

May 1, 2012

Ms. Larrisa Larson
Secretary of Finance
Department of Finance
Commonwealth of the Northern Mariana Islands

Dear Ms. Larson:

We have performed an audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (CNMI) as of and for the year ended September 30, 2010, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated May 1, 2012, which report was modified to include a reference to other auditors and was qualified due to our inability to determine the propriety of the Public School System due from primary government.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the CNMI is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS, GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS, AND OMB CIRCULAR A-133

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (“generally accepted government auditing standards”), have been described in our engagement letter dated October 12, 2010, a copy of which has been provided to you. As described in that letter, the objectives of an audit conducted in accordance with the aforementioned standards are to:

- Express an opinion on the fairness of each opinion unit in the CNMI’s basic financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2010, in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects;
- Express an opinion on whether the supplementary information that accompanies the basic financial statements, including the schedule of expenditures of federal awards, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole;

- Report on the CNMI's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grants and other matters for the year ended September 30, 2010 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in generally accepted government auditing standards; and
- Report on the CNMI's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* ("OMB Circular A-133").

Our responsibilities under generally accepted auditing standards, generally accepted government auditing standards and OMB Circular A-133 include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Office of the Public Auditor are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Office of the Public Auditor of their responsibilities.

We considered the CNMI's 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 do not express an opinion on the effectiveness of the CNMI's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the CNMI's 2010 financial statements include: 1) management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts; 2) management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets; and 3) management's estimate of the tax rebate payable, which is determined based on periodic review of tax returns in light of historical experience and the nature and volume of tax returns submitted. During the year ended September 30, 2010, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have included in this letter, as an attachment to Appendix B, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

MATERIAL CORRECTED MISSTATEMENTS

Material misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period. We have attached to this letter, as Appendix A, a summary of misstatements corrected by management.

SIGNIFICANT ACCOUNTING POLICIES

The CNMI's significant accounting policies are set forth in note 1 to the CNMI's 2010 financial statements. During the year ended September 30, 2010, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the CNMI:

- 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.
- 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 financial statements of the CNMI.

For the year ending September 30, 2011, the following pronouncements will be adopted by the CNMI:

- 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.

Management has not evaluated the effect that implementation of this statement will have on the financial statements of the CNMI.

- 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.

Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the CNMI.

For the year ending September 30, 2012, the following pronouncement will be adopted by the CNMI:

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- 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.

Management does not believe that the implementation of this statement will have a material effect on the financial statements of the CNMI.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the CNMI's 2010 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2010.

SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

OTHER SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant issues requiring communication to the Office of the Public Auditor.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the CNMI's management and staff and had unrestricted access to the CNMI's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the CNMI's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the CNMI is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix B, a copy of the representation letter we obtained from management.

Ms. Larrisa Larson
May 1, 2012
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CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated May 1, 2012, containing certain matters involving the CNMI's internal control over financial reporting that we consider to be material weaknesses or significant deficiencies under standards established by the American Institute of Certified Public Accountants, and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. We have also issued a separate report to you, also dated May 1, 2012, containing certain matters involving the CNMI's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133. Although we have included management's written response to our comments in those reports, such responses have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

We have communicated to management, in a separate letter also dated May 1, 2012, other matters that we identified during our audit.

* * * * *

This report is intended solely for the information and use of management, the Office of the Public Auditor, and others with the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Deloitte & Touche LLC

APPENDIX A

MATERIAL CORRECTED MISSTATEMENTS:

Audit Adjustments:

General Fund:

#	Name	Debit	Credit
Fund 1010			
1 AJE To post entity proposed adjustment G/F #1			
11430	BOG General Fund	3,507,325.93	
13010	Interfund Settlement Account - due from		114,947.40
45270	Interest Income-Treasury		317.29
40210	Wages & Salary Tax - CY		332,663.75
40210	Wages & Salary Tax - CY		1,182,454.47
40210	Wages & Salary Tax - CY		518,527.95
45380	Other Misc. Income		23,119.18
45380	Other Misc. Income		5,345.24
47250	CHC Settlement for CIP		1,329,950.65
2 AJE To post entity proposed adjustment G/F #2			
31600	Unreserved Fund Balance	1,329,950.65	
31410	Reserve for CHC Settlement for CIP		1,329,950.65
3 AJE To post entity proposed adjustment G/F #3			
11430	BOG General Fund	56,158.07	
45380	Other Misc. Income		56,158.07
4 AJE To post entity proposed adjustment G/F #3			
11430	BOG General Fund		14,827.88
45380	Other Misc. Income	14,827.88	
5 AJE To post entity proposed adjustment G/F #3			
11430	BOG General Fund		205,590.40
13010	Interfund Settlement Account - due from	185,792.39	
45380	Other Misc. Income	19,798.01	
6 AJE To post entity proposed adjustment #6			
11430	BOG General Fund		477,560.69
62810	Misc. Adjustments	477,560.69	
7 AJE To post entity proposed adjustment #7			
11420	BOG Payroll Account	49,350.87	
11420	BOG Payroll Account	1,102,134.04	
11430	BOG General Fund		1,241,484.91
13010	Interfund Settlement Account - due from	90,000.00	
8 AJE To post entity proposed adjustment #8			
11430	BOG General Fund		33,397.68
62810	Misc. Adjustments	33,397.68	
9 AJE To post entity proposed adjustment #9			
11430	BOG General Fund	90.00	
62810	Misc. Adjustments		90.00
10 AJE To post entity proposed adjustment #10			
11430	BOG General Fund		2,524.62
11430	BOG General Fund	50,000.00	
13010	Interfund Settlement Account - due from		50,000.00
62810	Misc. Adjustments	2,524.62	
11 AJE To post entity proposed adjustment #11			
11430	BOG General Fund	8,813.32	
62810	Misc. Adjustments		8,813.32
12 AJE To post entity proposed adjustment #12			
11430	BOG General Fund	157,089.53	
62810	Misc. Adjustments		157,089.53
13 AJE To post entity proposed adjustment #13			
11430	BOG General Fund	14,605.58	
62810	Misc. Adjustments		14,605.58
14 AJE To post entity proposed adjustment #14			
11430	BOG General Fund		64.63
62810	Misc. Adjustments	64.63	

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

General Fund, Continued:

#	Name	Debit	Credit
Fund 1010, Continued			
15 AJE To post entity proposed adjustment #15			
11430	BOG General Fund		2,074,969.46
62810	Misc. Adjustments	42,739.43	
21120	FICA		1,582.86
21130	Medicare Coverage	2,033,812.89	
16 AJE To post entity proposed adjustment #16			
11430	BOG General Fund		20.00
62810	Misc. Adjustments	20.00	
17 AJE To post entity proposed adjustment #17			
11430	BOG General Fund		94.60
45380	Other Misc. Income	94.60	
18 AJE To post entity proposed adjustment #18			
11430	BOG General Fund	4,000.35	
45380	Other Misc. Income		4,000.35
19 AJE To post entity proposed adjustment #19			
11430	BOG General Fund		4,156.47
62810	Misc. Adjustments	4,156.47	
20 AJE To post entity proposed adjustment #20			
11230	FHB Food Stamps		31.11
11230	FHB Food Stamps		156.12
11230	FHB Food Stamps	939,450.23	
62810	Misc. Adjustments	31.11	
62810	Misc. Adjustments	156.12	
11992	Restricted cash and cash equivalents		939,450.23
21 AJE To post entity proposed adjustment #21			
13010	Interfund Settlement Account - due from		12,357.10
62810	Misc. Adjustments	12,357.10	
22 AJE To post entity proposed adjustment #22			
11420	BOG Payroll Account		265,779.83
11420	BOG Payroll Account		0.08
11420	BOG Payroll Account	8,913.01	
11420	BOG Payroll Account		63.05
11420	BOG Payroll Account		1,422.11
11420	BOG Payroll Account	1,030.58	
62810	Misc. Adjustments	17,574.71	
62810	Misc. Adjustments	0.08	
62810	Misc. Adjustments		8,913.01
62810	Misc. Adjustments	63.05	
62810	Misc. Adjustments	1,422.11	
62810	Misc. Adjustments		1,030.58
11992	Restricted cash and cash equivalents	248,205.12	
23 AJE To post entity proposed adjustment #23			
20140	Y-End Intergov t Payables		3,616,633.65
20140	Y-End Intergov t Payables	2,343,240.00	
20140	Y-End Intergov t Payables	1,888,079.58	
20140	Y-End Intergov t Payables		1,746,311.40
20140	Y-End Intergov t Payables		75,285.79
20140	Y-End Intergov t Payables		600,000.00
20140	Y-End Intergov t Payables	401,940.35	
20140	Y-End Intergov t Payables	188,369.00	
20140	Y-End Intergov t Payables		464,218.95
20140	Y-End Intergov t Payables		4,483.71
20140	Y-End Intergov t Payables	189,676.92	
20140	Y-End Intergov t Payables		2,682,957.20
62710	Utilities-Power		311,413.58
62710	Utilities-Power	1,503,174.20	
62710	Utilities-Power		189,676.92
62710	Utilities-Power	1,746,311.40	
65800	Transfers Out		9,994.37
65800	Transfers Out	1,155,806.73	
65800	Transfers Out		2,343,240.00
65800	Transfers Out	600,000.00	

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

General Fund, Continued:

#	Name	Debit	Credit
Fund 1010, Continued			
23 AJE To post entity proposed adjustment #23, Continued			
65800	Transfers Out		188,369.00
65800	Transfers Out	2,682,957.20	
65800	Transfers Out	4,483.71	
61800	Transfer Out - Pers Approp	957,652.72	
61800	Transfer Out - Pers Approp		401,940.35
61800	Transfer Out - Pers Approp		1,566,671.63
61800	Transfer Out - Pers Approp	464,218.95	
61800	Transfer Out - Pers Approp	75,285.79	
24 AJE To post entity proposed adjustment #24			
11230	FHB Food Stamps		1,002,872.00
13010	Interfund Settlement Account - due from	1,002,872.00	
25 AJE To adjust bank transfer clearing account			
11990	Bank Transfer Clearing Acct		897,596.00
20100	Vouchers Payable	897,596.00	
26 AJE To take up CY taxes receivable accruals			
12040	Taxes Receivable-Current	251,640.00	
40210	Wages & Salary Tax - CY	193,381.00	
40260	Game Mach. Jackpot - SPN		83,185.00
41310	Bar Tax		44,574.00
41420	Hotel Occupancy Tax - PY		317,262.00
27 AJE To adjust invalid advances			
13010	Interfund Settlement Account - due from	39,286.00	
12431	PO Advances (NEW) w/SL		39,286.00
28 AJE To adjust deferred retirement			
13010	Interfund Settlement Account - due from	107,064.00	
13010	Interfund Settlement Account - due from	1,634,559.00	
61710	PL 15-15 Emplr Ret Deferred		1,741,623.00
29 AJE To adjust beginning fund balance to PY audit			
13010	Interfund Settlement Account - due from	873,756.00	
31600	Unreserved Fund Balance		455,661.00
62810	Misc. Adjustments		418,095.00
30 AJE To adjust recurring PY plug			
31600	Unreserved Fund Balance		143,435.00
62810	Misc. Adjustments	143,435.00	
31 AJE To correct returned funds to CU			
65800	Transfers Out		1,960,960.87
13020	Intra-General fund settlement account	1,960,960.87	
32 AJE To record due from CU (CDA)			
13012	Due from Component Unit	500,000.00	
20260	A/P - Claims and Judgments		500,000.00
33 AJE To take up interfund for RTf beg. fund balance			
13010	Interfund Settlement Account - due from	869,537.00	
48060	G/F NMTIT/Indiv-CY		869,537.00
34 AJE To transfer misc adjustment from 2020			
13010	Interfund Settlement Account - due from		1,241,837.00
62810	Misc. Adjustments	1,241,837.00	
35 AJE To adjust NMIRF balances			
66000	Penalty on Retirement Contributions	4,530,753.00	
20141	A/P - NMIRF Penalty Assessed		6,760,367.00
20142	A/P - NMIRF PY cont adj.	2,229,614.00	
36 AJE To take up NMC's deficient retirement			
20143	A/P - NMIRF (NMC Contributions)		1,121,158.00
67000	NMC Retirement Contributions	1,121,158.00	

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

General Fund, Continued:

#	Name	Debit	Credit
Fund 1010, Continued			
37 AJE To take up unrecorded liabilities (10/1-12/31/09)			
62060	Professional Services	951,086.00	
62060	Professional Services	439,805.00	
62500	Travel	71,118.00	
62500	Travel	45,500.00	
62500	Travel	47,029.00	
62660	Repairs & Maintenance	1,624.00	
63050	Supplies-Operations	6,423.00	
21111	Accrued liabilities		1,562,585.00
38 AJE To take up additional claims and judgment payable			
65340	Settlement against Government	14,881,331.00	
20260	A/P - Claims and Judgments		14,881,331.00
39 AJE To adjust NMTIT taxes from rebate payable adj.			
13010	Interfund Settlement Account - due from		2,500,561.00
48060	G/F NMTIT/Indiv-CY	2,286,708.00	
48210	G/F NMTIT/Corp-CY	213,853.00	
40 AJE To record transfer out for CHIP local share			
62060	Professional Services		6,855,242.00
62280	Insurance		294,968.00
62500	Travel		126,278.00
65800	Transfers Out	7,276,488.00	
41 AJE To adjust interfund balance			
13010	Interfund Settlement Account - due from	2,968,625.00	
47210	Transfers In		2,968,625.00
42 AJE To adjust interfund balance			
13010	Interfund Settlement Account - due from	219,082.00	
47210	Transfers In		219,082.00
43 AJE To adjust interfund balance			
13010	Interfund Settlement Account - due from	4,379,219.00	
47210	Transfers In		4,379,219.00
44 AJE To adjust intergovt payable - PSS			
20140	Y-End Intergov t Payables		188,705.00
61800	Transfer Out - Pers Approp	188,705.00	
45 AJE To adjust intergovt payable - NMC			
20140	Y-End Intergov t Payables	208,208.00	
62810	Misc. Adjustments		208,208.00
46 AJE To take up repayment of CUC loan to MPLT			
47211	Contributions from component unit		1,554,653.00
65800.8	Payments to CUC	1,554,653.00	
47 AJE To take up payment to NMC			
13010	Interfund Settlement Account - due from	108,038.00	
65800.1	Payments to NMC		108,038.00
48 AJE To correct payment to NMC			
62810	Misc. Adjustments		19,472.00
65800.1	Payments to NMC	19,472.00	
49 AJE To record revenue reimbursements from FGF			
13010	Interfund Settlement Account - due from	4,006,914.00	
46100	Misc. Revenue		4,006,914.00
50 AJE To take up principal payment transfer in transit			
47210	Transfers In		200,000.00
15060	Investment - PSS Bond Proceeds	200,000.00	

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

General Fund, Continued:

#	Name	Debit	Credit
Fund 1012			
1 AJE To post entity proposed adjustment #1			
13010	Interfund Settlement Account	62,007.40	
44530	Hospital Services		62,007.40
2 AJE To post entity proposed adjustment #5			
13010	Interfund Settlement Account		96,142.39
44530	Hospital Services	96,142.39	
3 AJE To adjust CHC receivables			
12030	Accts Receivable-CHC	50,364,543.00	
12180	Allow for Uncoll-G/R		50,364,543.00
4 AJE To adjust reserve for inventory			
31350	Reserved Supplies Inventory	22,271.00	
31600	Unreserved Fund Balance		22,271.00
5 AJE To adjust inventory balance			
14110	CHC-Material Management		30,444.00
14120	CHC-Central Supply Room		1,431.00
14140	CHC-Pharmacy Supply		66,457.00
63070	Medical-Gen Supplies	79,994.00	
14130	CHC - Inpatient Pharmacy	18,338.00	
6 AJE To adjust deferred retirement account			
13010	Interfund Settlement Account		1,523,642.00
61710	PL 15-15/15-126 Ret Deferr	1,523,642.00	
7 AJE To adjust beginning fund balance			
13010	Interfund Settlement Account	206,892.00	
31600	Unreserved Fund Balance		206,892.00
8 AJE To take up unrecorded liabilities			
63070	Medical-Gen Supplies	52,015.00	
21110	Accrued liabilities		52,015.00
9 AJE To take up invalid advances			
13010	Interfund Settlement Account		39,286.00
63080	Medical-Lab Supplies	39,286.00	
Fund 1013			
1 AJE To adjust deferred retirement			
13010	Interfund Settlement Account		13,595.00
61710	PL 15-15/15-126 Ret Deferr	13,595.00	
2 AJE To adjust reserve for continuing appropriations			
31300	Reserve-Continuing Approp		96,428.00
31600	Unreserved Fund Balance	96,428.00	
Fund 1015			
1 AJE To adjust deferred retirement expense			
13010	Interfund Settlement Account		97,322.00
61710	PL 15/15/15-126 Re Deferr	97,322.00	
2 AJE To adjust beginning fund balance			
13010	Interfund Settlement Account		1,080,648.00
13010	Interfund Settlement Account		14,436.00
31600	Unreserved Fund Bal.	1,095,084.00	
3 AJE To adjust receivables from autonomous agencies			
12390	Allowance for Unco		2,122,824.00
12343	A/R CPA	112,343.00	
12344	A/R CDA		22,682.00
12345	A/R NMIRF	49,080.00	
12346	A/R NMHC	22,241.00	
12342	A/R - CUC	1,961,842.00	

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

General Fund, Continued:

#	Name	Debit	Credit
Fund 2260			
	1 AJE To record payable to to MPLT		
47211.1	Transfers-In - CUs	4,000,000.00	
20140	Y-End Intergov t Payables		4,000,000.00
	2 AJE To correct returned funds to CU		
13020	Intra-General Fund Settlement Account		1,960,960.87
47211.1	Transfers-In - CUs	1,960,960.87	
Fund 6062			
	1 AJE To take up due to CU not recorded		
65800.3	Payments to NMIRF, WCC, GHLI	503,000.00	
65110	Debt Service - Principal		179,865.78
20140	Y-End Intergov t Payables		338,969.22
65200	Interest expense	15,835.00	
Fund 7400			
	1 AJE To adjust recovery rebates paid		
65930	Recovery Rebates Paid		240,248.00
20250	Recovery Rebate Payable	240,248.00	

Special Revenue Fund:

Fund 1016

	1 AJE To take up CRJ transactions		
12015	Notes receivables		62,511.00
20910	Landing fee liability		502,346.00
44116	Agriculture/grazing permits		6,547.00
44115	Commercial permits		5,343.00
44113	Submerged land		45,000.00
44112	Filing fees and others		2,845.00
44111	Temporary permits		230,034.00
44110	Land lease		2,732,627.00
45592	Other revenues		166,021.00
20930	Other Liabilities		346,982.00
46000	DPL Clearing Account	4,100,256.00	
	2 AJE To record reserve for related asset		
31600	Unreserved Fund Balance		1,038,982.00
31310	Reserve for related assets	1,038,982.00	
	3 AJE To adjust cash accounts		
11000	Cash and cash equivalents		1,876,544.00
11002	Restricted cash and cash equivalents - others		527,381.00
46000	DPL Clearing Account	2,403,925.00	
	4 AJE To adjust TCD accounts		
45591	Interest income		30,700.00
11030	Restricted time certificate of deposits		501,030.00
46000	DPL Clearing Account	531,730.00	
	5 AJE To take up transfers to CNMI for local match		
65800	Transfers out	12,500.00	
46000	DPL Clearing Account		12,500.00
	6 AJE To adjust receivables to agree to SL		
12012	Lease and permits receivables	12,131.29	
12013	Royalties receivables	137,371.91	
12014	Other receivables		502,346.00
12015	Notes receivables		1,043,753.97
12016	Allowance for doubtful accounts	1,396,596.77	
	7 AJE To adjust other liabilities		
20910	Landing fee liability	994,121.00	
20930	Other Liabilities	20,368.00	
46000	DPL Clearing Account		1,014,489.00

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

Special Revenue Fund, Continued:

#	Name	Debit	Credit
Fund 1016, Continued			
8 AJE To adjust deferred revenue accounts			
20810	Deferred Revenue	343,238.00	
44110	Land lease		343,238.00
9 AJE To adjust receivables			
12012	Lease and permits receivables	115,914.00	
12013	Royalties receivables		268,105.00
12015	Notes receivables		117,299.00
44111	Temporary permits	1,385.00	
44110	Land lease	268,105.00	
10 AJE To adjust transfer			
47210	Transfers In	3,500,922.00	
46000	DPL Clearing Account		3,500,922.00
11 AJE To adjust new deferred revenue			
20810	Deferred Revenue	85,905.00	
44110	Land lease		85,905.00
12 AJE To record transfer in to 2260			
65800	Transfers out	2,500,000.00	
46000	DPL Clearing Account		2,500,000.00
Fund 2034			
1 AJE To record entity's adjustment #1			
20140	Year End Intergov Payable		58,060.40
20140	Year End Intergov Payable		34,231.77
20140	Year End Intergov Payable	86,854.00	
20140	Year End Intergov Payable	113,475.13	
61800	Transfers Out- Pers Approp	34,231.77	
61800	Transfers Out- Pers Approp		86,854.00
61800	Transfers Out- Pers Approp		113,475.13
65800	Transfer out - Component Unit	58,060.40	
2 AJE To adjust deferred retirement expense			
13010	Interfund Settlement Account		36,515.00
61710	PL 15-15/15-126 Ret Deferr	36,515.00	
3 AJE To adjust beginning fund balance			
13010	Interfund Settlement Account	12,686.00	
31600	Unreserved Fund Balance		12,686.00
4 AJE To adjust NMC balances			
20140	Year End Intergov Payable		61,133.00
61800	Transfers Out- Pers Approp	61,133.00	
5 AJE To take up payments to NMC			
13010	Interfund Settlement Account		108,038.00
65800.1	Payments to NMC	108,038.00	
Fund 2035			
1 AJE To adjust deferred retirement expense			
13010	Interfund Settlement Account		15,401.00
61710	PL 15-15/15-126 Retirement Deferred	15,401.00	
Fund 2039			
1 AJE To adjust deferred retirement expense			
13010	Interfund Settlement Account		12,534.00
61710	PL 15-15/15-126 Ret Deferr	12,534.00	
2 AJE To adjust beginning fund balance			
13010	Interfund Settlement Account	1,750.00	
31600	Unreserved Fund Balance		1,750.00

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

Special Revenue Fund, Continued:

#	Name	Debit	Credit
Fund 2043			
	1 AJE To adjust deferred retirement expense		
13010	Interfund Settlement Account	118.00	
61710	PL 15-15/15-126 Retirement Deferred		118.00
Fund 2070			
	1 AJE To adjust deferred retirement		
13010	Interfund Settlement Account	-	37,261.00
61710	PL 15-15/126; 16-2 Ret Def	37,261.00	-
	2 AJE To adjust interfund balance		
13010	Interfund Settlement Account	-	219,082.00
65800	Transfer Out-Govt Agency	219,082.00	-
Fund 2080			
	1 AJE To adjust reserve for landfill closure costs		
31600	Unreserved Fund Balance	381,737.00	
31400	Reserve landfill Closure		381,737.00
	2 AJE To adjust interfund balance		
13010	Interfund Settlement Account		4,379,219.00
65800	Transfer Out-Govt Agency	4,379,219.00	
Fund 2250			
	1 AJE To adjust deferred retirement expense		
13010	Interfund Settlement Account		5,167.00
61710	PL 15-15/15-126 Retirement Deferred	5,167.00	
Fund 2300			
	1 AJE To adjust deferred retirement expense		
13010	Interfund Settlement Account		284.00
61710	PL 15-15/126; 16-2 Ret Def	284.00	
Fund 4048			
	1 AJE To post entity proposed adjustment #1		
13010	Interfund Settlement Account	52,940.00	
46010	Filing Fees		52,940.00
	2 AJE To post entity proposed adjustment #5		
13010	Interfund Settlement Account		89,650.00
46010	Filing Fees	89,650.00	
	3 AJE To reclassify transfer out to NMIRF		
65200	Interest	534,055.00	
65800	Transfer Out-Govt Agency		1,005,348.00
12340	Adv. to Other CNMI Agencies		384,628.00
65210	Principal Repayment	855,921.00	
	4 AJE To adjust reserve for debt service		
31600	Unreserved Fund Balance		364,023.00
31380	Reserve for Debt	364,023.00	
	5 AJE To record interest income on JBF funds		
12340	Adv. to Other CNMI Agencies	20,605.00	
45280	Interest income Other		20,605.00
Fund 6060			
	1 AJE To record reserve for related assets		
31600	Unreserved Fund Balance		71,861.00
31310	Reserve for related assets	71,861.00	
	2 AJE To adjust due from MPLT		
45280	Interest Income-Other		912.00
13011	Due from component unit	912.00	

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

Special Revenue Fund, Continued:

#	Name	Debit	Credit
Fund 6067			
	1 AJE To close accounts to retirement payable		
62240	Bank Charges		215.00
20260	Retirement		59,702.00
45550	Health Insurance Premium	59,917.00	
Fund 6075			
	1 AJE To adjust deferred retirement expense		
13010	Interfund Settlement Account		20.00
61710	PL 15-15/15-126 Retirement Deferred	20.00	
Fund 7067			
	1 AJE To accrue tobacco receivables		
45640	Tobacco Settlement Payments	103,180.00	
12020	Receivables		103,180.00
<i>Federal Grants Fund:</i>			
Fund 2020			
	1 AJE To record entity adjustment		
13010	Interfund Settlement Account		1,002,872.00
20100	Vouchers Payable	1,002,872.00	
	2 AJE To take up unrecorded liabilities		
62060	Professional Services	13,972.00	
62060	Professional Services	544,558.00	
62060	Professional Services	5,055.00	
62060	Professional Services	151,267.00	
62660	Repairs & Maintenance	77,900.00	
64550	Computer Systems & Equip	500,065.00	
20110	Accrued Liabilities		1,292,817.00
	3 AJE To transfer misc. adjustment to 1010		
13010	Interfund Settlement Account	1,241,837.00	
62810	Misc Adjustments		1,241,837.00
	4 AJE To adjust A/R Grantor balance		
12210	A/R From Federal Agencies		1,087,073.00
44130	Federal Grants	1,087,073.00	
	5 AJE To record transfer in from GF for CHIP local share		
47210	Transfers In		7,276,488.00
62060	Professional Services	6,855,242.00	
62280	Insurance	294,968.00	
62500	Travel	126,278.00	
	6 AJE To take up unrecorded liabilities		
62060	Professional Services	113,438.00	
62300	Printing and Photocopying	1,000.00	
64540	Machinery, Tools & Equip	8,153.00	
64550	Computer Systems & Equip	141,283.00	
64670	Roads, Streets & Bridges	145,457.00	
64499	Construction in Progress	153,595.00	
20110	Accrued Liabilities		562,926.00
	7 AJE To record Food Stamps inventory coupons at 9/30/09		
14150	Inventories - Food Stamp Coupons	244,800.00	
20810	Deferred Revenues		244,800.00
	8 AJE To adjust beginning fund balance to PY audit		
31600	Unreserved Fund Balance		320,096.00
62810	Misc Adjustments	320,096.00	

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

Federal Grants Fund, Continued:

#	Name	Debit	Credit
Fund 2021			
	1 AJE To record entity's adjustment #1		
20110	Year End Accrued Payable	30,572.00	
65710	Compact Impact Reimbursements - Utilities		30,572.00
Fund 2022			
	1 AJE To take up unrecorded liabilities		
62060	Professional Services	36,267.00	
20110	Accrued Liabilities		36,267.00
	2 AJE To adjust CFDA 84.397 expenditures		
13010	Interfund Settlement Account		4,006,914.00
62060	Professional Services	1,564,673.00	
62500	Travel	2,030,659.00	
62120	Reimbursement for Services	48,691.00	
62430	Rental - Housing	362,891.00	
	3 AJE To record reserve for related asset on cash account		
31600	Unreserved Fund Balance	1,630,904.00	
31310	Reserve for related assets		1,630,904.00
	4 AJE To adjust due from grantor		
12210	A/R From Federal Agencies		3,047,652.00
44130	Federal Grants	3,047,652.00	
	5 AJE To adjust beginning fund balance		
31600	Unreserved Fund Balance	17,864.00	
44130	Federal Grants		17,864.00
	6 AJE To take up unrecorded liabilities		
62060	Professional Services	7,329.00	
62420	Rental-Vehicles	1,600.00	
20110	Accrued Liabilities		8,929.00
	7 AJE To adjust advance payments		
62060	Professional Services		3,601,410.00
12100	Advances	3,601,410.00	
<i>Debt Service Fund:</i>			
Fund 3210			
	1 AJE To record 40m bond activity		
45280	Interest Income		2.00
47210	Transfer In		375,500.00
65200	Interest Expense	263,250.00	
11873	Bond Payment Fund - 40m - P&I		87,750.00
65800	Transfers out	200,002.00	
	2 AJE To adjust reserve for debt service		
31600	Unreserved F/B		87,750.00
31380	Reserve for Debt Service	87,750.00	
	3 AJE To record 2007A bond activity		
45280	Interest Income		46.00
65110	Debt Service - Principal	435,000.00	
47210	Transfer In		3,313,742.00
65200	Interest Expense	2,869,250.00	
62810	Miscellaneous expense		28.00
62810	Miscellaneous expense	12,720.00	
11874	Investments - 2007A Series		3,154.00
	4 AJE To adjust reserve for debt service		
31600	Unreserved F/B		3,154.00
31380	Reserve for Debt Service	3,154.00	

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

Debt Service Fund, Continued:

#	Name	Debit	Credit
Fund 3210, Continued			
5 AJE To record 2007B bond activity			
45280	Interest Income		50.00
47210	Transfer In		2,139,500.00
65200	Interest Expense	3,201,750.00	
62810	Miscellaneous expense	28.00	
62810	Miscellaneous expense	5,007.00	
11875	Investments - 2007B Series		1,067,235.00
6 AJE To adjust reserve for debt service			
31600	Unreserved F/B		1,067,235.00
31380	Reserve for Debt Service	1,067,235.00	

Capital Projects Fund:

Fund 4041

1 AJE To adjust beginning fund balance			
13010	Interfund Settlement Account	85,980.00	
31600	Unreserved Fund Balance		85,980.00

Fund 4042

1 AJE To record reserve for related asset			
31600	Unreserved Fund Balance	129,965.00	
31310	Reserve-Related Asset		129,965.00
2 AJE To adjust revenues relating to \$60M drawdown			
47210	Transfers In		57,937.00
44160	CIP-CDA Matching	57,937.00	

Fund 4043

1 AJE To take up unrecorded liabilities			
62060	Professional Services	25,344.00	
64670	Roads, Streets & Bridges	444,180.00	
20110	Accrued liabilities		469,524.00
2 AJE To take up unrecorded liabilities			
62060	Professional Services	44,463.00	
64670	Roads, Streets & Bridges	275,671.00	
20110	Accrued liabilities		320,134.00
3 AJE To adjust federal revenues to agree to expenditure			
44130	Federal Grants		358,445.00
12210	Federal Grants Receivables	358,445.00	

DOI Capital Projects Fund:

Fund 4044

1 AJE To adjust receivable from grantor			
12210	Federal Grants Receivables	43,415.00	
44110	CIP		43,415.00

Fund 4052

1 AJE To adjust A/R grantor			
44110	CIP		390,743.00
12210	Federal Grants Receivables	390,743.00	

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

DOI Capital Projects Fund, Continued:

#	Name	Debit	Credit
Fund 4052, Continued			
2 AJE To adjust investment account			
44160	CIP-CDA Matching Funds	616,765.00	
47210	Transfers In		1,860,913.00
81110	Interest & Dividend Income		674.00
65800	Operating Transfers Out	5,716.00	
65800	Operating Transfers Out	57,937.00	
65200	Interest Expense	100,912.00	
64000	Principal Payment	1,755,000.00	
15070	Invest.-BOG Project		679,820.00
62060.3	Professional Fees - CDA local	5,077.00	
3 AJE To take up unrecorded liabilities			
64320.1	Construction - Federal	584,554.00	
20110	Accrued Liabilities		584,554.00
4 AJE To adjust beginning fund balance			
31600	Unreserved Fund Balance		4,453,036.00
31310	Reserve for related assets	4,453,036.00	
5 AJE To take up unrecorded liabilities			
64320.1	Construction - Federal	138,368.00	
20110	Accrued Liabilities		143,368.00
64570.1	Office Furniture & Fixtures - Federal	5,000.00	
6 AJE To record reserve for related asset			
31600	Unreserved Fund Balance	3,773,216.00	
31310	Reserve for related assets		3,773,216.00
7 AJE To adjust interfund for balance for uncollectibles			
13010	Interfund Settlement Account		2,968,625.00
65800	Operating Transfers Out	2,968,625.00	
Fund 4057			
1 AJE To adjust revenues for \$60M bond drawdowns			
44160	CIP - CDA Matching Funds	5,716.00	
47210	Transfer in		5,716.00
2 AJE To adjust due to grantor agency			
44110	CIP Federal Grants	5,716.00	
12210	Due from Grantor Agency		5,716.00
Fund 4058			
1 AJE To adjust A/R grantor			
44110	CIP Federal Grants		492,949.00
12210	Federal Grants Receivables	492,949.00	
2 AJE To take up unrecorded liabilities			
64320.1	Construction - Federal	260,652.00	
64280.1	Architect & Eng Fees - Federal	18,025.00	
62060.1	Professional Services - Federal	34,425.00	
20110	Accrued liabilities		374,799.00
64050.1	Building/Improvements - Federal	61,697.00	
<i>Agency Fund:</i>			
Fund 7062			
1 AJE To adjust interest to due to claimants			
20270	Due to Claimants		870.00
45280	Interest Income-Other	870.00	

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

Agency Fund, Continued:

#	Name	Debit	Credit
Fund 7066			
	1 AJE To adjust BOG (Saipan) checking acct		
11151	Superior Court Trust - SPN		20,702.00
20271	Due Claimants- Sup CT SPN	20,702.00	
	2 AJE To adjust security deposits to agree to schedule		
15050	Investment - Insurance TCDs	364,168.00	
20270	Due to Claimants - Insurance Security Deposits		364,168.00
	3 AJE To adjust BOG TCD security deposits		
15050	Investment - Insurance TCDs	14,020.00	
20270	Due to Claimants - Insurance Security Deposits		14,020.00

Rebate Trust Fund:

Fund 7063

	1 AJE To post entity proposed adjustment #7		
13010	Interfund Settlement Account		90,000.00
11400	BOG NMTIT Checking Account	90,000.00	
	2 AJE To post entity proposed adjustment #10		
13010	Interfund Settlement Account	50,000.00	
11400	BOG NMTIT Checking Account		50,000.00
	3 AJE To post entity proposed adjustment #10		
13010	Interfund Settlement Account	12,357.10	
65900	Rebate Tax	343.52	
65900	Rebate Tax	20.00	
65900	Rebate Tax		154,525.04
65900	Rebate Tax	77,402.63	
65900	Rebate Tax		26,764.28
65900	Rebate Tax		616.00
11400	BOG NMTIT Checking Account		343.52
11400	BOG NMTIT Checking Account		20.00
11400	BOG NMTIT Checking Account	154,525.04	
11400	BOG NMTIT Checking Account		77,402.63
11400	BOG NMTIT Checking Account	26,764.28	
11400	BOG NMTIT Checking Account		12,357.10
11400	BOG NMTIT Checking Account	616.00	
	4 AJE To close out revenue and expenses		
20240	Rebate Payable		1,115,797.00
48140	Personal Income Tax 95%-Spn	16,362,648.00	
48150	Personal Income Tax 95%-Tin	13,078.00	
48160	Personal Income Tax 95%-Rot	20,232.00	
48260	Corp Income Tax 95%-Spn	264,619.00	
65900	Rebate Tax		23,116,352.00
48270	Corp Income Tax 95%-Tin	15,200.00	
48295	ACTC Payments- IRS	7,556,372.00	
	5 AJE To adjust beginning fund balance		
13010	Interfund Settlement Account		869,537.00
31600	Unreserved Fund Balance	869,537.00	
	6 AJE To take up ACTC		
20240	Rebate Payable		6,624,687.00
12040	Taxes Receivable- Current	6,624,687.00	
	7 AJE To adjust rebate liability		
13010	Interfund Settlement Account	2,500,561.00	
20240	Rebate Payable		2,500,561.00

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

Long-Term Debt:

Fund 9090

	1 AJE To take up amortization on unrefunded bonds		
20603	Unamortized bond discount - 2003A		1,265.00
80010	Amortization expense	900.00	
80020	Interest expense	1,265.00	
18020	Deferred Bond Issue Costs		900.00
	2 AJE To adjust loan payable for the JBF		
18010	Amount to be provided G/F		855,921.00
20600	Loans payable	855,921.00	
	3 AJE To record amortization on 2007A and 2007B bonds		
20604.a	Unamortized bond premium - 2007A	3,750.00	
80010	Amortization expense	71,765.00	
80020	Interest expense	303,407.00	
20605	Deferred costs on bond refunding		309,727.00
20604.b	Unamortized bond premium - 2007B	2,570.00	
18020	Deferred Bond Issue Costs		71,765.00
	4 AJE To record payments in current year		
18010	Amount to be provided G/F		2,190,000.00
20601.b	Bonds payable - 2000A bond series	1,755,000.00	
20601.d	Bonds payable - 2007A bond series	435,000.00	
	5 AJE To adjust interest payable		
80020	Interest expense		43,652.00
20606	Interest Payable	43,652.00	
	6 AJE To adjust AL to balance per subledger		
20230	Compensated Absences Payable		1,911,531.00
80030	Annual Leave Expense	1,911,531.00	
	7 AJE To adjust liability for landfill closure costs		
20602	Liability for landfill closure cost		381,737.00
80040	Provision for Landfill Closure Costs	381,737.00	
	8 AJE To adjust accrued leave		
20230	Compensated Absences Payable		327,647.00
80030	Annual Leave Expense	327,647.00	
	9 AJE To adjust claims and judgment payable		
20250	Claims and Judgments Payable	2,079,035.00	
80050	Claims and Judgments		2,079,035.00
	10 AJE To adjust accrued leave		
20230	Compensated Absences Payable	884,600.00	
80030	Annual Leave Expense		884,600.00
	11 AJE To adjust accrued leave		
20230	Compensated Absences Payable	857,594.00	
80030	Annual Leave Expense		857,594.00
	12 AJE To record principal payment on the \$60M Bonds		
18010	Amount to be provided G/F		1,755,000.00
20601.b	Bonds payable - 2000A bond series	1,755,000.00	
	13 AJE To record principal payment on the 2007A bonds		
18010	Amount to be provided G/F		435,000.00
20601.d	Bonds payable - 2007A bond series	435,000.00	

APPENDIX A, CONTINUED

Audit Adjustments, Continued:

Long-Term Debt, Continued:

Fund 9091

	1 AJE To adjust capital asset balances		
16210	Machinery, tools and equipment	1,126,288.00	
32010	Fund Balance - Investments in Fixed Assets		8,117,055.00
85500	Depreciation Expense	10,064,674.00	
16050	Roads, Streets & Bridges	2,201,414.00	
16110	Buildings & Improvements	651,606.00	
16401	Construction in Progress	3,958,264.00	
17110	Accumulated Depreciation - Buildings & Improvements		5,768,544.00
17050	Accumulated Depreciation - Roads, Streets & Bridges		1,944,734.00
17210	Accumulated Depreciation - Machinery, tools and equipment		2,351,396.00
16160	Land	179,483.00	
	2 AJE To adjust interfund		
31600	Fund Balance - Unreserved	51,949.00	
13010	Interfund Settlement Account		51,949.00

MANAGEMENT REPRESENTATION LETTER:

Office of the Secretary
Department of Finance



P.O. Box 5234 CHRB SAIPAN, MP 96950

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



May 1, 2012

Deloitte & Touche LLC
Certified Public Accountants
P.O. Box 500308
Saipan, MP 96950-0308

Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (the "CNMI"), as of and for the year ended September 30, 2010, which collectively comprise the CNMI's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances of the CNMI in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, in conformity with GAAP.
- b. The design, implementation, and maintenance of programs and controls to prevent and detect fraud, including fraud related to federal awards.
- c. Establishing and maintaining effective internal control over financial reporting.
- d. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for a general-purpose government obtained from the Government Finance Officers Association. Additionally, we agree with the adjusting entries included in Appendix A.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

APPENDIX B, CONTINUED

May 1, 2012
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We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. Except for the qualification described in your Independent Auditors' Report, the basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
 - a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
 - b. The financial statements properly classify all funds and activities, including special and extraordinary items.
 - c. All funds that meet the quantitative criteria in the GASB Codification of Government Accounting and Financial Reporting Standards section 2200.153 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 - d. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved. The basic financial statements report \$4,181,690 of restricted net assets, of which \$2,178,792 is restricted by enabling legislation.
 - e. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 - f. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 - g. Interfund, internal, and intra-Entity activity and balances have been appropriately classified and reported.
 - h. Deposits and investment securities are properly classified in the category of custodial credit risk.
 - i. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - j. Required supplementary information is measured and presented within prescribed guidelines.
 - k. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
 - l. Federal awards expenditures have been charged in accordance with applicable cost principles.
2. The CNMI has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The CNMI has provided you:
 - a. Summaries of actions of legislation passed by the CNMI's legislative body.

APPENDIX B, CONTINUED

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- b. Financial records and related data for all financial transactions of the CNMI (the Primary Government) and for all funds administered by the CNMI (the Primary Government). The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the CNMI and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
 - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:
 - a. Action taken by CNMI management that contravenes the provisions of federal laws and local laws and regulations, or of contracts and grants applicable to the CNMI, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
 - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
6. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2009 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix C.
7. The CNMI has made available to you the results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the CNMI and does not believe that the financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the CNMI involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others if the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the CNMI received in communications from employees, former employees, analysts, regulators, or others.

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10. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*, except for instances of noncompliance with respect to provisions of contracts, grant agreements, laws and regulations as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance related to federal award programs, and as discussed in item 50 of this letter.
11. Significant assumptions used by us in making accounting estimates are reasonable.
12. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. We have also properly identified subrecipient expenditures. In addition, we have accurately completed the appropriate sections of the data collection form.
13. We are responsible for compliance with local and federal laws, rules, and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the CNMI's (the Primary Government) operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The CNMI (the Primary Government) is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
14. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
15. The CNMI has obligated, expended, received, and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by local or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by local or federal law.
16. The CNMI has certified to federal granting agencies that it has not used federal funds for lobbying for specific federal awards and that it has disclosed, or will disclose, any expenditures of nonfederal funds made for lobbying purposes. The CNMI has also required, where applicable, all subrecipients of \$100,000 or more of federal funds to make the same certification.
17. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
18. We have:
 - a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program as identified in Part 3 of the Compliance Supplement dated June 2010.

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- b. Complied, in all material respects, with the requirements identified above in connection with federal awards, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
 - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations
 - d. Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable
 - e. Monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
 - f. Taken appropriate corrective action on a timely basis after receipt of a subrecipient's auditor's report that identifies noncompliance with laws, regulations, or the provisions of contracts or grant agreements, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
 - g. Considered the results of the subrecipient's audits and made any necessary adjustments to the auditee's own books and records, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
 - h. Identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews related to the objectives of the audit.
 - i. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.
 - j. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
19. We are responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings reporting the status of our efforts in implementation of the prior-year's corrective action plan.
20. We have included in the corrective action plan for current-year findings, the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.

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21. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
22. We have adopted the provisions of GASB Codification of Government Accounting and Financial Reporting Standards Section 2100, *Defining the Financial Reporting Entity*. We believe that we have properly identified and reported as a component unit of the CNMI each organization that meets the criteria established in GASB Codification of Government Accounting and Financial Reporting Standards Section 2100, *Defining the Financial Reporting Entity*.

Except where otherwise stated below, matters less than \$524,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

23. Except as listed in Appendices B and C, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
24. The CNMI (the Primary Government) has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
25. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).

- 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.
- 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:

	<u>NMIRF</u>	<u>GHLITF</u>	<u>WCC</u>	<u>Total</u>
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	<u>731,084</u>	<u>-</u>	<u>476,111</u>	<u>1,207,195</u>
	<u>\$ 246,036,676</u>	<u>\$ -</u>	<u>\$ 476,111</u>	<u>\$ 246,512,787</u>

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- 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.
 - 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.
- b. Guarantees, whether written or oral, under which the CNMI is contingently liable.
26. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.

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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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
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	<u>568,368</u>
		<u>\$ 57,383,696</u>

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

27. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
28. For financial instruments with off-balance-sheet credit risk [e.g., obligations for loans sold with recourse (with or without floating rate provision), fixed-rate and variable-rate loan commitments, financial guarantees, note issuance facilities at floating rates, letters of credit], except for those instruments within the scope FASB ASC 815, *Derivatives and Hedging*, the CNMI has disclosed the following:
 - a. The face or contract amount
 - b. The nature and terms, including, a discussion of the following:
 - Credit and market risks of those instruments
 - Cash requirements of those instruments
 - Related accounting policy pursuant to FASB ASC 235, *Notes to Financial Statements*
 - c. The CNMI's policy for requiring collateral or other security to support financial instruments subject to credit risk, information about the Entity's access to that collateral or other security, and the nature and brief description of the collateral or other security supporting those financial instruments.
29. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the financial statements.

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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.

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.

30. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
 - a. The concentration exists at the date of the financial statements.
 - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

Specifically, 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.

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31. There are no:

- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
- b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*, except as disclosed in note 14 to the financial statements, as follows:
 - 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.
 - 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 financial statements.
 - 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.
 - 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.
 - 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.

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

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.

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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.
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.

- 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 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.
- c. Guarantees of component unit debt, except as disclosed in note 10 to the financial statements.

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32. The CNMI has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in notes 5 and 10 to the financial statements.
33. The CNMI has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance, including all significant limitations and restrictions of bond indentures, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
34. No department or agency of the CNMI has reported a material instance of noncompliance to us, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
35. Other than that described in note 18 to the financial statements, no events have occurred after September 30, 2010, but before May 1, 2012, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements, as follows:
 - 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 financial statements.
36. Regarding required supplementary information:
 - a. We confirm that we are responsible for the required supplementary information
 - b. The required supplementary information is measured and presented in accordance with the Governmental Accounting Standards Board.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
37. Regarding supplementary information:
 - a. We are responsible for the fair presentation of the supplementary information in relation to the basic financial statements taken as a whole.
 - b. We believe the supplementary information, including its form and content, is fairly presented in relation to the basic financial statements taken as a whole.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
38. Management is aware of its requirement to disclose whether, subsequent to September 30, 2010, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses have occurred. However, we represent to you that no such disclosure has been made as no such changes in internal control or such other factors have occurred.
39. The cost method is used to account for the CNMI's investment in common stock of an investee where the common stock is either nonmarketable or of which the CNMI has a 20 percent of lesser ownership interest and thus the CNMI does not have the ability to exercise significant influence over the investee's operating and financial policies.

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40. 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.
 - 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 financial statements.

41. 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.
42. 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.
43. 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.

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44. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before September 30, 2010 and have been appropriately reduced to their estimated net realizable value.
45. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.
46. Provision has been made, where applicable, to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the CNMI (the Primary Government) and do not include any items consigned to it or any items billed to customers.
47. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of federal programs administered by the CNMI has been discovered, except as discussed in the Schedule of Findings and Questioned Costs section of your Independent Auditors' Reports on Internal Control and on Compliance.
48. We believe that the actuarial assumptions and methods used to measure pension costs for financial accounting purposes are appropriate in the circumstances.
49. We have no intention of withdrawing from the CNMI multiemployer pension plan or taking any other action that could result in an effective termination or reportable event for any of the plan. We are not aware of any occurrences that could result in the termination of our pension plans to which we contribute.
50. 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:

	<u>Year ended September 30,</u>
Unpaid claims at beginning of year	\$ 17,624,190
Incurred claims	19,905,226
Claim payments	<u>(4,897,108)</u>
Unpaid claims at end of year	\$ <u>32,632,308</u>

51. 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.

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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 statutory 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 statutory 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.

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.

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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.

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.

52. 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). Explanation of the differences are as follows:
- 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.

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- 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.
- 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:

	<u>October 1, 2009</u>	<u>September 30, 2010</u>
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	<u>9,697,239</u>	<u>24,578,570</u>
Deficit, GAAP basis	<u>\$ 300,840,685</u>	<u>\$ 336,934,103</u>

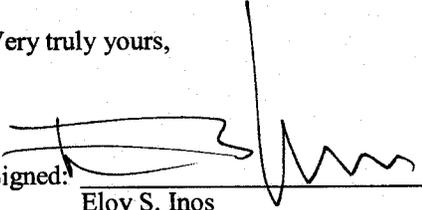
APPENDIX B, CONTINUED

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- 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.

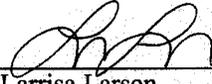
Very truly yours,

Signed:



Eloy S. Inos
Title: Lieutenant Governor

Signed:



Larrisa Larson
Title: Secretary of Finance

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS

General Fund:

#	Name	Debit	Credit
Fund 1010			
1 AJE To post entity proposed adjustment G/F #1			
11430	BOG General Fund	3,507,325.93	
13010	Interfund Settlement Account - due from		114,947.40
45270	Interest Income-Treasury		317.29
40210	Wages & Salary Tax - CY		332,663.75
40210	Wages & Salary Tax - CY		1,182,454.47
40210	Wages & Salary Tax - CY		518,527.95
45380	Other Misc. Income		23,119.18
45380	Other Misc. Income		5,345.24
47250	CHC Settlement for CIP		1,329,950.65
To record entity proposed adjustment #1 G/F - unposted deposits			
2 AJE To post entity proposed adjustment G/F #2			
31600	Unreserved Fund Balance	1,329,950.65	
31410	Reserve for CHC Settlement for CIP		1,329,950.65
To record entity proposed adjustment #2 G/F - reserve CHC settlement for CIP			
3 AJE To post entity proposed adjustment G/F #3			
11430	BOG General Fund	56,158.07	
45380	Other Misc. Income		56,158.07
To record entity's proposed adjustment #3 G/F - under posted deposits			
4 AJE To post entity proposed adjustment G/F #3			
11430	BOG General Fund		14,827.88
45380	Other Misc. Income	14,827.88	
To record entity's adjustment #4 G/F - over posted deposits			
5 AJE To post entity proposed adjustment G/F #3			
11430	BOG General Fund		205,590.40
13010	Interfund Settlement Account - due from	185,792.39	
45380	Other Misc. Income	19,798.01	
To record entity proposed adjustment #5 G/F - duplicate postings			
6 AJE To post entity proposed adjustment #6			
11430	BOG General Fund		477,560.69
62810	Misc. Adjustments	477,560.69	
To record entity proposed adjustment #6 G/F - included in PY Recon Entries			
7 AJE To post entity proposed adjustment #7			
11420	BOG Payroll Account	49,350.87	
11420	BOG Payroll Account	1,102,134.04	
11430	BOG General Fund		1,241,484.91
13010	Interfund Settlement Account - due from	90,000.00	
To record entity proposed adjustment #7 G/F - unrecorded bank transfers			
8 AJE To post entity proposed adjustment #8			
11430	BOG General Fund		33,397.68
62810	Misc. Adjustments	33,397.68	
To record entity adjustment #8 G/F - unposted checks			
9 AJE To post entity proposed adjustment #9			
11430	BOG General Fund	90.00	
62810	Misc. Adjustments		90.00
To record entity adjustment #9 G/F - overposted checks			
10 AJE To post entity proposed adjustment #10			
11430	BOG General Fund		2,524.62
11430	BOG General Fund	50,000.00	
13010	Interfund Settlement Account - due from		50,000.00
62810	Misc. Adjustments	2,524.62	
To record entity adjustment #10 G/F - duplicate check postings			

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

General Fund, Continued:

#	Name	Debit	Credit
Fund 1010, Continued			
11430 62810	11 AJE To post entity proposed adjustment #11 BOG General Fund Misc. Adjustments To record entity proposed adjustment #11 G/F - erroneous postings	8,813.32	8,813.32
11430 62810	12 AJE To post entity proposed adjustment #12 BOG General Fund Misc. Adjustments To record entity adjustment #12 G/F - stale dated checks	157,089.53	157,089.53
11430 62810	13 AJE To post entity proposed adjustment #13 BOG General Fund Misc. Adjustments To record entity adjustment #13 G/F - other adjustments for prior year	14,605.58	14,605.58
11430 62810	14 AJE To post entity proposed adjustment #14 BOG General Fund Misc. Adjustments To record entity adjustment #14 G/F - additional credit card adjustment	64.63	64.63
11430 62810 21120 21130	15 AJE To post entity proposed adjustment #15 BOG General Fund Misc. Adjustments FICA Medicare Coverage To record entity adjustment #15 G/F - unposted IRS tax payments	42,739.43 2,033,812.89	2,074,969.46 1,582.86
11430 62810	16 AJE To post entity proposed adjustment #16 BOG General Fund Misc. Adjustments To record entity adjustment #16 G/F - prior year posting in the current year	20.00	20.00
11430 45380	17 AJE To post entity proposed adjustment #17 BOG General Fund Other Misc. Income To record entity adjustment #17 G/F - unrecorded bank return items/charges	94.60	94.60
11430 45380	18 AJE To post entity proposed adjustment #18 BOG General Fund Other Misc. Income To record entity adjustment #18 G/F - unadjusted bank errors	4,000.35	4,000.35
11430 62810	19 AJE To post entity proposed adjustment #19 BOG General Fund Misc. Adjustments To record entity adjustment #19 G/F - unidentified difference	4,156.47	4,156.47
11230 11230 11230 62810 62810 11992	20 AJE To post entity proposed adjustment #20 FHB Food Stamps FHB Food Stamps FHB Food Stamps Misc. Adjustments Misc. Adjustments Restricted cash and cash equivalents To record entity proposed adjustment GF - NAP bank recon additional adjustments	939,450.23 31.11 156.12	31.11 156.12 939,450.23
13010 62810	21 AJE To post entity proposed adjustment #21 Interfund Settlement Account - due from Misc. Adjustments To record entity proposed adjustment - rebate trust fund account	12,357.10	12,357.10

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

General Fund, Continued:

#	Name	Debit	Credit
Fund 1010, Continued			
22 AJE To post entity proposed adjustment #22			
11420	BOG Payroll Account		265,779.83
11420	BOG Payroll Account		0.08
11420	BOG Payroll Account	8,913.01	
11420	BOG Payroll Account		63.05
11420	BOG Payroll Account		1,422.11
11420	BOG Payroll Account	1,030.58	
62810	Misc. Adjustments	17,574.71	
62810	Misc. Adjustments	0.08	
62810	Misc. Adjustments		8,913.01
62810	Misc. Adjustments	63.05	
62810	Misc. Adjustments	1,422.11	
62810	Misc. Adjustments		1,030.58
11992	Restricted cash and cash equivalents	248,205.12	
To record entity proposed adjustment - payroll account			
23 AJE To post entity proposed adjustment #23			
20140	Y-End Intergov t Payables		3,616,633.65
20140	Y-End Intergov t Payables	2,343,240.00	
20140	Y-End Intergov t Payables	1,888,079.58	
20140	Y-End Intergov t Payables		1,746,311.40
20140	Y-End Intergov t Payables		75,285.79
20140	Y-End Intergov t Payables		600,000.00
20140	Y-End Intergov t Payables	401,940.35	
20140	Y-End Intergov t Payables	188,369.00	
20140	Y-End Intergov t Payables		464,218.95
20140	Y-End Intergov t Payables		4,483.71
20140	Y-End Intergov t Payables	189,676.92	
20140	Y-End Intergov t Payables		2,682,957.20
62710	Utilities-Power		311,413.58
62710	Utilities-Power	1,503,174.20	
62710	Utilities-Power		189,676.92
62710	Utilities-Power	1,746,311.40	
65800	Transfers Out		9,994.37
65800	Transfers Out	1,155,806.73	
65800	Transfers Out		2,343,240.00
65800	Transfers Out	600,000.00	
65800	Transfers Out		188,369.00
65800	Transfers Out	2,682,957.20	
65800	Transfers Out	4,483.71	
65800	Transfers Out	957,652.72	
61800	Transfer Out - Pers Approp		401,940.35
61800	Transfer Out - Pers Approp		1,566,671.63
61800	Transfer Out - Pers Approp	464,218.95	
61800	Transfer Out - Pers Approp	75,285.79	
To record entity proposed adjustment to correct intercompany transactions and balances (PSS, MVA CUC and NMC)			
24 AJE To post entity proposed adjustment #24			
11230	FHB Food Stamps		1,002,872.00
13010	Interfund Settlement Account - due from	1,002,872.00	
To post entity adjustment for payment of NAP vouchers entered not posted			
25 AJE To adjust bank transfer clearing account			
11990	Bank Transfer Clearing Acct		897,596.00
20100	Vouchers Payable	897,596.00	
To adjust bank transfer clearing account			
26 AJE To take up CY taxes receivable accruals			
12040	Taxes Receivable-Current	251,640.00	
40210	Wages & Salary Tax - CY	193,381.00	
40260	Game Mach. Jackpot - SPN		83,185.00
41310	Bar Tax		44,574.00
41420	Hotel Occupancy Tax - PY		317,262.00
To take up current year accrual of taxes receivables			

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

General Fund, Continued:

#	Name	Debit	Credit
Fund 1010, Continued			
13010 12431	27 AJE To adjust invalid advances Interfund Settlement Account - due from PO Advances (NEW) w/SL To adjust invalid advances for two vendors	39,286.00	39,286.00
13010 13010 61710	28 AJE To adjust deferred retirement Interfund Settlement Account - due from Interfund Settlement Account - due from PL 15-15 Empir Ret Deferred To adjust deferred retirement expense account. Postings were made by entity for budgetary purposes pursuant to PL 16-32. For GAAP reporting, retirement expense should be recorded at statutory rate.	107,064.00 1,634,559.00	1,741,623.00
13010 31600 62810	29 AJE To adjust beginning fund balance to PY audit Interfund Settlement Account - due from Unreserved Fund Balance Misc. Adjustments To adjust beginning fund balance to agree to PY audit	873,756.00	455,661.00 418,095.00
31600 62810	30 AJE To adjust recurring PY plug Unreserved Fund Balance Misc. Adjustments To adjust recurring prior year plug eliminating adjustment at combining fund TB	143,435.00	143,435.00
65800 13020	31 AJE To correct returned funds to CU Transfers Out Intra-General fund settlement account To correct returned funds transferred to CU (CDA)	1,960,960.87	1,960,960.87
13012 20260	32 AJE To record due from CU (CDA) Due from Component Unit A/P - Claims and Judgments To record due from CDA for tax liens offset against possible claims liability	500,000.00	500,000.00
13010 48060	33 AJE To take up interfund for RTf beg. fund balance Interfund Settlement Account - due from G/F NMTIT/Indiv-CY To record interfund relating to adj. to agree beg. fund balance fund 7063	869,537.00	869,537.00
13010 62810	34 AJE To transfer misc adjustment from 2020 Interfund Settlement Account - due from Misc. Adjustments To absorb misc adjustment from close out of old accounts from fund 2020	1,241,837.00	1,241,837.00
66000 20141 20142	35 AJE To adjust NMIRF balances Penalty on Retirement Contributions A/P - NMIRF Penalty Assessed A/P - NMIRF PY cont adj. To adjust NMIRF balances to confirmation received	4,530,753.00 2,229,614.00	6,760,367.00
20143 67000	36 AJE To take up NMC's deficient retirement A/P - NMIRF (NMC Contributions) NMC Retirement Contributions To take up additional NMC contributions to be shouldered by the CNMI	1,121,158.00	1,121,158.00

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

General Fund, Continued:

#	Name	Debit	Credit
Fund 1010, Continued			
	37 AJE To take up unrecorded liabilities (10/1-12/31/09)		
62060	Professional Services	951,086.00	
62060	Professional Services	439,805.00	
62500	Travel	71,118.00	
62500	Travel	45,500.00	
62500	Travel	47,029.00	
62660	Repairs & Maintenance	1,624.00	
63050	Supplies-Operations	6,423.00	
21111	Accrued liabilities		1,562,585.00
	To take up unrecorded liabilities noted from disbursements made from 10/1/2010 thru 04/30/2011		
	38 AJE To take up additional claims and judgment payable		
65340	Settlement against Government	14,881,331.00	
20260	A/P - Claims and Judgments		14,881,331.00
	To take up additional claims and judgment expense		
	39 AJE To adjust NMTIT taxes from rebate payable adj.		
13010	Interfund Settlement Account - due from		2,500,561.00
48060	G/F NMTIT/ndiv-CY	2,286,708.00	
48210	G/F NMTIT/Corp-CY	213,853.00	
	To take up adjustments affecting NMTIT taxes arising from rebate payable adjustment under Fund 7063		
	40 AJE To record transfer out for CHIP local share		
62060	Professional Services		6,855,242.00
62280	Insurance		294,968.00
62500	Travel		126,278.00
65800	Transfers Out	7,276,488.00	
	To adjust local match as transfer out to CHIP program grants		
	41 AJE To adjust interfund balance		
13010	Interfund Settlement Account - due from	2,968,625.00	
47210	Transfers In		2,968,625.00
	To adjust Fund 4052 interfund. Balance is deemed uncollectible.		
	42 AJE To adjust interfund balance		
13010	Interfund Settlement Account - due from	219,082.00	
47210	Transfers In		219,082.00
	To adjust Fund 2070 interfund. Balance is deemed uncollectible.		
	43 AJE To adjust interfund balance		
13010	Interfund Settlement Account - due from	4,379,219.00	
47210	Transfers In		4,379,219.00
	To adjust Fund 2080 interfund. Balance is deemed uncollectible.		
	44 AJE To adjust Intergovt payable - PSS		
20140	Y-End Intergov t Payables		188,705.00
61800	Transfer Out - Pers Approp	188,705.00	
	To adjust intergovernmental balance with PSS (Fund 1607)		
	45 AJE To adjust intergovt payable - NMC		
20140	Y-End Intergov t Payables	208,208.00	
62810	Misc. Adjustments		208,208.00
	To adjust and agree intergovt payable to NMC balance to NMC audited report		
	46 AJE To take up repayment of CUC loan to MPLT		
47211	Contributions from component unit		1,554,653.00
65800.8	Payments to CUC	1,554,653.00	
	To take up repayments of CUC loan to MPLT as an offset against MPLT annual contribution to CNMI General Fund		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

General Fund, Continued:

#	Name	Debit	Credit
Fund 1010, Continued			
13010 65800.1	47 AJE To take up payment to NMC Interfund Settlement Account - due from Payments to NMC To take up payment to NMC	108,038.00	108,038.00
62810 65800.1	48 AJE To correct payment to NMC Misc. Adjustments Payments to NMC To agree payments to NMC	19,472.00	19,472.00
13010 46100	49 AJE To record revenue reimbursements from FGF Interfund Settlement Account - due from Misc. Revenue To take up revenue reimbursements for FGF expenditures charged to GF at 09/30/09	4,006,914.00	4,006,914.00
47210 15060	50 AJE To take up principal payment transfer in transit Transfers In Investment - PSS Bond Proceeds To take up transfer in to principal account as in transit payment for principal	200,000.00	200,000.00
Fund 1012			
13010 44530	1 AJE To post entity proposed adjustment #1 Interfund Settlement Account Hospital Services To record entity proposed adjustment #1 G/F - unposted deposits	62,007.40	62,007.40
13010 44530	2 AJE To post entity proposed adjustment #5 Interfund Settlement Account Hospital Services To record entity proposed adjustment #5 G/F - duplicate postings	96,142.39	96,142.39
12030 12180	3 AJE To adjust CHC receivables Accts Receivable-CHC Allow for Uncoll-G/R To adjust A/R to agree to subledger	50,364,543.00	50,364,543.00
31350 31600	4 AJE To adjust reserve for inventory Reserved Supplies Inventory Unreserved Fund Balance To adjust reserve for inventory	22,271.00	22,271.00
14110 14120 14140 63070 14130	5 AJE To adjust inventory balance CHC-Material Management CHC-Central Supply Room CHC-Pharmacy Supply Medical-Gen Supplies CHC - Inpatient Pharmacy To adjust inventory balances to agree to final inventory listings	79,994.00 18,338.00	30,444.00 1,431.00 66,457.00
13010 61710	6 AJE To adjust deferred retirement account Interfund Settlement Account PL 15-15/15-126 Ret Deferr To adjust deferred retirement expense account. Postings were made by entity for budgetary purposes pursuant to PL 16-2. For GAAP reporting, retirement expense should be recorded at statutory rate.	1,523,642.00	1,523,642.00
13010 31600	7 AJE To adjust beginning fund balance Interfund Settlement Account Unreserved Fund Balance To adjust beginning fund balance to agree to PY audited balance	206,892.00	206,892.00

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

General Fund, Continued:

#	Name	Debit	Credit
Fund 1012, Continued			
	8 AJE To take up unrecorded liabilities		
63070	Medical-Gen Supplies	52,015.00	
21110	Accrued liabilities		52,015.00
	To take up unrecorded liabilities 10/1/2010 to 4/30/2011		
	9 AJE To take up invalid advances		
13010	Interfund Settlement Account		39,286.00
63080	Medical-Lab Supplies	39,286.00	
	To take up invalid advances as of 09/30/10		
Fund 1013			
	1 AJE To adjust deferred retirement		
13010	Interfund Settlement Account		13,595.00
61710	PL 15-15/15-126 Ret Deferr	13,595.00	
	To adjust deferred retirement expense account. Postings were made by entity for budgetary purposes pursuant to PL 16-2. For GAAP reporting, retirement expense should be recorded at statutory rate.		
	2 AJE To adjust reserve for continuing appropriations		
31300	Reserve-Continuing Approp		96,428.00
31600	Unreserved Fund Balance	96,428.00	
	To adjust reserve for continuing appropriations to agree to SL		
Fund 1015			
	1 AJE To adjust deferred retirement expense		
13010	Interfund Settlement Account		97,322.00
61710	PL 15/15/15-126 Re Deferr	97,322.00	
	To adjust deferred retirement expense account. Postings were made by entity for budgetary purposes pursuant to PL 16-2. For GAAP reporting, retirement expense should be recorded at statutory rate.		
	2 AJE To adjust beginning fund balance		
13010	Interfund Settlement Account		1,080,648.00
13010	Interfund Settlement Account		14,436.00
31600	Unreserved Fund Bal.	1,095,084.00	
	To adjust beginning fund balance to agree to PY audited balance. (Interfund Breakdown: Fund 1010- 873,756, Fund 1012- 206,892, Fund 2034- 12,686 and Fund 2039- 1,750)		
	3 AJE To adjust receivables from autonomous agencies		
12390	Allowance for Unco		2,122,824.00
12343	A/R CPA	112,343.00	
12344	A/R CDA		22,682.00
12345	A/R NMIRF	49,080.00	
12346	A/R NMHC	22,241.00	
12342	A/R - CUC	1,961,842.00	
	To adjust receivable from autonomous agencies - 1% OPA fee for FY 2010		
Fund 2260			
	1 AJE To record payable to MPLT		
47211.1	Transfers-In - CUs	4,000,000.00	
20140	Y-End Intergov t Payables		4,000,000.00
	To record amount payable to MPLT		
	2 AJE To correct returned funds to CU		
13020	Intra-General Fund Settlement Account		1,960,960.87
47211.1	Transfers-In - CUs	1,960,960.87	
	To correct returned funds transferred to CU (CDA)		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

General Fund, Continued:

#	Name	Debit	Credit
Fund 6062			
1 AJE To take up due to CU not recorded			
65800.3	Payments to NMIRF, WCC, GHLI	503,000.00	
65110	Debt Service - Principal		179,865.78
20140	Y-End Intergov t Payables		338,969.22
65200	Interest expense	15,835.00	
	To take up loan provided by NMIRF for death claims pursuant to MOU		
Fund 7400			
1 AJE To adjust recovery rebates paid			
65930	Recovery Rebates Paid		240,248.00
20250	Recovery Rebate Payable	240,248.00	
	To close recovery rebates paid to payable account		
<i>Special Revenue Fund:</i>			
Fund 1016			
1 AJE To take up CRJ transactions			
12015	Notes receivables		62,511.00
20910	Landing fee liability		502,346.00
44116	Agriculture/grazing permits		6,547.00
44115	Commercial permits		5,343.00
44113	Submerged land		45,000.00
44112	Filing fees and others		2,845.00
44111	Temporary permits		230,034.00
44110	Land lease		2,732,627.00
45592	Other revenues		166,021.00
20930	Other Liabilities		346,982.00
46000	DPL Clearing Account	4,100,256.00	
	To take up CRJ transactions for FY 2010		
2 AJE To record reserve for related asset			
31600	Unreserved Fund Balance		1,038,982.00
31310	Reserve for related assets	1,038,982.00	
	To record reserve for related asset on DPL restricted CCE		
3 AJE To adjust cash accounts			
11000	Cash and cash equivalents		1,876,544.00
11002	Restricted cash and cash equivalents - others		527,381.00
46000	DPL Clearing Account	2,403,925.00	
	To adjust cash and cash equivalent accounts		
4 AJE To adjust TCD accounts			
45591	Interest income		30,700.00
11030	Restricted time certificate of deposits		501,030.00
46000	DPL Clearing Account	531,730.00	
	To adjust TCD accounts		
5 AJE To take up transfers to CNMI for local match			
65800	Transfers out	12,500.00	
46000	DPL Clearing Account		12,500.00
	To take up transfers to CNMI for DOI local match		
6 AJE To adjust receivables to agree to SL			
12012	Lease and permits receivables	12,131.29	
12013	Royalties receivables	137,371.91	
12014	Other receivables		502,346.00
12015	Notes receivables		1,043,753.97
12016	Allowance for doubtful accounts	1,396,596.77	
	To adjust DPL receivables to agree to SL		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

Special Revenue Fund, Continued:

#	Name	Debit	Credit
Fund 1016, Continued			
	7 AJE To adjust other liabilities		
20910	Landing fee liability	994,121.00	
20930	Other Liabilities	20,368.00	
46000	DPL Clearing Account		1,014,489.00
	To adjust other liabilities account		
	8 AJE To adjust deferred revenue accounts		
20810	Deferred Revenue	343,238.00	
44110	Land lease		343,238.00
	To adjust deferred revenues		
	9 AJE To adjust receivables		
12012	Lease and permits receivables	115,914.00	
12013	Royalties receivables		268,105.00
12015	Notes receivables		117,299.00
44111	Temporary permits	1,385.00	
44110	Land lease	268,105.00	
	To adjust receivables based on collections received in Oct. and Nov. 2010		
	10 AJE To adjust transfer		
47210	Transfers In	3,500,922.00	
46000	DPL Clearing Account		3,500,922.00
	To adjust DPL transfer in account		
	11 AJE To adjust new deferred revenue		
20810	Deferred Revenue	85,905.00	
44110	Land lease		85,905.00
	To adjust new deferred revenue (World) covering 3 years from 1/1/10 to 12/31/2012		
	12 AJE To record transfer in to 2260		
65800	Transfers out	2,500,000.00	
46000	DPL Clearing Account		2,500,000.00
	To record funds transferred to 2260		
Fund 2034			
	1 AJE To record entity's adjustment #1		
20140	Year End Intergov Payable		58,060.40
20140	Year End Intergov Payable		34,231.77
20140	Year End Intergov Payable	86,854.00	
20140	Year End Intergov Payable	113,475.13	
61800	Transfers Out- Pers Approp	34,231.77	
61800	Transfers Out- Pers Approp		86,854.00
61800	Transfers Out- Pers Approp		113,475.13
65800	Transfer out - Component Unit	58,060.40	
	To record entity proposed adjustment to correct intergovernmental transactions and balances (NMC)		
	2 AJE To adjust deferred retirement expense		
13010	Interfund Settlement Account		36,515.00
61710	PL 15-15/15-126 Ret Deferr	36,515.00	
	To adjust deferred retirement expense account 61710. Postings to 61710 were for budgetary purposes pursuant to PL 16-32.		
	3 AJE To adjust beginning fund balance		
13010	Interfund Settlement Account	12,686.00	
31600	Unreserved Fund Balance		12,686.00
	To adjust beginning fund balance to audited PY ending balance. Variance was due to RJE to eliminate 1% OPA fees not posted in the GL.		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

Special Revenue Fund, Continued:

#	Name	Debit	Credit
Fund 2034, Continued			
	4 AJE To adjust NMC balances		
20140	Year End Intergov Payable		61,133.00
61800	Transfers Out- Pers Approp	61,133.00	
	To adjust NMC balances		
	5 AJE To take up payments to NMC		
13010	Interfund Settlement Account		108,038.00
65800.1	Payments to NMC	108,038.00	
	To take up payments to NMC as per AJE #1		
Fund 2035			
	1 AJE To adjust deferred retirement expense		
13010	Interfund Settlement Account		15,401.00
61710	PL 15-15/15-126 Retirement Deferred	15,401.00	
	To adjust deferred retirement expense account 61710. Postings were made by entity for budgetary purposes pursuant to PL 16-32.		
Fund 2039			
	1 AJE To adjust deferred retirement expense		
13010	Interfund Settlement Account		12,534.00
61710	PL 15-15/15-126 Ret Deferr	12,534.00	
	To adjust deferred retirement expense account 61710. Postings were made by entity for budgetary purposes pursuant to PL 16-32.		
	2 AJE To adjust beginning fund balance		
13010	Interfund Settlement Account		1,750.00
31600	Unreserved Fund Balance	1,750.00	1,750.00
	To adjust beginning fund balance to agree to PY audited fund balance. Variance is due to Fund 2039 RJE not posted. This relates to the 1% OPA fees.		
Fund 2043			
	1 AJE To adjust deferred retirement expense		
13010	Interfund Settlement Account		118.00
61710	PL 15-15/15-126 Retirement Deferred	118.00	118.00
	To adjust deferred retirement expense account 61710. Postings to 61710 were for budgetary purposes pursuant to PL 16-32.		
Fund 2070			
	1 AJE To adjust deferred retirement		
13010	Interfund Settlement Account		37,261.00
61710	PL 15-15/126; 16-2 Ret Def	37,261.00	-
	To adjust deferred retirement expense account 61710. Postings were made by entity for budgetary purposes pursuant to PL 16-32.		
	2 AJE To adjust Interfund balance		
13010	Interfund Settlement Account		219,082.00
65800	Transfer Out-Govt Agency	219,082.00	-
	To adjust interfund balance for amount deemed uncollectible		
Fund 2080			
	1 AJE To adjust reserve for landfill closure costs		
31600	Unreserved Fund Balance		381,737.00
31400	Reserve landfill Closure	381,737.00	381,737.00
	To adjust reserve for landfill closure costs		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

Special Revenue Fund, Continued:

#	Name	Debit	Credit
Fund 2080, Continued			
13010	2 AJE To adjust interfund balance		
65800	Interfund Settlement Account		4,379,219.00
	Transfer Out-Govt Agency	4,379,219.00	
	To adjust interfund for amount deemed uncollectible		
Fund 2250			
13010	1 AJE To adjust deferred retirement expense		
61710	Interfund Settlement Account		5,167.00
	PL 15-15/15-126 Retirement Deferred	5,167.00	
	To adjust deferred retirement expense account 61710. Postings were made by entity for budgetary purposes pursuant to PL 16-32.		
Fund 2300			
13010	1 AJE To adjust deferred retirement expense		
61710	Interfund Settlement Account		284.00
	PL 15-15/126; 16-2 Ret Def	284.00	
	To adjust deferred retirement expense account 61710. Postings were made by entity for budgetary purposes pursuant to PL 16-32.		
Fund 4048			
13010	1 AJE To post entity proposed adjustment #1		
46010	Interfund Settlement Account	52,940.00	
	Filing Fees		52,940.00
	To record entity proposed adjustment #1 G/F - unposted deposits		
13010	2 AJE To post entity proposed adjustment #5		
46010	Interfund Settlement Account	89,650.00	
	Filing Fees		89,650.00
	To record entity proposed adjustment #5 G/F - duplicate postings		
65200	3 AJE To reclassify transfer out to NMIRF		
65800	Interest	534,055.00	
12340	Transfer Out-Govt Agency		1,005,348.00
65210	Adv. to Other CNMI Agencies		384,628.00
	Principal Repayment	855,921.00	
	To reclassify funds transferred to NMIRF as debt service on loan payable and record CY payments		
31600	4 AJE To adjust reserve for debt service		
31380	Unreserved Fund Balance		364,023.00
	Reserve for Debt	364,023.00	
	To adjust reserve amount held with the NMIRF as being available for debt service		
12340	5 AJE To record interest income on JBF funds		
45280	Adv. to Other CNMI Agencies	20,605.00	
	Interest income Other		20,605.00
	To record interest income on JBF Funds held by NMIRF		
Fund 6060			
31600	1 AJE To record reserve for related assets		
31310	Unreserved Fund Balance		71,861.00
	Reserve for related assets	71,861.00	
	To adjust reserve for related asset relating to the restricted cash account		
45280	2 AJE To adjust due from MPLT		
13011	Interest Income-Other		912.00
	Due from component unit	912.00	
	To agree balance with MPLT		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

Special Revenue Fund, Continued:

#	Name	Debit	Credit
Fund 6067			
	1 AJE To close accounts to retirement payable		
62240	Bank Charges		215.00
20260	Retirement		59,702.00
45550	Health Insurance Premium	59,917.00	
	To close fund balance, revenues and expenses to payable to WCC		
Fund 6075			
	1 AJE To adjust deferred retirement expense		
13010	Interfund Settlement Account		20.00
61710	PL 15-15/15-126 Retirement Deferred	20.00	
	To adjust deferred retirement expense account 61710. Postings were made by entity for budgetary purposes pursuant to PL 16-32		
Fund 7067			
	1 AJE To accrue tobacco receivables		
45640	Tobacco Settlement Payments	103,180.00	
12020	Receivables		103,180.00
	To accrue tobacco settlement receivables per GASB TB 2004-1		
<i>Federal Grants Fund:</i>			
Fund 2020			
	1 AJE To record entity adjustment		
13010	Interfund Settlement Account		1,002,872.00
20100	Vouchers Payable	1,002,872.00	
	To record entity's adjustment on NAP vouchered entered not posted		
	2 AJE To take up unrecorded liabilities		
62060	Professional Services	13,972.00	
62060	Professional Services	544,558.00	
62060	Professional Services	5,055.00	
62060	Professional Services	151,267.00	
62660	Repairs & Maintenance	77,900.00	
64550	Computer Systems & Equip	500,065.00	
20110	Accrued Liabilities		1,292,817.00
	To take up unrecorded liabilities noted from disbursements made from 10/1/2010 thru 04/30/2011		
	3 AJE To transfer misc. adjustment to 1010		
13010	Interfund Settlement Account	1,241,837.00	
62810	Misc Adjustments		1,241,837.00
	To transfer misc adjustment from close out of old accounts to fund 1010		
	4 AJE To adjust A/R Grantor balance		
12210	A/R From Federal Agencies		1,087,073.00
44130	Federal Grants	1,087,073.00	
	To adjust due from grantor to agree revenues to expenditures		
	5 AJE To record transfer in from GF for CHIP local share		
47210	Transfers In		7,276,488.00
62060	Professional Services	6,855,242.00	
62280	Insurance	294,968.00	
62500	Travel	126,278.00	
	To adjust local match as transfer out to CHIP program grants		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

Federal Grants Fund, Continued:

#	Name	Debit	Credit
Fund 2020, Continued			
	6 AJE To take up unrecorded liabilities		
62060	Professional Services	113,438.00	
62300	Printing and Photocopying	1,000.00	
64540	Machinery, Tools & Equip	8,153.00	
64550	Computer Systems & Equip	141,283.00	
64670	Roads, Streets & Bridges	145,457.00	
64499	Construction in Progress	153,595.00	
20110	Accrued Liabilities		562,926.00
	To take up unrecorded liabilities (ref. PV#s 969541, 968440, 969390, 973652, 973040, 968388, 969206, 975602 and 975772)		
	7 AJE To record Food Stamps inventory coupons at 9/30/09		
14150	Inventories - Food Stamp Coupons	244,800.00	
20810	Deferred Revenues		244,800.00
	To record food stamps coupons unissued as of September 30, 2010		
	8 AJE To adjust beginning fund balance to PY audit		
31600	Unreserved Fund Balance		320,096.00
62810	Misc Adjustments	320,096.00	
	To adjust beginning fund balance to agree to PY audited ending fund balance		
Fund 2021			
	1 AJE To record entity's adjustment #1		
20110	Year End Accrued Payable	30,572.00	
65710	Compact Impact Reimbursements - Utilities		30,572.00
	To record entity proposed adjustment to correct PV570164 posted as expense s/b AP		
Fund 2022			
	1 AJE To take up unrecorded liabilities		
62060	Professional Services	36,267.00	
20110	Accrued Liabilities		36,267.00
	To take up unrecorded liabilities 10/1/10 to 4/30/11		
	2 AJE To adjust CFDA 84.397 expenditures		
13010	Interfund Settlement Account		4,006,914.00
62060	Professional Services	1,564,673.00	
62500	Travel	2,030,659.00	
62120	Reimbursement for Services	48,691.00	
62430	Rental - Housing	362,891.00	
	To adjust CFDA 84.397 expenditures recorded under G/F at 9/30/09		
	3 AJE To record reserve for related asset on cash account		
31600	Unreserved Fund Balance	1,630,904.00	
31310	Reserve for related assets		1,630,904.00
	To record reserve for related asset on restricted cash and cash equivalents		
	4 AJE To adjust due from grantor		
12210	A/R From Federal Agencies		3,047,652.00
44130	Federal Grants	3,047,652.00	
	To adjust due to grantor to agree federal revenues to federal expenditures		
	5 AJE To adjust beginning fund balance		
31600	Unreserved Fund Balance	17,864.00	
44130	Federal Grants		17,864.00
	To adjust beginning fund balance		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

Federal Grants Fund, Continued:

#	Name	Debit	Credit
Fund 2022, Continued			
6 AJE To take up unrecorded liabilities			
62060	Professional Services	7,329.00	
62420	Rental-Vehicles	1,600.00	
20110	Accrued Liabilities		8,929.00
	To take up unrecorded liabilities (ref. PV#s 969564, 975525 and 969449)		
7 AJE To adjust advance payments			
62060	Professional Services		3,601,410.00
12100	Advances	3,601,410.00	
	To adjust advances to contractors (CFDA 81.041)		

Debt Service Fund:

Fund 3210

1 AJE To record 40m bond activity			
45280	Interest Income		2.00
47210	Transfer In		375,500.00
65200	Interest Expense	263,250.00	
11873	Bond Payment Fund - 40m - P&I		87,750.00
65800	Transfers out	200,002.00	
	To record 40m bond activity in the current year		
2 AJE To adjust reserve for debt service			
31600	Unreserved F/B		87,750.00
31380	Reserve for Debt Service	87,750.00	
	To adjust reserve for debt service on the 40 million series		
3 AJE To record 2007A bond activity			
45280	Interest Income		46.00
65110	Debt Service - Principal	435,000.00	
47210	Transfer In		3,313,742.00
65200	Interest Expense	2,869,250.00	
62810	Miscellaneous expense		28.00
62810	Miscellaneous expense	12,720.00	
11874	Investments - 2007A Series		3,154.00
	To record 2007A bond series investment activities for the current year		
4 AJE To adjust reserve for debt service			
31600	Unreserved F/B		3,154.00
31380	Reserve for Debt Service	3,154.00	
	To adjust reserve for debt service for the 2007A BOG investments		
5 AJE To record 2007B bond activity			
45280	Interest Income		50.00
47210	Transfer In		2,139,500.00
65200	Interest Expense	3,201,750.00	
62810	Miscellaneous expense		28.00
62810	Miscellaneous expense	5,007.00	
11875	Investments - 2007B Series		1,067,235.00
	To record current year transactions on the 2007B investment statements		
6 AJE To adjust reserve for debt service			
31600	Unreserved F/B		1,067,235.00
31380	Reserve for Debt Service	1,067,235.00	
	To adjust reserve on the 2007B investments		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

Capital Projects Fund:

#	Name	Debit	Credit
Fund 4041			
	1 AJE To adjust beginning fund balance		
13010	Interfund Settlement Account	85,980.00	
31600	Unreserved Fund Balance		85,980.00
	To adjust beginning fund balance to agree to audited		
Fund 4042			
	1 AJE To record reserve for related asset		
31600	Unreserved Fund Balance	129,965.00	
31310	Reserve-Related Asset		129,965.00
	To record reserve for related asset on the restricted CCE		
	2 AJE To adjust revenues relating to \$60M drawdown		
47210	Transfers In		57,937.00
44160	CIP-CDA Matching	57,937.00	
	To adjust CIP revenues for project drawdowns from the \$60M investment account		
Fund 4043			
	1 AJE To take up unrecorded liabilities		
62060	Professional Services	25,344.00	
64670	Roads, Streets & Bridges	444,180.00	
20110	Accrued liabilities		469,524.00
	To take up unrecorded liabilities noted from disbursements made from 10/1/2010 thru 4/30/2011		
	2 AJE To take up unrecorded liabilities		
62060	Professional Services	44,463.00	
64670	Roads, Streets & Bridges	275,671.00	
20110	Accrued liabilities		320,134.00
	To take up unrecorded liabilities (ref. PV#s 969215, 969230, 969227, 977220, and 969223)		
	3 AJE To adjust federal revenues to agree to expenditure		
44130	Federal Grants		358,445.00
12210	Federal Grants Receivables	358,445.00	
	To adjust federal revenues to agree to expenditures		
<i>DOI Capital Projects Fund:</i>			
Fund 4044			
	1 AJE To adjust receivable from grantor		
12210	Federal Grants Receivables	43,415.00	
44110	CIP		43,415.00
	To adjust A/R Grantor amount to agree revenues to expenditures		
Fund 4052			
	1 AJE To adjust A/R grantor		
44110	CIP		390,743.00
12210	Federal Grants Receivables	390,743.00	
	To adjust due to grantor account to agree revenues to federal expenditures		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

DOI Capital Projects Fund, Continued:

#	Name	Debit	Credit
Fund 4052, Continued			
	2 AJE To adjust investment account		
44160	CIP-CDA Matching Funds	616,765.00	
47210	Transfers In		1,860,913.00
81110	Interest & Dividend Income		674.00
65800	Operating Transfers Out	5,716.00	
65800	Operating Transfers Out	57,937.00	
65200	Interest Expense	100,912.00	
64000	Principal Payment	1,755,000.00	
15070	Invest.-BOG Project		679,820.00
62060.3	Professional Fees - CDA local	5,077.00	
	To adjust investments and related accounts and record FY 2010 investments transactions relating to the \$60 million bond		
	3 AJE To take up unrecorded liabilities		
64320.1	Construction - Federal	584,554.00	
20110	Accrued Liabilities		584,554.00
	To take up unrecorded liabilities 10/1/10 to 4/30/11		
	4 AJE To adjust beginning fund balance		
31600	Unreserved Fund Balance		4,453,036.00
31310	Reserve for related assets	4,453,036.00	
	To adjust beginning fund balance to agree to PY audit		
	5 AJE To take up unrecorded liabilities		
64320.1	Construction - Federal	138,368.00	
20110	Accrued Liabilities		143,368.00
64570.1	Office Furniture & Fixtures - Federal	5,000.00	
	To take up unrecorded liabilities (ref. PV#s 986923 and 968445)		
	6 AJE To record reserve for related asset		
31600	Unreserved Fund Balance	3,773,216.00	
31310	Reserve for related assets		3,773,216.00
	To record reserve for related asset on the restricted cash and cash equivalents		
	7 AJE To adjust interfund for balance for uncollectibles		
13010	Interfund Settlement Account		2,968,625.00
65800	Operating Transfers Out	2,968,625.00	
	To adjust interfund for uncollectible balance and to bring balance equivalent to corresponding cash balances in the general fund		
Fund 4057			
	1 AJE To adjust revenues for \$60M bond drawdowns		
44160	CIP - CDA Matching Funds	5,716.00	
47210	Transfer In		5,716.00
	To adjust CDA matching revenues relating to drawdowns from the \$60 million investment account		
	2 AJE To adjust due to grantor agency		
44110	CIP Federal Grants	5,716.00	
12210	Due from Grantor Agency		5,716.00
	To agree federal revenues to federal expenditures		
Fund 4058			
	1 AJE To adjust A/R grantor		
44110	CIP Federal Grants		492,949.00
12210	Federal Grants Receivables	492,949.00	
	To adjust A/R grantor account to agree revenues to expenditures		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

DOI Capital Projects Fund, Continued:

#	Name	Debit	Credit
Fund 4058, Continued			
	2 AJE To take up unrecorded liabilities		
64320.1	Construction - Federal	260,652.00	
64280.1	Architect & Eng Fees - Federal	18,025.00	
62060.1	Professional Services - Federal	34,425.00	
20110	Accrued liabilities		374,799.00
64050.1	Building/Improvements - Federal	61,697.00	
	To take up unrecorded liabilities (ref. PV#s 969429, 969535, 969544, 968795, 969543 and 971827)		

Agency Fund:

Fund 7062

	1 AJE To adjust interest to due to claimants		
20270	Due to Claimants		870.00
45280	Interest Income-Other	870.00	
	To adjust interest income to due to claimants		

Fund 7066

	1 AJE To adjust BOG (Saipan) checking acct		
11151	Superior Court Trust - SPN		20,702.00
20271	Due Claimants- Sup CT SPN	20,702.00	
	To adjust Superior Court - SPN cash account to agree to adjusted cash in bank balance at 9/30/10		
	2 AJE To adjust security deposits to agree to schedule		
15050	Investment - Insurance TCDs	364,168.00	
20270	Due to Claimants - Insurance Security Deposits		364,168.00
	To adjust security deposits balance per GL to agree to detailed schedule provided by the Department of Commerce		
	3 AJE To adjust BOG TCD security deposits		
15050	Investment - Insurance TCDs	14,020.00	
20270	Due to Claimants - Insurance Security Deposits		14,020.00
	To adjust BOG TCD security deposits to agree to confirmation		

Rebate Trust Fund:

Fund 7063

	1 AJE To post entity proposed adjustment #7		
13010	Interfund Settlement Account		90,000.00
11400	BOG NMTIT Checking Account	90,000.00	
	To record entity proposed adjustment #7 G/F - unrecorded bank transfers		
	2 AJE To post entity proposed adjustment #10		
13010	Interfund Settlement Account	50,000.00	
11400	BOG NMTIT Checking Account		50,000.00
	To record entity proposed adjustment #10 G/F - duplicate postings		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

Rebate Trust Fund, Continued:

#	Name	Debit	Credit
Fund 7063, Continued			
3 AJE To post entity proposed adjustment #10			
13010	Interfund Settlement Account	12,357.10	
65900	Rebate Tax	343.52	
65900	Rebate Tax	20.00	
65900	Rebate Tax		154,525.04
65900	Rebate Tax	77,402.63	
65900	Rebate Tax		26,764.28
65900	Rebate Tax		616.00
11400	BOG NMTIT Checking Account		343.52
11400	BOG NMTIT Checking Account		20.00
11400	BOG NMTIT Checking Account	154,525.04	
11400	BOG NMTIT Checking Account		77,402.63
11400	BOG NMTIT Checking Account	26,764.28	
11400	BOG NMTIT Checking Account		12,357.10
11400	BOG NMTIT Checking Account	616.00	
To record entity proposed adjustment - rebate trust fund account			
4 AJE To close out revenue and expenses			
20240	Rebate Payable		1,115,797.00
48140	Personal Income Tax 95%-Spn	16,362,648.00	
48150	Personal Income Tax 95%-Tin	13,078.00	
48160	Personal Income Tax 95%-Rot	20,232.00	
48260	Corp Income Tax 95%-Spn	264,619.00	
65900	Rebate Tax		23,116,352.00
48270	Corp Income Tax 95%-Tin	15,200.00	
48295	ACTC Payments- IRS	7,556,372.00	
To close out rebate trust fund revenues and expenses to rebate liability account			
5 AJE To adjust beginning fund balance			
13010	Interfund Settlement Account		869,537.00
31600	Unreserved Fund Balance	869,537.00	
To adjust beginning fund balance to agree to PY audited balance			
6 AJE To take up ACTC			
20240	Rebate Payable		6,624,687.00
12040	Taxes Receivable- Current	6,624,687.00	
To take up ACTC tax liability as of September 30, 2010			
7 AJE To adjust rebate liability			
13010	Interfund Settlement Account	2,500,561.00	
20240	Rebate Payable		2,500,561.00
To adjust rebate payable balance to agree to details and estimated liability for TY 2010			
<i>Long-Term Debt:</i>			
Fund 9090			
1 AJE To take up amortization on unrefunded bonds			
20603	Unamortized bond discount - 2003A		1,265.00
80010	Amortization expense	900.00	
80020	Interest expense	1,265.00	
18020	Deferred Bond Issue Costs		900.00
To record FY 2010 amortization on the unrefunded portion of the 2003A bonds			
2 AJE To adjust loan payable for the JBF			
18010	Amount to be provided G/F		855,921.00
20600	Loans payable	855,921.00	
To record current fiscal year activity in the JBF Loan			

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

Long-Term Debt, Continued:

#	Name	Debit	Credit
Fund 9090, Continued			
	3 AJE To record amortization on 2007A and 2007B bonds		
20604.a	Unamortized bond premium - 2007A	3,750.00	
80010	Amortization expense	71,765.00	
80020	Interest expense	303,407.00	
20605	Deferred costs on bond refunding		309,727.00
20604.b	Unamortized bond premium - 2007B	2,570.00	
18020	Deferred Bond Issue Costs		71,765.00
	To record amortization of bond issuance costs, bond premium and deferred refunding cost relating to the 2007A and 2007B bonds series		
	4 AJE To record payments in current year		
18010	Amount to be provided G/F		2,190,000.00
20601.b	Bonds payable - 2000A bond series	1,755,000.00	
20601.d	Bonds payable - 2007A bond series	435,000.00	
	To adjust for CY activity		
	5 AJE To adjust interest payable		
80020	Interest expense	43,652.00	
20606	Interest Payable		43,652.00
	To reverse FY 2008 accrued interest and record accrued interest at 9/30/10		
	6 AJE To adjust AL to balance per subledger		
20230	Compensated Absences Payable	1,911,531.00	
80030	Annual Leave Expense		1,911,531.00
	To adjust annual leave per GL to balance per subledger		
	7 AJE To adjust liability for landfill closure costs		
20602	Liability for landfill closure cost	381,737.00	
80040	Provision for Landfill Closure Costs		381,737.00
	To adjust liability for landfill closure costs		
	8 AJE To adjust accrued leave		
20230	Compensated Absences Payable	327,647.00	
80030	Annual Leave Expense		327,647.00
	To adjust debit balances in accrued annual leave		
	9 AJE To adjust claims and judgment payable		
20250	Claims and Judgments Payable	2,079,035.00	
80050	Claims and Judgments		2,079,035.00
	To adjust claims and judgment liability		
	10 AJE To adjust accrued leave		
20230	Compensated Absences Payable	884,600.00	
80030	Annual Leave Expense		884,600.00
	To adjust overstatement in accrued leave resulting from annual leave balance in excess of the 360 maximum balance		
	11 AJE To adjust accrued leave		
20230	Compensated Absences Payable	857,594.00	
80030	Annual Leave Expense		857,594.00
	To adjust overstatement in accrued leave resulting from annual leave balance of separated employees		
	12 AJE To record principal payment on the \$60M Bonds		
18010	Amount to be provided G/F		1,755,000.00
20601.b	Bonds payable - 2000A bond series	1,755,000.00	
	To record current year payments made applicable to the principal balance for the \$60 million bonds		
	13 AJE To record principal payment on the 2007A bonds		
18010	Amount to be provided G/F		435,000.00
20601.d	Bonds payable - 2007A bond series	435,000.00	
	To record principal payment on the 2007A bonds		

APPENDIX B, CONTINUED

APPENDIX A: AUDIT ADJUSTMENTS, CONTINUED

Long-Term Debt, Continued:

#	Name	Debit	Credit
Fund 9091			
	1 AJE To adjust capital asset balances		
16210	Machinery, tools and equipment	1,126,288.00	
32010	Fund Balance - Investments in Fixed Assets		8,117,055.00
85500	Depreciation Expense	10,064,674.00	
16050	Roads, Streets & Bridges	2,201,414.00	
16110	Buildings & Improvements	651,606.00	
16401	Construction in Progress	3,958,264.00	
17110	Accumulated Depreciation - Buildings & Improvements		5,768,544.00
17050	Accumulated Depreciation - Roads, Streets & Bridges		1,944,734.00
17210	Accumulated Depreciation - Machinery, tools and equipment		2,351,396.00
16160	Land	179,483.00	
	To adjust capital asset balances for current year movements/transactions		
	2 AJE To adjust interfund		
31600	Fund Balance - Unreserved	51,949.00	
13010	Interfund Settlement Account		51,949.00
	To adjust interfund balance to fund balance		

APPENDIX B, CONTINUED

APPENDIX B - GOVERNMENT-WIDE

CURRENT YEAR UNCORRECTED MISSTATEMENTS	Pre-Tax Correcting Entry							Total Should Equal 0
	Balance Sheet				Income Statement			
	Assets	Liabilities	Retained Earnings Beg of Year	Other Equity A/Cs	Income from Cont. Ops before Income Taxes	Income Tax Expense	Disc. Ops. and Extraordinary Items	
Entry Description	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	
2010 GW PAJE #1: To adjust understatement in accrued leave		(163,159)			163,159			0
FY 2010 General Fund	(803,480)	(136,839)			940,319			0
FY 2010 Grants Assistance Fund	(43,411)				43,411			0
FY 2010 Nonmajor Funds	514,213				(514,213)			0
Total Misstatements	(332,678)	(299,998)	0	0	632,676	0	0	0

APPENDIX B, CONTINUED

APPENDIX B - GENERAL FUND

Entry Description	Pre-Tax Correcting Entry							Total Should Equal 0
	Balance Sheet			Income Statement				
	Assets Dr (Cr)	Liabilities Dr (Cr)	Retained Earnings Beg of Year Dr (Cr)	Other Equity A/Cs Dr (Cr)	Income from Cont. Ops before Income Taxes Dr (Cr)	Income Tax Expense Dr (Cr)	Disc. Ops. and Extraordinary Items Dr (Cr)	
2010-PAJE #1. To take up cash account confirmed by BOH but is not recorded by CNMI	133,101	(133,101)						0
2010-PAJE #2. Adjust allowance for receivable balance with no change from PY.	(91,658)				91,658			0
2010-PAJE #3. To adjust returned checks receivable and related allowance.	(190,020)				190,020			0
2010-PAJE #4. Reclassify credit balances in travel advances	103,897	(103,897)						0
2010-PAJE #5. Agree voucher payable per GL to subledgers		270,374			(270,374)			0
2010-PAJE #6. To take up unrecorded liability		(170,215)			170,215			0
2010-PAJE #7. Provide additional allowance for long outstanding travel advances	(133,883)				133,883			0
2010-PAJE #8. To adjust unrecorded due from CU.	107,296				(107,296)			0
2010-PAJE #9. To adjust extrapolated overstatement in encumbrance (Dr. Reserve for encumbrance, Cr. Unreserved fund balance)	0	0	0	0	0	0	0	0
2010-PAJE #10. To adjust unidentified cash clearing disbursement. Dr. Misc. expense, Cr. Cash	(218,000)				218,000			0
2010-PAJE #11. To adjust fund deficit for Private Grants Fund (\$191,870), Commonwealth Museum Fund (\$171,179) and Infrastructure Tax Fund (\$151,164).	(514,213)				514,213			0
Total Misstatements	(803,480)	(136,839)	0	0	940,319	0	0	0

APPENDIX B, CONTINUED

APPENDIX B - GRANTS ASSISTANCE FUND

CURRENT YEAR UNCORRECTED MISSTATEMENTS	Pre-Tax Correcting Entry							Total Should Equal 0
	Balance Sheet				Income Statement			
	Assets	Liabilities	Retained Earnings Beg of Year	Other Equity A/Cs	Income from Cont. Ops before Income Taxes	Income Tax Expense	Disc. Ops. and Extraordinary Items	
Entry Description	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	
Census:								
Census 2010-1: To take up excess local expenses charged. (Dr. local expenditures for \$77,550; Cr. Federal expenditures for \$77,550)	0	0	0	0	0	0	0	0
DOI CIP:								
DOI CIP 2010-2: To take up excess local expenses charged. (Dr. local expenditures for \$17,158; Cr. Federal expenditures for \$17,158)	0	0	0	0	0	0	0	0
DOI CIP 2010-3: To take up excess local expenses charged. (Dr. local expenditures for \$15,582; Cr. Federal expenditures for \$15,582)	0	0	0	0	0	0	0	0
DOI CIP 2010-4: To take up excess local expenses charged. (Dr. local expenditures for \$50,237; Cr. Federal expenditures for \$50,237)	0	0	0	0	0	0	0	0
DOI 2010-5: To reduce encumbrance for extrapolated misstatement. (Dr. 31330 Reserve for encumbrances \$134,195; Cr. 31600 Unreserved fund balance \$134,195)	0	0	0	0	0	0	0	0
DOI 2010-6: To adjust allowance for doubtful accounts.	246,844				(246,844)			0
FGF:								
FGF 2010-1: To adjust allowance for doubtful accounts.	(290,255)				290,255			0
Total Misstatements	(43,411)	0	0	0	43,411	0	0	0

APPENDIX B, CONTINUED

APPENDIX B - NONMAJOR FUNDS

CURRENT YEAR UNCORRECTED MISSTATEMENTS	Pre-Tax Correcting Entry							Total Should Equal 0
	Balance Sheet				Income Statement			
	Assets	Liabilities	Retained Earnings Beg of Year	Other Equity A/Cs	Income from Cont. Ops before	Income Tax Expense	Disc. Ops. and Extraordinary	
Entry Description	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	
SRF 20010-PAJE #2. To adjust potential overstatement in encumbrance resulting from cancellations subsequent to year end (Dr. Reserve for enc. 164,960; Cr. Unreserved Fund Balance 164,960)	0	0	0	0	0	0	0	0
SRF 2010-PAJE #3. To adjust deficit for Private Grants fund of \$191,870 and Commonwealth Museum Fund of \$171,179. Dr. Interfund, Cr. Transfers in	363,049				(363,049)			0
CPF 2010-PAJE #1. To adjust potential overstatement in encumbrance resulting from cancellations subsequent to year end (Dr. Reserve for enc. 154,628; Cr. Unreserved Fund Balance 154,628)	0	0	0	0	0	0	0	0
CPF 2010-PAJE #2. To reverse reserve for continuing appropriation (BU # 4638). Dr. Reserve for cont. appropriation 315,985, Cr. Unreserved fund balance 315,985.	0	0	0	0	0	0	0	0
CPF 2010-PAJE #3. To adjust deficit for Infrastructure Tax fund. Dr. Interfund, Cr. Transfers in	151,164				(151,164)			0
TOTAL MISSTATEMENTS	514,213	0	0	0	(514,213)	0	0	0

APPENDIX B, CONTINUED

APPENDIX C - GOVERNMENT-WIDE

CURRENT YEAR UNCORRECTED MISSTATEMENTS	Pre-Tax Correcting Entry							Total Should Equal 0
	Balance Sheet				Income Statement			
	Assets	Liabilities	Retained Earnings Beg of Year	Other Equity A/Cs	Income from Cont. Ops before Income Taxes	Income Tax Expense	Disc. Ops. and Extraordinary Items	
Entry Description	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	
FY 2010 Grants Assistance Fund			289,036		(289,036)			0
FY 2010 Nonmajor Funds			321,650		(321,650)			0
Total Misstatements	0	0	610,686	0	(610,686)	0	0	0

APPENDIX B, CONTINUED

APPENDIX C - GRANTS ASSISTANCE FUND

Entry Description	Prior-Year Correcting Entry							Total Should Equal 0
	Balance Sheet				Income Statement			
	Assets Dr (Cr)	Liabilities Dr (Cr)	Retained Earnings Beg of Year Dr (Cr)	Other Equity A/Cs Dr (Cr)	Income from Cont. Ops before Income Taxes Dr (Cr)	Income Tax Expense Dr (Cr)	Disc. Ops. and Extraordinary Items Dr (Cr)	
DOI CIP:								
DOI CIP 2010-1: To take up expenditures relating to PY			104,385		(104,385)			0
Highway Planning:								
Highway 2010-1: To take up expenditures relating to PY			89,137		(89,137)			0
Highway 2010-2: To take up expenditures relating to PY			95,514		(95,514)			0
Total Misstatements	0	0	289,036	0	(289,036)	0	0	0

APPENDIX B, CONTINUED

APPENDIX C - NONMAJOR FUNDS

Entry Description	Prior-Year Correcting Entry							Total Should Equal 0
	Balance Sheet				Income Statement			
	Assets Dr (Cr)	Liabilities Dr (Cr)	Retained Earnings Beg of Year Dr (Cr)	Other Equity A/Cs Dr (Cr)	Income from Cont. Ops before Income Taxes Dr (Cr)	Income Tax Expense Dr (Cr)	Disc. Ops. and Extraordinary Items Dr (Cr)	
SRF 2010-PAJE #1. To adjust extrapolated misstatements for expenditures relating to prior year.			321,650		(321,650)			0
Total Misstatements	0	0	321,650	0	(321,650)	0	0	0