revolving Fund

This fund was established to account for the financial transactions of the La Fiesta property.

Miscellaneous Special Revenue Funds

The miscellaneous special revenue 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
- Zoning Board Revolving Fund
- Joeten-Kiyu Library Revolving Fund
- Department of Corrections Revolving Fund
- Animal Health Revolving Fund
- Fish and Game Revolving Fund
- Tobacco License Fee Fund
- Miscellaneous Expendable Trust Fund
- Probation Services Fund
- Agriculture Revolving Fund
- Public Utilities Commission Fund
- Soil and Water Conservation Fund
- Outer Cover Marina Fund
- Special Disabilities Fund

See Accompanying Independent Auditors' Report.

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.

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

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2010

	Special Revenue Funds								
	Department of Public Lands	Private Grants	Commonwealth Arts Council	Human Resources Development Trust	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Commonwealth Museum	Judicial Building
Assets									
Cash and cash equivalents	$ 369,310	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted cash and cash equivalents	2,590,297	-	-	-	-	-	-	-	-
Restricted time certificates of deposit	3,692,268	-	-	-	-	-	-	-	-
Receivables, net of allowance for uncollectibles:	-								
Other	523,302	-	-	-	-	-	-	-	-
Due from other funds	-	-	650	326,748	47,618	823,403	59,191	-	203,107
Due from component unit	-	-	-	-	-	-	-	-	-
Due from Pension (and Other Employee Benefit) Trust Fund	-	-	-	-	-	-	-	-	523
	$ 7,175,177	$ -	$ 650	$ 326,748	$ 47,618	$ 823,403	$ 59,191	$ -	$ 203,630
Liabilities and Fund Balances (Deficit)									
Liabilities:									
Accounts payable	$ 167,632	$ 111,672	$ 1,178	$ 550	$ -	$ -	$ 15,122	$ 15,209	$ -
Other liabilities and accruals	2,246,141	-	-	34,294	-	21,511	61	6,105	-
Claims and judgments payable	2,690,020	-	-	-	-	-	-	-	-
Due to other funds	1,075,896	80,198	-	-	-	-	-	149,865	-
Due to component units	-	-	-	-	-	153,425	-	-	-
Due to Pension (and Other Employee Benefit) Trust Fund	-	-	-	-	-	-	-	-	-
Deferred revenues	543,715	-	-	-	47,499	-	-	-	-
Total liabilities	6,723,404	191,870	1,178	34,844	47,499	174,936	15,183	171,179	-
Commitments and contingencies									
Fund balances (deficit):									
Reserved for:									
Debt service	-	-	-	-	-	-	-	-	523
Related asset	4,039,786	-	-	-	-	-	-	-	-
Encumbrances	102,380	121,760	-	1,376	-	-	29,520	2,603	-
Continuing appropriations	-	-	-	-	-	-	-	-	-
Unreserved:									
Undesignated	(3,690,393)	(313,630)	(528)	290,528	119	648,467	14,488	(173,782)	203,107
Total fund balances (deficit)	451,773	(191,870)	(528)	291,904	119	648,467	44,008	(171,179)	203,630
	$ 7,175,177	$ -	$ 650	$ 326,748	$ 47,618	$ 823,403	$ 59,191	$ -	$ 203,630

Combining Balance Sheet, Continued
Nonmajor Governmental Funds
September 30, 2010

Special Revenue Funds										
Local Revenue	Saipan Trust	Tobacco Settlement Trust	Micronesian Garment Manufacturing	Tobacco Control	Solid Waste Revolving	Governor's Education Initiative	Managaha Landing Fee	La Fiesta Revolving Fund	Miscellaneous	Total Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 369,310
-	8,539	-	-	-	-	-	-	-	-	2,598,836
-	-	-	-	-	-	-	-	-	-	3,692,268
-	-	1,209,830	-	-	-	-	-	-	-	1,733,132
1,822,357	-	1,168	456,655	-	-	17	39,580	32,688	1,476,724	5,289,906
-	17,741	-	-	-	-	-	-	-	-	17,741
-	-	-	-	-	-	-	-	-	-	523
$ 1,822,357	$ 26,280	$ 1,210,998	$ 456,655	$ -	$ -	$ 17	$ 39,580	$ 32,688	$ 1,476,724	$ 13,701,716
$ 34,953	$ -	$ -	$ -	$ 5,793	$ 75,033	$ -	$ -	$ -	$ 23,924	$ 451,066
-	-	-	-	-	-	-	-	-	-	2,308,112
-	-	-	-	-	-	-	-	-	-	2,690,020
-	4,412	-	-	-	-	-	-	-	469,029	1,779,400
-	-	-	-	-	-	-	-	-	-	153,425
-	-	-	-	-	-	-	-	-	476,111	476,111
-	-	-	-	-	-	-	-	-	-	591,214
34,953	4,412	-	-	5,793	75,033	-	-	-	969,064	8,449,348
-	-	-	-	-	-	-	-	-	-	523
-	8,539				-	-			-	4,048,325
183,341	-	990	-	23,613	960,712	-	-	-	124,037	1,550,332
-	-	-	-	-	-	-	-	-	-	-
1,604,063	13,329	1,210,008	456,655	(29,406)	(1,035,745)	17	39,580	32,688	383,623	(346,812)
1,787,404	21,868	1,210,998	456,655	(5,793)	(75,033)	17	39,580	32,688	507,660	5,252,368
$ 1,822,357	$ 26,280	$ 1,210,998	$ 456,655	$ -	$ -	$ 17	$ 39,580	$ 32,688	$ 1,476,724	$ 13,701,716

See Accompanying Independent Auditors' Report.

Combining Balance Sheet, Continued
Nonmajor Governmental Funds
September 30, 2010

	Capital Projects Funds								
	Commonwealth Development Authority	Infrastructure Tax	Public Works Grants	American Memorial Park	Local Capital Projects	Private Capital Grants	Total Capital Projects Funds	Debt Service Fund	Total Non-Major Governmental Funds
Assets									
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 369,310
Restricted cash and cash equivalents	-	-	-	-	129,965	-	129,965	4,265	2,733,066
Restricted time certificates of deposit	-	-	-	-	-	-	-	-	3,692,268
Receivables, net of allowance for uncollectibles:									
Federal	-	-	956,008	-	-	-	956,008	-	956,008
Other	-	-	-	19,629	-	-	19,629	-	1,752,761
Due from other funds	52,405	-	119,162	-	5,353	405,093	582,013	-	5,871,919
Due from component unit	-	-	-	-	-	-	-	-	17,741
Due from Pension (and Other Employee Benefit) Trust Fund	-	-	-	-	-	-	-	-	523
	$ 52,405	$ -	$ 1,075,170	$ 19,629	$ 135,318	$ 405,093	$ 1,687,615	$ 4,265	$ 15,393,596
Liabilities and Fund Balances (Deficit)									
Liabilities:									
Accounts payable	$ -	$ 34,560	$ 285,512	$ -	$ 9,042	$ 31,574	$ 360,688	$ -	$ 811,754
Other liabilities and accruals	-	-	789,658	6,869	-	-	796,527	-	3,104,639
Claims and judgments payable	-	-	-	-	-	-	-	-	2,690,020
Due to other funds	-	116,602	-	12,760	-	-	129,362	-	1,908,762
Due to component units	-	-	-	-	-	-	-	-	153,425
Due to Pension (and Other Employee Benefit) Trust Fund	-	-	-	-	-	-	-	-	476,111
Deferred revenues	52,569	-	-	-	-	-	52,569	-	643,783
Total liabilities	52,569	151,162	1,075,170	19,629	9,042	31,574	1,339,146	-	9,788,494
Fund balances (deficit):									
Reserved for:									
Debt service	-	-	-	-	-	-	-	4,265	4,788
Related asset	-	-	-	-	129,965	-	129,965	-	4,178,290
Encumbrances	2,508	13,550	11,405,886	-	402,988	24,389	11,849,321	-	13,399,653
Continuing appropriations	-	-	-	-	685,678	-	685,678	-	685,678
Unreserved:									
Undesignated	(2,672)	(164,712)	(11,405,886)	-	(1,092,355)	349,130	(12,316,495)	-	(12,663,307)
Total fund balances (deficit)	(164)	(151,162)	-	-	126,276	373,519	348,469	4,265	5,605,102
	$ 52,405	$ -	$ 1,075,170	$ 19,629	$ 135,318	$ 405,093	$ 1,687,615	$ 4,265	$ 15,393,596

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2010

	Special Revenue Funds								
	Department of Public Lands	Private Grants	Commonwealth Arts Council	Human Resources Development Trust	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Commonwealth Museum	Judicial Building
Revenues:									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal contributions	-	-	-	-	-	-	-	-	-
Charges for sales and services	2,930,665	-	-	-	-	-	-	1,131	-
Licenses and fees	243,384	-	-	-	-	1,936,201	138,575	2,936	775,006
Interest and dividends	30,700	-	-	-	119	-	-	72	20,605
Contributions from component units	-	-	-	-	-	-	-	-	-
Other	166,021	503,345	26,790	3,682	-	875	-	283	-
Total revenues	3,370,770	503,345	26,790	3,682	119	1,937,076	138,575	4,422	795,611
Expenditures:									
Current:									
Health	-	137,328	-	-	-	-	-	-	-
Public safety and law enforcement	-	335,235	-	-	-	324,312	68,544	-	-
General government	-	-	-	-	-	-	-	-	-
Community and social services	-	220,371	27,318	161,871	-	-	-	175,601	-
Other elected officials	-	-	-	-	-	-	-	-	-
Lands and natural resources	2,685,972	4,100	-	-	-	-	-	-	-
Legislative branch	-	-	-	-	-	-	-	-	-
Judicial branch	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Payments to:									
Northern Marianas Colllege	-	-	-	-	-	964,297	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	855,921
Interest and fiscal charges	-	-	-	-	-	-	-	-	534,055
Capital outlay:									
Public works	-	-	-	-	-	-	-	-	-
Utilities - Capital Projects	-	-	-	-	-	-	-	-	-
Total expenditures	2,685,972	697,034	27,318	161,871	-	1,288,609	68,544	175,601	1,389,976
Excess (deficiency) of revenues over (under) expenditures	684,798	(193,689)	(528)	(158,189)	119	648,467	70,031	(171,179)	(594,365)
Other financing sources (uses):									
Operating transfers in	-	1,819	-	140,986	-	-	-	-	-
Operating transfers out	(2,512,500)	-	-	-	-	-	(307,640)	-	-
Total other financing sources (uses), net	(2,512,500)	1,819	-	140,986	-	-	(307,640)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,827,702)	(191,870)	(528)	(17,203)	119	648,467	(237,609)	(171,179)	(594,365)
Fund balances (deficit) at beginning of year	2,279,475	-	-	309,107	-	-	281,617	-	797,995
Fund balances (deficit) at end of year	$ 451,773	$ (191,870)	$ (528)	$ 291,904	$ 119	$ 648,467	$ 44,008	$ (171,179)	$ 203,630

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued
Nonmajor Governmental Funds
For the Year Ended September 30, 2010

Special Revenue Funds										
Local Revenue	Saipan Trust	Tobacco Settlement Trust	Micronesian Garment Manufacturing	Tobacco Control	Solid Waste Revolving	Governor's Education Initiative	Managaha Landing Fee	La Fiesta Revolving Fund	Miscellaneous	Total Special Revenue Funds
$ -	$ -	$ -	$ -	$ 1,399,165	$ 1,605,009	$ -	$ -	$ -	$ -	3,004,174
-	-	-	-	-	-	-	-	-	-	-
	-	-	-							
-	-	-	-	-	-	-	-	-	73,579	3,005,375
3,880,994	-	-	-	-	366,488	-	-	-	189,176	7,532,760
-	1,059	-	-	-	-	-	-	-	1,374	53,929
						-	-	-		
-	-	-	-	-	-	-	-	-	-	-
4,133	-	1,647,501	-	-	-	-	-	37,342	352,868	2,742,840
3,885,127	1,059	1,647,501	-	1,399,165	1,971,497	-	-	37,342	616,997	16,339,078
197,998	-	-	-	46,483	196,692	-	-	-	-	578,501
						-				
1,800	-	-	-	-	-	-	-	-	62,576	792,467
84,291	-	-	-	-	-	-	-	4,654	-	88,945
215,594	-	-	-	45,099	-	-	-	-	16,084	861,938
89,479	-	-	-	-	-	-	-	-	-	89,479
-	-	-	-	-	-	-	-	-	112,706	2,802,778
1,389	-	-	-	-	-	-	-	-	-	1,389
-	-	-	-	-	-	-	-	-	8,670	8,670
4,032,135	-	-	-	-	-	-	-	-	11,555	4,043,690
6,292	-	-	-	-	-	-	-	-	-	6,292
-	-	-	-	-	-	-	-	-	-	964,297
-	-	-	-	-	-	-	-	-	-	855,921
-	-	-	-	-	-	-	-	-	-	534,055
197,317	-	-	-	-	1,372,795	-	-	-	-	1,570,112
67,300	-	-	-	-	-	-	-	-	-	67,300
4,893,595	-	-	-	91,582	1,569,487	-	-	4,654	211,591	13,265,834
(1,008,468)	1,059	1,647,501	-	1,307,583	402,010	-	-	32,688	405,406	3,073,244
-	-	-	-	-	-	-	-	-	-	142,805
-	-	(2,442,488)	-	(2,718,497)	(4,379,219)	-	-	-	-	(12,360,344)
-	-	(2,442,488)	-	(2,718,497)	(4,379,219)	-	-	-	-	(12,217,539)
(1,008,468)	1,059	(794,987)	-	(1,410,914)	(3,977,209)	-	-	32,688	405,406	(9,144,295)
2,795,872	20,809	2,005,985	456,655	1,405,121	3,902,176	17	39,580	-	102,254	14,396,663
$ 1,787,404	$ 21,868	$ 1,210,998	$ 456,655	$ (5,793)	$ (75,033)	$ 17	$ 39,580	$ 32,688	$ 507,660	$ 5,252,368

See Accompanying Independent Auditors' Report.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued
Non-Major Governmental Funds
For the Year Ended September 30, 2010

	Capital Projects Funds								
	Commonwealth Development Authority	Infrastructure Tax	Public Works Grants	American Memorial Park	Local Capital Projects	Private Capital Grants	Total Capital Projects Funds	Debt Service Fund	Total Non-Major Governmental Funds
Revenues:									
Taxes	$ -	$ 33,288	$ -	$ -	$ -	$ -	$ 33,288	$ -	$ 3,037,462
Federal contributions	-	-	5,520,767	-	-	-	5,520,767	-	5,520,767
Charges for sales and services	-	-	-	-	-	-	-	-	3,005,375
Licenses and fees	-	-	-	-	-	-	-	-	7,532,760
Interest and dividends	-	575	-	-	-	-	575	98	54,602
Contributions from component units	5,071	-	-	-	321,375	-	326,446	-	326,446
Other	-	25,799	-	-	-	-	25,799	-	2,768,639
Total revenues	5,071	59,662	5,520,767	-	321,375	-	5,906,875	98	22,246,051
Expenditures by account:									
Current:									
Health	-	-	-	-	372,628	-	372,628	-	951,129
Public safety and law enforcement	-	40,650	-	-	-	-	40,650	-	833,117
General government	-	-	-	-	-	-	-	-	88,945
Community and social services	-	9,742	-	-	-	-	9,742	-	871,680
Other elected officials	-	-	-	-	-	-	-	-	89,479
Lands and natural resources	-	-	-	-	-	-	-	-	2,802,778
Legislative branch	-	-	-	-	-	-	-	-	1,389
Judicial branch	-	-	-	-	-	-	-		8,670
Education	-	152,463	-	-	-	-	152,463	-	4,196,153
Economic development	-	-	-	-	-	-	-	-	6,292
Payments to:									
Northern Marianas Colllege	-	-	-	-	-	-	-	-	964,297
Debt service:									
Principal retirement	-	-	-	-	-	-	-	435,000	1,290,921
Interest and fiscal charges	-	-	-	-	-	-	-	6,551,978	7,086,033
Capital outlay:									
Public works	5,235	150,885	5,520,767	-	-	-	5,676,887	-	7,246,999
Utilities - Capital Projects	-	-	-	-	-	-	-	-	67,300
Total expenditures	5,235	353,740	5,520,767	-	372,628	-	6,252,370	6,986,978	26,505,182
Excess (deficiency) of revenues over (under) expenditures	(164)	(294,078)	-	-	(51,253)	-	(345,495)	(6,986,880)	(4,259,131)
Other financing sources (uses):									
Operating transfers in	-	-	-	-	57,937	-	57,937	5,828,741	6,029,483
Operating transfers out	-	-	-	-	-	-	-	-	(12,360,344)
Total other financing sources (uses), net	-	-	-	-	57,937	-	57,937	5,828,741	(6,330,861)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(164)	(294,078)	-	-	6,684	-	(287,558)	(1,158,139)	(10,589,992)
Fund balances (deficit) at beginning of year	-	142,916	-	-	119,592	373,519	636,027	1,162,404	16,195,094
Fund balances (deficit) at end of year	$ (164)	$ (151,162)	$ -	$ -	$ 126,276	$ 373,519	$ 348,469	$ 4,265	$ 5,605,102

See Accompanying Independent Auditors' Report.

Pension and Other Employee Benefits Trust Funds

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

Northern Mariana Islands Retirement Fund (NMIRF)

NMIRF was 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 and 11-9. NMIRF is administered by a seven-member Board of Trustees, appointed by the Governor of the CNMI with the advice and consent of the CNMI Senate.

CNMI Workers' Compensation Commission

The CNMI Workers' Compensation Commission (WCC) was created by Public Law No. 6-33. The law 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. The Board of Trustees of the Northern Mariana Islands Retirement Fund (NMIRF) administers the WCC.

Northern Mariana Islands (NMI) Government Health and Life Insurance Trust Fund

This fund 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. The Board of Trustees of NMIRF administers the fund.

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.

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 Fiduciary Net Assets
Fiduciary Funds
September 30, 2010

	Pension (and Other Employee Benefit) Trust Fund			
	Northern Mariana Islands Retirement Fund	CNMI Government Health and Life Insurance Trust	CNMI Workers' Compensation Commission	Total
Assets				
Cash and cash equivalents	$ 4,581,328	$ 1,553,165	$ 146,752	$ 6,281,245
Receivables:				
Loans	6,094,644	-	-	6,094,644
Notes	8,276,843	-	-	8,276,843
Benefits	1,002,670	-	743,976	1,746,646
Interest and dividends	877,194	-	-	877,194
Other	1,909,466	50	6,596	1,916,112
	18,160,817	50	750,572	18,911,439
Due from General Fund	239,931,459	-	20,008	239,951,467
Less allowance for uncollectible receivables	(176,201,994)	-	-	(176,201,994)
	63,729,465	-	20,008	63,749,473
Due from Miscellaneous Special Revenue Funds	-	-	475,711	475,711
Due from other funds	568,368	-	-	568,368
Prepaid items	5,540	-	-	5,540
Investments, at fair market value:				
Equity securities	197,659,077	-	-	197,659,077
Corporate debt securities	48,177,949	-	-	48,177,949
U.S. Government securities	38,027,498	-	-	38,027,498
Mutual funds	44,877,685	-	676,257	45,553,942
Real estate investment trust	1,001,220	-	-	1,001,220
Cash equivalents	149,894	-	-	149,894
Money market placements	-	-	45,052	45,052
	329,893,323	-	721,309	330,614,632
Restricted assets	-	-	133,101	133,101
Capital assets	4,051,992	13,401	2,423	4,067,816
Total assets	420,990,833	1,566,616	2,249,876	424,807,325
Liabilities and Other Credits				
Accounts payable	335,247	18,463,942	102,644	18,901,833
Other liabilities and accruals	682,613	-	-	682,613
Due to Judicial Building Fund	523	-	-	523
Due to other funds	-	568,368	-	568,368
Deferred revenue	64,414,654	-	743,976	65,158,630
Total liabilities and other credits	65,433,037	19,032,310	846,620	85,311,967
Net assets:				
Held in trust for pension benefits	355,557,796	-	-	355,557,796
Held in trust for medical and life insurance benefits	-	(17,465,694)	-	(17,465,694)
Held in trust for workers' compensation benefits and other purposes	-	-	1,403,256	1,403,256
Total net assets	$ 355,557,796	$ (17,465,694)	$ 1,403,256	$ 339,495,358

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2010

	Pension (and Other Employee Benefit) Trust Fund			
	Northern Mariana Islands Retirement Fund	CNMI Government Health and Life Insurance Trust	CNMI Workers' Compensation Commission	Total
Additions				
Contributions:				
Employer	$ 34,541,111	$ -	$ -	$ 34,541,111
Employee	13,105,581	-	-	13,105,581
Revenues:				
Premiums	-	194,027	44,807	238,834
Rent income and other	3,243,156	505,027	14,907	3,763,090
Total contributions and revenues	50,889,848	699,054	59,714	51,648,616
Net investment earnings:				
Net appreciation in fair value	19,533,982	-	64,803	19,598,785
Interest	7,968,767	-	-	7,968,767
Total investment earnings	27,502,749	-	64,803	27,567,552
Less: investment expense	1,739,073	-	-	1,739,073
Net investment earnings	25,763,676	-	64,803	25,828,479
Other financing sources:				
Transfer in	806,508	503,000	172,274	1,481,782
Total additions	77,460,032	1,202,054	296,791	78,958,877
Deductions				
Benefits	67,466,946	-	-	67,466,946
General and administrative	2,226,648	37,324	124,059	2,388,031
Bad debts	12,105,394	-	-	12,105,394
Refunds and withdrawals	5,208,932	-	-	5,208,932
Medical claims	-	693,658	35,451	729,109
Total deductions	87,007,920	730,982	159,510	87,898,412
Change in net assets	(9,547,888)	471,072	137,281	(8,939,535)
Net assets at beginning of year	365,105,684	(17,936,766)	1,265,975	348,434,893
Net assets at end of year	$ 355,557,796	$ (17,465,694)	$ 1,403,256	$ 339,495,358

See Accompanying Independent Auditors' Report.