COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

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

YEAR ENDED SEPTEMBER 30, 2011

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

BASIC FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2011

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Honorable Eloy S. Inos
Governor
Commonwealth of the Northern Mariana Islands:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (CNMI) as of and for the year ended September 30, 2011, which collectively comprise the CNMI's basic financial statements as set forth in Section III of the foregoing table of contents. These financial statements are the responsibility of the CNMI's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Commonwealth Utilities Corporation and the Marianas Visitors Authority, which represent 22%, 21% and 42%, respectively, of the assets, net assets and revenues of the CNMI's discretely presented component units, or the financial statements of the Northern Mariana Islands Retirement Fund, the Northern Mariana Islands Government Health and Life Insurance Trust Fund and the CNMI Workers' Compensation Commission, which represent 97%, 98% and 72%, respectively, of the assets, net assets/fund balance and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commonwealth Utilities Corporation, the Marianas Visitors Authority, the Northern Mariana Islands Retirement Fund, the Northern Mariana Islands Government Health and Life Insurance Trust Fund, and the CNMI Workers' Compensation Commission, is based on the reports of the other auditors.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CNMI's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

The financial statements of the Commonwealth Ports Authority have not been audited, and we were not engaged to audit the financial statements of the Commonwealth Ports Authority as part of our audit of the CNMI's basic financial statements. The financial activities of the Commonwealth Ports Authority are included in the CNMI's basic financial statements as a discretely presented component unit and represent 37%, 37% and 8% of the assets, net assets and revenues, respectively, of the CNMI's aggregate discretely presented component units.

The propriety of the Public School System's capital assets, accumulated depreciation, depreciation expense, advances, vouchers payable, accrued expenses and retirement contributions payable and related expenses could not be determined as of and for the year ended September 30, 2011. The financial activities of the Public School System are included in the CNMI's basic financial statements as a discretely presented component unit and represent 18%, 16% and 27% of the assets, net assets and revenues, respectively, of the CNMI's aggregate discretely presented component units.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of the Commonwealth Ports Authority been audited, as discussed in the third paragraph above, and as might have been determined to be necessary had we been able to determine the propriety of capital assets, accumulated depreciation, depreciation expense, advances, vouchers payable, accrued expenses and retirement contributions payable and related expenses of the Public School System, as discussed in the fourth paragraph above, the financial statements referred to previously present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the Commonwealth of the Northern Mariana Islands as of September 30, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Commonwealth of the Northern Mariana Islands as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The CNMI's plans regarding its General Fund deficit position and the related governmental activities net deficiency position are described in note 14 to the financial statements.

As discussed note 1 to the financial statements, during the year ended September 30, 2011, the CNMI adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, on our consideration of the CNMI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, on pages 4 through 9, as well as the Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund and notes thereto, as set forth in Section IV of the foregoing table of contents, are not a required part of the basic financial statements but are supplementary information required by GASB. This supplementary information is the responsibility of the management of the CNMI. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the CNMI's respective financial statements that collectively comprise the CNMI's basic financial statements. The Other Supplementary Information, as set forth in Section V of the foregoing table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the CNMI. This supplementary information is the responsibility of the management of the CNMI. Such additional information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLC

May 24, 2013

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Eloy S. Inos
Governor

Jude U. Hofschneider
Lieutenant Governor

Management's Discussion and Analysis
Year Ended September 30, 2011

Our discussion and analysis of the Commonwealth of the Northern Marianas Islands (the CNMI) financial performance provides an overview of the CNMI's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the CNMI's financial statements, which follow this section. Fiscal year 2010 comparative information has been included where appropriate for comparative purposes.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2011, the CNMI's total net deficiency increased by $18.7 million, to a net deficiency position of $238.9 million, which represents an increase of approximately 8.5% from the net deficiency position at the beginning of the year.

- During the year, the CNMI's expenses for governmental activities were $292.3 million, including expenses recorded for payments made or due to the autonomous agencies, and were funded in part by program revenues of $158.9 million, further funded with taxes and other general revenues that totaled $114.7 million. The difference between total revenues of $273.6 million and total expenses of $292.3 million is what resulted in the $18.7 million increase in net deficiency.

- At September 30, 2011, the General Fund reported an unassigned fund deficit of $351.3 million, which is an increase in the unassigned fund deficit of 4.3% from the prior year's reported unassigned fund deficit of $336.9 million.

- For budgetary reporting purposes, General Fund actual revenues were higher than final estimates by $2.8 million, or 2.0%, while reported actual expenditures exceeded final estimated appropriations by $31.5 million, or 20.5%. These amounts do not include transfers to and from other funds, nor does it include the receipt or use of long-term debt proceeds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the CNMI and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are governmental-wide statements for the governmental activities of the CNMI, along with the CNMI's discretely-presented component units. The government-wide financial statements present the complete financial picture of the CNMI from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the CNMI (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the CNMI as a Whole

The Statement of Net Assets and the Statement of Activities

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

These two government-wide statements report the CNMI's net assets and changes in them from the prior year. You can think of the CNMI's net assets - the difference between assets and liabilities - as one way to measure the CNMI's financial condition, or position. Over time, increases or decreases in the CNMI's net assets are indicators of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the CNMI's tax base, the condition of the CNMI's roads and infrastructure, and the quality of services to assess the overall health and performance of the CNMI.

As mentioned above in the Statement of Net Assets and the Statement of Activities, we divide the CNMI into two kinds of activities:

- Governmental activities - Most of the CNMI's basic services are reported here, including public safety, health care, general administration, streets, and parks. Income taxes, business gross receipt taxes, other taxes and fees, fines, and federal grants finance most of these activities.

- Discretely-presented component units - These account for activities of the CNMI's reporting entities that do not meet the criteria for blending within the CNMI's primary government. These discretely-presented component units are often referred to as autonomous agencies.

Reporting the CNMI's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the CNMI as a whole. Some funds are required to be established by law or regulation and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies.

Governmental funds - Most of the CNMI's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the CNMI's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the CNMI's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Fiduciary funds - When the CNMI is responsible for assets that - because of a trust arrangement or other fiduciary requirement - can be used only for trust beneficiaries or others parties, such as pensions and other employee benefit trust funds and agency funds. The CNMI is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the CNMI's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the CNMI's government-wide financial statements because the CNMI cannot use these assets to finance operations.

A FINANCIAL ANALYSIS OF THE CNMI AS A WHOLE

Net Deficiency

The CNMI's governmental activities net deficiency increased from $220.2 million to a net deficiency of $238.9 million, an increase in the deficit of 8.5%, between fiscal years 2010 and 2011.

A summary of net deficiency (condensed) is presented below, with comparable balances for fiscal year 2010.

	Governmental Activities 2011	Governmental Activities 2010	Change
Current assets	$ 55,500,692	$ 60,079,180	$ (4,578,488)
Capital assets, net	203,733,528	202,298,579	1,434,949
Other noncurrent assets	4,025,973	4,171,303	(145,330)
Total assets	**263,260,193**	**266,549,062**	**(3,288,869)**
Current liabilities	401,503,775	377,409,867	24,093,908
Noncurrent liabilities	100,659,161	109,351,499	(8,692,338)
Total liabilities	**502,162,936**	**486,761,366**	**15,401,570**
Net deficiency:			
Invested in capital assets, net of related debt	109,256,064	105,873,882	3,382,182
Restricted net assets	5,209,811	4,181,690	1,028,121
Unrestricted net assets	(353,368,618)	(330,267,876)	(23,100,742)
Total net deficiency	**$ (238,902,743)**	**$ (220,212,304)**	**$ (18,690,439)**

Changes in Net Deficiency

For the year ended September 30, 2011, net deficiency of the primary government changed as follows, with comparable amounts for fiscal year 2010:

	Governmental Activities 2011	Governmental Activities 2010	Change
Revenues:			
Program revenues	$ 158,910,398	$ 144,597,041	$ 14,313,357
Taxes and other general revenues	114,689,123	115,380,079	(690,956)
Total revenues	**273,599,521**	**259,977,120**	**13,622,401**
Expenses:			
Capital projects	1,543,615	1,356,436	187,179
Health	83,026,299	76,591,258	6,435,041
Public safety and law enforcement	29,545,686	39,079,894	(9,534,208)
General government	13,324,196	30,818,642	(17,494,446)
Community and social services	25,375,373	25,888,448	(513,075)
Other elected officials	6,075,302	8,270,492	(2,195,190)
Utilities	1,766,762	12,237,666	(10,470,904)
Public works	16,744,894	11,919,986	4,824,908
Lands and natural resources	13,192,014	14,940,598	(1,748,584)
Legislative branch	5,449,469	5,803,592	(354,123)
Judicial branch	3,821,507	4,247,425	(425,918)
Education	5,223,617	11,428,510	(6,204,893)
Unallocated interest	6,121,320	7,549,242	(1,427,922)
Economic development	3,018,188	7,786,441	(4,768,253)
Payments to autonomous agencies	78,061,718	58,066,901	19,994,817
Total expenses	**292,289,960**	**315,985,531**	**(23,695,571)**
Increase in net deficiency	**$ (18,690,439)**	**$ (56,008,411)**	**$ 37,317,972**

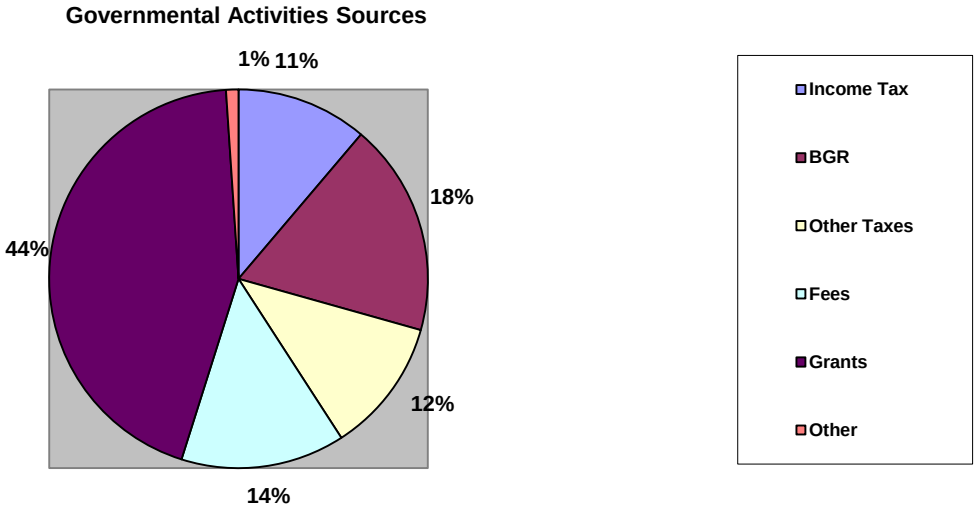
The CNMI's governmental activities' increase in net deficiency of $18.7 million represents a 8.5% increase from the prior year. The results indicate the CNMI's financial condition, as a whole, continued to decline in the current year although at a significantly lower rate than the previous two years.

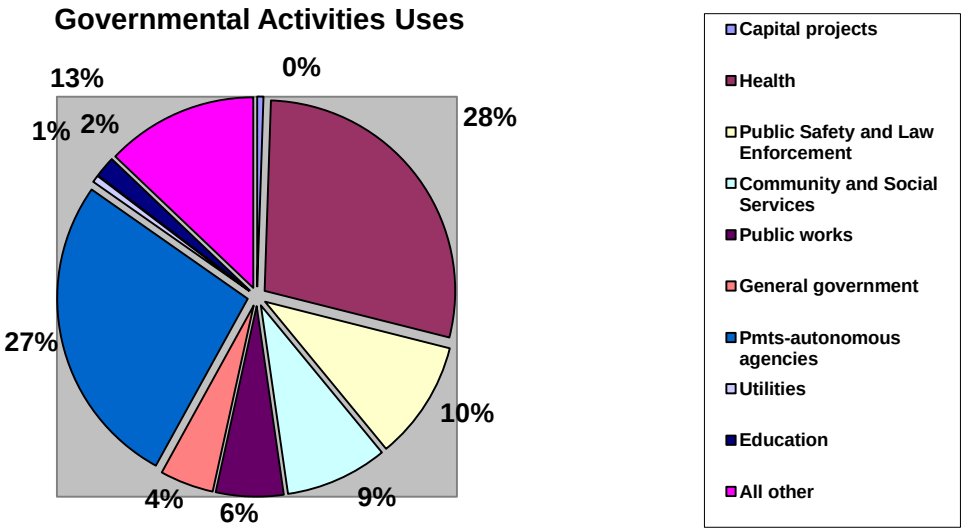
Governmental Activities

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

Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the CNMI's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended September 30, 2011, the CNMI's governmental activities were funded as follows:





For the year ended September 30, 2011, total expenses for governmental activities amounted to $292.3 million. Of these total expenses, taxpayers and other general revenues funded $114.7 million, while those directly benefiting from the activities funded $120.6 million from grants and other contributions and $38.3 million from charges for services, with the remaining expenses in excess of revenues increasing the net deficiency.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services 2011	Net Revenue (Expense) of Services 2011	Total Expense of Services 2010	Net Revenue (Expense) of Services 2010	Total Expense of Services Change	Net Revenue (Expense) of Services Change
Capital projects	$ 1,543,615	$ -	$ 1,356,436	$ 1,279,361	$ 187,179	$ (1,279,361)
Health	83,026,299	(37,413,394)	76,591,258	(29,404,404)	6,435,041	(8,008,990)
Public safety and law enforcement	29,545,686	(16,053,979)	39,079,894	(22,117,742)	(9,534,208)	6,063,763
General government	13,324,196	3,082,322	30,818,642	(15,877,315)	(17,494,446)	18,959,637
Community and social services	25,375,373	(1,510,686)	25,888,448	(5,740,649)	(513,075)	4,229,963
Public works	16,744,894	(3,071,970)	11,919,986	(4,463,394)	4,824,908	1,391,424
Utilities	1,766,762	(1,533,830)	12,237,666	(11,247,374)	(10,470,904)	9,713,544
Education	5,223,617	(4,631,444)	11,428,510	(6,900,163)	(6,204,893)	2,268,719
Payments to autonomous agencies	78,061,718	(49,346,156)	58,066,901	(46,988,273)	19,994,817	(2,357,883)
All others	37,677,800	(22,900,425)	48,597,790	(29,928,537)	(10,919,990)	7,028,112
Total	**$ 292,289,960**	**$ (133,379,562)**	**$ 315,985,531**	**$ (171,388,490)**	**$ (23,695,571)**	**$ 38,008,928**

A FINANCIAL ANALYSIS OF THE CNMI'S FUNDS

As the CNMI completed its 2011 fiscal year, the governmental funds reported a combined fund deficit of $332.9 million, when compared with the prior year fund deficit of $305.6 million, is an increase in the deficit of $27.3 million, or 8.9%. This increase in the deficit is due in large part to the continued decline of taxes and general revenues, without a sufficient, corresponding reduction in governmental expenditures.

Individual fund highlights include:

- For the year ended September 30, 2011, the General Fund's total fund deficit increased by $28.1 million or 8.9%, to a total fund deficit of $344.3 million, while the total unassigned fund deficit increased by $14.3 million or 4.3%, for a total fund deficit of $351.3 million.

- The Grants Assistance Fund's revenues and expenditures netted to approximately a $58.9 thousand decrease in fund balance, providing a remaining fund balance for grant expenditures of $5.5 million.

- The Pension and Other Employee Benefit Trust Fund shows a decrease in net assets of the various funds of $45.3 million or 13.3% for the year. This Fund type includes the retirement fund, the group health and life insurance fund and the worker's compensation fund.

General Fund Budgetary Highlights

Original and final revenue estimates remained constant at $138.8 million, while original expenditure estimates remained constant at $122.2 million. The General Fund's actual revenues of $141.6 million were more than the final estimates by $2.8 million, a variance of 2.0%, mainly due to higher than anticipated contributions from component units and other revenues. The General Fund's actual expenditures (including transfers out) of $162.6 million exceeded appropriations by $23.8 million, a variance of 14.6%, due mainly to unanticipated expenditures that significantly increased for government utilities, medical referral and the local match for Medicaid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2011, the CNMI had $203.7 million invested in capital assets, net of depreciation where applicable, including land, infrastructure, vehicles and other machinery and equipment, buildings, and various projects under construction (see table below). This represents a net increase of $1,434,949 or 0.7% from last year.

	2011	2010	Change
Infrastructure, net	$ 24,720,925	$ 26,665,659	$ (1,944,734)
Buildings and improvements, net	120,059,965	125,702,223	(5,642,258)
Machinery and equipment, net	10,269,932	10,006,747	263,185
Land	29,690,336	29,262,552	427,784
Construction in progress	18,992,370	10,661,398	8,330,972
Total	**$ 203,733,528**	**$ 202,298,579**	**$ 1,434,949**

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

Long- Term Debt

At year end, the CNMI had $141.1 million in long-term debt outstanding, which represents a net decrease of $3.1 million or 2.2% from the prior year. The CNMI's changes in long-term debt by type of debt are as follows:

	2011	2010	Change
Accrued compensated absences	$ 6,874,988	$ 7,230,663	$ (355,675)
Bonds payable	93,032,215	95,232,543	(2,200,328)
Notes payable	5,885,216	6,094,644	(209,428)
Claims and judgments payable	31,889,164	32,632,308	(743,144)
Other	3,435,632	3,053,895	381,737
Total	**$ 141,117,215**	**$ 144,244,053**	**$ (3,126,838)**

See note 10 to the financial statements for more detail information on the CNMI's long-term debt and changes therein.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic factors continue to play a large role in developing the tax and other revenue budgets for the General Fund of the CNMI. The local economy, still slowed by the effects of a drop in tourism and the loss of the garment industry, has continued to follow a trend of decreasing revenues. The prospects for fiscal year 2012 appear similar, with not much recovery in sight.

CONTACTING THE CNMI'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of CNMI's finances and to show the CNMI's accountability for the money it receives. The Management's Discussion and Analysis for the year ended September 30, 2010 is set forth in the report on the audit of the CNMI's financial statements which is dated May 1, 2012. That Discussion and Analysis explains the major factors impacting the 2010 financial statements. If you have questions about this report or need additional financial information, contact the Office of the Secretary of Finance P.O. Box 5234 CHRB, Saipan, MP 96950 or phone at (670) 664-1100 or email larrisa.larson@gmail.com.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Net Assets (Deficiency)
September 30, 2011

	Primary Government	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,260,258	$ 25,926,977
Time certificates of deposit	37,559	692,789
Receivables, net of allowance for uncollectibles	20,294,795	40,439,151
Due from primary government	-	11,093,018
Due from component units	1,968,159	-
Due from Pension (and Other Employee Benefit) Trust Fund	523	-
Inventories	2,478,596	10,774,822
Advances	1,126,636	-
Other assets	-	497,912
Deferred bond issue costs	72,665	-
Restricted assets:		
Cash and cash equivalents	18,562,856	15,462,242
Time certificates of deposit	3,698,645	1,000,000
Investments	-	74,806,551
Total current assets	55,500,692	180,693,462
Noncurrent assets:		
Investments	2,500,000	5,351,055
Receivables:		
Loans, net of allowance for uncollectibles	-	14,322,371
Notes, net of allowance for uncollectibles	-	9,203,598
Other	-	1,461,039
Deferred bond issue costs, net of current portion	1,525,973	1,260,492
Foreclosed real estate	-	3,074,454
Nondepreciable capital assets	48,682,706	136,378,835
Depreciable capital assets, net of accumulated depreciation	155,050,822	254,457,422
Total noncurrent assets	207,759,501	425,509,266
Total assets	263,260,193	606,202,728
LIABILITIES		
Current liabilities:		
Current portion of notes and bonds payable	5,269,929	4,342,679
Accounts payable	12,786,064	22,854,549
Current portion of compensated absences	3,298,961	2,416,171
Tax rebates payable	57,087,301	-
Recovery rebate payable	399,303	-
Accrued interest payable	2,117,554	881,334
Other liabilities and accruals	9,633,627	24,714,363
Claims and judgments payable	31,889,164	-
Due to external parties	1,379,159	-
Due to component units	19,141,472	-
Due to primary government	-	9,414,426
Due to Pension (and Other Employee Benefit) Trust Fund	257,044,982	23,939,709
Deferred revenues	1,456,259	2,341,376
Total current liabilities	401,503,775	90,904,607
Noncurrent liabilities:		
Notes and bonds payable, net of current portion	93,647,502	54,037,575
Obligations under preferred stock agreement	-	1,800,000
Compensated absences, net of current portion	3,576,027	2,367,883
Deferred revenues, net of current portion	-	6,327,750
Other noncurrent liabilities	3,435,632	-
Total noncurrent liabilities	100,659,161	64,533,208
Total liabilities	502,162,936	155,437,815
Commitments and contingencies		
NET ASSETS (DEFICIENCY)		
Invested in capital assets, net of related debt	109,256,064	336,651,400
Restricted for:		
Expendable:		
Debt service	700,000	-
Capital projects	2,253,424	-
Other purposes	2,256,387	173,651,660
Unrestricted	(353,368,618)	(59,538,147)
Total net assets (deficiency)	$ (238,902,743)	$ 450,764,913

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Activities
For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government	Net (Expenses) Revenues and Changes in Net Assets: Component Units
Primary government:						
Governmental activities:						
Health	$ 83,026,299	$ 18,418,136	$ 27,164,593	$ 30,176	$ (37,413,394)	$ -
Public safety and law enforcement	29,545,686	3,528,890	9,962,817	-	(16,053,979)	-
General government	13,324,196	10,931,149	1,584,961	3,890,408	3,082,322	-
Community and social services	25,375,373	210,378	23,654,309	-	(1,510,686)	-
Other elected officials	6,075,302	-	-	-	(6,075,302)	-
Utilities	1,766,762	-	232,932	-	(1,533,830)	-
Utilities - Capital Projects	1,543,615	-	1,543,615	-	-	-
Public works	16,744,894	274,653	7,318,763	6,079,508	(3,071,970)	-
Lands and natural resources	13,192,014	4,298,323	7,676,191	-	(1,217,500)	-
Legislative branch	5,449,469	-	-	-	(5,449,469)	-
Judicial branch	3,821,507	667,743	-	-	(3,153,764)	-
Education	5,223,617	2,000	490,581	99,592	(4,631,444)	-
Unallocated interest	6,121,320	-	-	-	(6,121,320)	-
Economic development	3,018,188	-	2,135,118	-	(883,070)	-
Education:						
Payments to Public School System	55,249,505	-	26,327,861	-	(28,921,644)	-
Payments to Northern Marianas College	6,362,324	-	2,237,033	-	(4,125,291)	-
Payments to Marianas Visitors Authority	6,435,246	-	150,668	-	(6,284,578)	-
Payments to Pension (and Other Employee Benefit) Trust Fund	134,967	-	-	-	(134,967)	-
Payments to Commonwealth Utilities Corporation	9,879,676	-	-	-	(9,879,676)	-
Total primary government	$ 292,289,960	$ 38,331,272	$ 110,479,442	$ 10,099,684	(133,379,562)	-
Component units:						
Commonwealth Ports Authority	$ 28,201,347	$ 17,227,822	$ -	$ 8,288,801	-	(2,684,724)
Commonwealth Development Authority	38,693,545	1,639,816	34,361,582	-	-	(2,692,147)
Commonwealth Utilities Corporation	105,421,133	92,280,692	-	13,983,886	-	843,445
Marianas Public Land Trust	3,361,940	-	-	-	-	(3,361,940)
Northern Marianas College	17,673,025	2,354,818	11,872,542	-	-	(3,445,665)
Public School System	85,395,240	667,658	58,374,747	-	-	(26,352,835)
Marianas Visitors Authority	4,956,942	80,073	443,724	-	-	(4,433,145)
Total component units	$ 283,703,172	$ 114,250,879	$ 105,052,595	$ 22,272,687	-	(42,127,011)
General revenues:						
Taxes:						
Income					30,649,472	-
Gross receipts					49,695,004	-
Excise					14,729,656	-
Hotel					4,707,336	-
Fuel					3,509,021	-
Cigarette					4,698,919	-
Other taxes					3,802,801	-
Unrestricted investment earnings and dividends					41,986	697,742
Contributions from primary government					-	39,601,812
Other					2,854,928	3,478,957
Total general revenues					114,689,123	43,778,511
Change in net assets					(18,690,439)	1,651,500
Net assets - beginning, as previously reported					(220,212,304)	433,609,028
Prior period adjustment (note 17)					-	15,504,385
Net assets (deficiency) - beginning, as restated					(220,212,304)	449,113,413
Net assets (deficiency) - ending					$ (238,902,743)	$ 450,764,913

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Balance Sheet
Governmental Funds
September 30, 2011

	General	Grants Assistance	Department of Public Lands	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	$ 5,516,441	$ -	$ 1,743,817	$ -	$ 7,260,258
Time certificates of deposit	37,559	-	-	-	37,559
Investments	2,500,000	-	-	-	2,500,000
Restricted cash and cash equivalents	12,628,859	3,555,689	2,241,443	136,865	18,562,856
Restricted time certificates of deposit	-	-	3,698,645	-	3,698,645
Receivables, net:					
Federal agencies	-	1,524,335	-	2,451,051	3,975,386
Taxes	13,966,321	-	-	-	13,966,321
General	624,917	-	-	-	624,917
Other	-	12,831	485,880	1,229,460	1,728,171
Due from component units	1,968,159	-	-	-	1,968,159
Due from other funds	3,743,267	7,997,980	-	4,827,597	16,568,844
Due from Pension (and Other Employee Benefit) Trust Fund	-	-	-	524	524
Advances	497,235	629,401	-	-	1,126,636
Inventories	1,278,596	1,200,000	-	-	2,478,596
	$ 42,761,354	$ 14,920,236	$ 8,169,785	$ 8,645,497	$ 74,496,872
Liabilities and Fund Balances (Deficit)					
Liabilities:					
Accounts payable	$ 6,214,832	$ 5,533,641	$ 83,504	$ 954,087	$ 12,786,064
Tax rebates payable	57,087,301	-	-	-	57,087,301
Recovery rebates payable	399,303	-	-	-	399,303
Other liabilities and accruals	4,390,091	1,628,270	2,291,280	1,323,986	9,633,627
Claims and judgments payable	29,199,144	-	2,690,020	-	31,889,164
Due to other funds	14,204,737	1,080,264	1,451,007	1,211,996	17,948,004
Due to component units	19,141,472	-	-	-	19,141,472
Due to Pension (and Other Employee Benefit) Trust Fund	256,419,967	-	82,399	542,616	257,044,982
Deferred revenues	-	1,200,000	156,191	100,068	1,456,259
Total liabilities	387,056,847	9,442,175	6,754,401	4,132,753	407,386,176
Fund balances (deficit):					
Non-spendable	3,778,596	-	-	-	3,778,596
Restricted	3,208,993	5,496,730	3,188,784	3,803,889	15,698,396
Assigned	-	-	-	217,411	217,411
Unassigned:					
General fund	(351,283,082)	-	-	-	(351,283,082)
Special revenue funds	-	-	(1,773,400)	468,243	(1,305,157)
Capital projects funds	-	(18,669)	-	23,201	4,532
Total fund balances (deficit)	(344,295,493)	5,478,061	1,415,384	4,512,744	(332,889,304)
	$ 42,761,354	$ 14,920,236	$ 8,169,785	$ 8,645,497	$ 74,496,872

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Deficiency
September 30, 2011

Total fund deficit - governmental funds		$ (332,889,304)
Amounts reported for governmental activities in the statement of net assets are different because:		
Bonds issued by the CNMI have associated costs that are paid from current available resources in the funds. However, these costs are deferred on the statement of net assets.		1,598,638
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	$ 29,690,336	
Construction in progress	18,992,370	
Depreciable capital assets and infrastructure, net of $183,736,223 of accumulated depreciation	155,050,822	
Capital assets, net of accumulated depreciation		203,733,528
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities include:		
Bonds payable	(93,032,215)	
Accrued interest payable	(2,117,554)	
NMIRF loan payable	(5,885,216)	
Compensated absences payable	(6,874,988)	
Landfill closure and postclosure costs	(3,435,632)	
Long-term liabilities		(111,345,605)
Net deficiency of governmental activities		$ (238,902,743)

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Governmental Funds
For the Year Ended September 30, 2011

	General	Grants Assistance	Department of Public Lands	Other Governmental Funds	Total
Revenues:					
Taxes	$ 108,977,238	$ -	$ -	$ 2,814,971	$ 111,792,209
Federal contributions	-	109,899,171	-	6,079,508	115,978,679
Charges for sales and services	18,991,795	-	2,852,907	25,950	21,870,652
Licenses and fees	7,105,680	135,350	283,801	5,189,256	12,714,087
Interest and dividends	10,630	394	6,378	22,360	39,762
Contributions from component units	3,668,159	99,592	-	183,880	3,951,631
Other	2,856,170	603,455	442,312	3,350,564	7,252,501
Total revenues	141,609,672	110,737,962	3,585,398	17,666,489	273,599,521
Expenditures:					
Current:					
Health	40,770,555	40,218,641	-	459,568	81,448,764
Public safety and law enforcement	19,738,469	8,033,463	-	1,124,935	28,896,867
General government	16,160,215	1,691,803	-	98,450	17,950,468
Community and social services	2,882,502	23,768,848	-	622,069	27,273,419
Other elected officials	5,995,557	-	-	79,745	6,075,302
Utilities	11,413,506	232,932	-	-	11,646,438
Lands and natural resources	3,143,254	7,932,078	2,621,787	76,876	13,773,995
Legislative branch	5,424,571	-	-	24,898	5,449,469
Judicial branch	3,530,234	-	-	-	3,530,234
Education	1,710,234	533,968	-	2,979,415	5,223,617
Economic development	779,254	2,234,534	-	4,400	3,018,188
Payments to:					
Public School System	28,921,644	26,327,861	-	-	55,249,505
Northern Marianas College	4,125,291	2,237,033	-	-	6,362,324
Marianas Visitors Authority	6,284,578	150,668	-	-	6,435,246
Pension (and Other Employee Benefit) Trust Fund	134,967	-	-	-	134,967
Debt service:					
Principal retirement	2,505,000	-	-	209,428	2,714,428
Interest and fiscal charges	5,279,950	-	-	470,328	5,750,278
Capital outlay:					
Utilities - Capital Projects	-	1,543,615	-	-	1,543,615
Public works	2,926,745	7,695,929	-	7,806,152	18,428,826
Total expenditures	161,726,526	122,601,373	2,621,787	13,956,264	300,905,950
Excess (deficiency) of revenues over (under) expenditures	(20,116,854)	(11,863,411)	963,611	3,710,225	(27,306,429)
Other financing sources (uses):					
Operating transfers in	5,671,375	13,775,088	-	214,861	19,661,324
Operating transfers out	(13,643,737)	(1,970,530)	-	(4,047,057)	(19,661,324)
Total other financing sources (uses), net	(7,972,362)	11,804,558	-	(3,832,196)	-
Net change in fund balances (deficit)	(28,089,216)	(58,853)	963,611	(121,971)	(27,306,429)
Fund balances (deficit) at beginning of year	(316,206,277)	5,536,914	451,773	4,634,715	(305,582,875)
Fund balances (deficit) at end of year	$ (344,295,493)	$ 5,478,061	$ 1,415,384	$ 4,512,744	$ (332,889,304)

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Deficit
of Governmental Funds to the Statement of Activities
September 30, 2011

Net change in fund deficit - total governmental funds	$ (27,306,429)
Add:	
Capital assets purchased that were capitalized	11,803,054
Principal payments on long-term debt	2,714,428
Claims and judgments	4,863,718
Net change in compensated absences	355,675
Net change in accrued interest payable	6,294
Less:	
Depreciation expense	(10,368,105)
Provision for landfill closure costs	(381,737)
Amortization of bond premium and deferred differences on bond refunding	(309,727)
Amortization of bond discount and issuance costs	(67,610)
Change in net assets of governmental activities	$ (18,690,439)

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2011

	Pension (and Other Employee Benefit) Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	$ 5,836,833	$ 1,626,563
Receivables:		
Loan	5,885,216	-
Notes	7,844,435	-
Benefits	1,247,712	-
Interest and dividends	689,186	-
Other	478,817	-
	16,145,366	-
Due from General Fund	250,429,921	1,379,160
Due from component units	36,860,714	-
Less allowance for uncollectible receivables	(214,338,226)	-
	72,952,409	1,379,160
Due from Miscellaneous Special Revenue Funds	624,615	-
Prepaid items	9,284	-
Investments, at fair market value:		
Equity securities	30,209,077	-
Corporate debt securities	48,760,284	-
U.S. Government securities	3,009,423	-
Mutual funds	206,078,590	-
Cash equivalents	680,758	-
	288,738,132	-
Restricted assets	133,249	2,329,398
Capital assets	3,948,118	-
Total assets	388,388,006	$ 5,335,121
Liabilities and Other Credits		
Accounts payable	19,687,697	-
Claims and judgments payable	-	1,378,342
Deposits payable	-	3,956,779
Other liabilities and accruals	509,258	-
Due to Judicial Building Fund	563	-
Deferred revenue	74,014,129	-
Total liabilities and other credits	94,211,647	$ 5,335,121
Net assets:		
Held in trust for pension benefits	309,581,412	
Held in trust for medical and life insurance benefits	(16,911,335)	
Held in trust for workers' compensation benefits and other purposes	1,506,282	
Total net assets	$ 294,176,359	

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2011

	Pension (and Other Employee Benefit) Trust Fund
Additions	
Contributions:	
Employer	$ 29,124,918
Employee	13,462,137
Revenues:	
Premiums	46,930
Rent income and other	2,168,982
Total contributions and revenues	44,802,967
Net investment earnings:	
Net appreciation in fair value of investments	(2,882,749)
Interest	8,238,435
Total investment earnings	5,355,686
Less: investment expense	2,452,025
Net investment earnings	2,903,661
Other financing sources:	
Transfers in	982,124
Total additions	48,688,752
Deductions	
Benefits	70,887,373
General and administrative	2,755,513
Bad debts	13,712,763
Refunds and withdrawals	6,646,297
Medical claims	5,805
Total deductions	94,007,751
Change in net assets	(45,318,999)
Net assets at beginning of year	339,495,358
Net assets at end of year	$ 294,176,359

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Net Assets
Component Units
September 30, 2011

	Commonwealth Ports Authority	Commonwealth Development Authority	Commonwealth Utilities Corporation	Marianas Public Land Trust	Northern Marianas College	Public School System	Marianas Visitors Authority	Total
Assets								
Current assets:								
Cash and cash equivalents	$ 7,415,151	$ 5,017,867	$ 1,700,508	$ 3,179,757	$ 5,247,213	$ 2,913,106	$ 453,375	$ 25,926,977
Time certificates of deposit	-	-	-	-	692,789	-	-	692,789
Receivables, net of allowance for uncollectibles:								
Loans	-	5,316,170	-	-	-	-	-	5,316,170
Notes	-	-	233,329	412,938	-	-	-	646,267
Federal agencies	1,403,682	31,590	-	-	1,508,345	3,398,801	-	6,342,418
General	2,566,363	-	17,016,696	-	1,014,868	-	-	20,597,927
Interest and dividends	-	123,047	-	426,980	-	-	-	550,027
Other	2,676,365	299,888	3,827,838	94,970	-	57,893	29,388	6,986,342
Due from primary government	-	-	-	-	317,096	6,294,244	4,481,678	11,093,018
Inventories	-	-	10,317,351	-	457,471	-	-	10,774,822
Other assets	127,103	399	74,195	15,223	29,638	245,590	5,764	497,912
Restricted assets:								
Cash and cash equivalents	-	5,878,114	8,324,311	-	-	1,259,817	-	15,462,242
Time certificates of deposit	-	1,000,000	-	-	-	-	-	1,000,000
Investments	16,575,666	-	-	58,230,885	-	-	-	74,806,551
Total current assets	30,764,330	17,667,075	41,494,228	62,360,753	9,267,420	14,169,451	4,970,205	180,693,462
Noncurrent assets:								
Investments	-	-	-	-	5,351,055	-	-	5,351,055
Receivables:								
Loans, net	-	14,322,371	-	-	-	-	-	14,322,371
Notes	-	-	666,650	8,536,948	-	-	-	9,203,598
Other	678,641	782,398	-	-	-	-	-	1,461,039
Deferred bond issue costs	1,260,492	-	-	-	-	-	-	1,260,492
Capital assets (net of accumulated depreciation)	192,704,707	9,062,174	87,799,198	209,744	5,573,917	95,459,786	26,731	390,836,257
Foreclosed real estate	-	3,074,454	-	-	-	-	-	3,074,454
Total noncurrent assets	194,643,840	27,241,397	88,465,848	8,746,692	10,924,972	95,459,786	26,731	425,509,266
Total assets	225,408,170	44,908,472	129,960,076	71,107,445	20,192,392	109,629,237	4,996,936	606,202,728
Liabilities and Net Assets								
Current liabilities:								
Current portion of notes and bonds payable	1,820,110	140,300	2,382,269	-	-	-	-	4,342,679
Accounts payable	2,967,290	1,661,686	9,244,771	38,055	767,013	6,247,345	1,928,389	22,854,549
Compensated absences	250,379	-	222,879	-	407,009	1,532,775	3,129	2,416,171
Due to primary government	1,838,963	-	5,607,304	1,968,159	-	-	-	9,414,426
Other liabilities and accruals	2,584,947	1,378,744	11,123,647	55,505	470,548	8,269,828	831,144	24,714,363
Due to Pension (and Other Employee Benefit) Trust Fund	-	-	3,658,869	-	-	20,280,840	-	23,939,709
Accrued interest payable	546,679	-	334,655	-	-	-	-	881,334
Deferred revenues	20,926	59,100	-	-	1,265,271	996,079	-	2,341,376
Total current liabilities	10,029,294	3,239,830	32,574,394	2,061,719	2,909,841	37,326,867	2,762,662	90,904,607
Noncurrent liabilities:								
Notes and bonds payable, net of current portion	49,756,575	980,643	3,300,357	-	-	-	-	54,037,575
Obligations under preferred stock agreement	-	-	1,800,000	-	-	-	-	1,800,000
Compensated absences, net of current portion	310,352	-	668,635	-	218,592	1,066,728	103,576	2,367,883
Deferred revenue, net of current portion	-	6,327,750	-	-	-	-	-	6,327,750
Total noncurrent liabilities	50,066,927	7,308,393	5,768,992	-	218,592	1,066,728	103,576	64,533,208
Total liabilities	60,096,221	10,548,223	38,343,386	2,061,719	3,128,433	38,393,595	2,866,238	155,437,815
Net assets:								
Invested in capital assets, net of related debt	141,128,022	12,136,628	82,116,572	209,744	5,573,917	95,459,786	26,731	336,651,400
Restricted	16,575,666	22,223,621	59,556,108	68,835,982	5,351,055	1,109,228	-	173,651,660
Unrestricted	7,608,261	-	(50,055,990)	-	6,138,987	(25,333,372)	2,103,967	(59,538,147)
Total net assets	$ 165,311,949	$ 34,360,249	$ 91,616,690	$ 69,045,726	$ 17,063,959	$ 71,235,642	$ 2,130,698	$ 450,764,913

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Revenues, Expenses, and Changes in Net Assets
Components Units
Year Ended September 30, 2011

	Commonwealth Ports Authority	Commonwealth Development Authority	Commonwealth Utilities Corporation	Marianas Public Land Trust	Northern Marianas College	Public School System	Marianas Visitors Authority	Total
Operating revenues:								
Charges for services and fees	$ 10,538,677	$ 847,593	$ 92,280,692	$ -	$ 1,191,403	$ 935,345	$ 40,990	$ 105,834,700
Grants and contributions	-	34,361,582	-	-	11,872,542	58,374,747	443,724	105,052,595
Other	6,689,145	792,223	-	387,190	1,163,415	-	39,083	9,071,056
	17,227,822	36,001,398	92,280,692	387,190	14,227,360	59,310,092	523,797	219,958,351
Provision for uncollectible receivables	(95,653)	1,406,066	-	(645,051)	-	(267,687)	-	397,675
Total operating revenues	17,132,169	37,407,464	92,280,692	(257,861)	14,227,360	59,042,405	523,797	220,356,026
Operating expenses:								
Cost of services	5,190,238	32,522,663	78,778,889	-	12,448,368	77,571,211	3,638,343	210,149,712
Depreciation and amortization	11,405,674	359,519	7,026,445	21,743	683,174	2,317,577	13,326	21,827,458
Administration	6,759,534	2,858,248	16,887,282	882,316	4,470,779	5,506,452	1,305,273	38,669,884
Total operating expenses	23,355,446	35,740,430	102,692,616	904,059	17,602,321	85,395,240	4,956,942	270,647,054
Operating income (loss)	(6,223,277)	1,667,034	(10,411,924)	(1,161,920)	(3,374,961)	(26,352,835)	(4,433,145)	(50,291,028)
Nonoperating revenues (expenses):								
Contributions from the primary government	-	-	-	-	4,385,111	28,932,119	6,284,582	39,601,812
Contributions to the primary government	-	(1,980,745)	(694,758)	(2,457,881)	-	-	-	(5,133,384)
Unrestricted investment earnings	498,247	9,178	190,317	-	-	-	-	697,742
Interest expense	(3,244,589)	(76,856)	(1,516,949)	-	-	-	-	(4,838,394)
Amortization of bond issue cost	(66,935)	-	-	-	-	-	-	(66,935)
Other expenses	(1,438,724)	(2,301,580)	(516,810)	-	(70,704)	-	-	(4,327,818)
Other revenues	3,073,821	208,755	454,242	-	-	-	-	3,736,818
Nonoperating revenues (expenses), net	(1,178,180)	(4,141,248)	(2,083,958)	(2,457,881)	4,314,407	28,932,119	6,284,582	29,669,841
Income (loss) before capital contributions	(7,401,457)	(2,474,214)	(12,495,882)	(3,619,801)	939,446	2,579,284	1,851,437	(20,621,187)
Capital contributions	8,288,801	-	13,983,886	-	-	-	-	22,272,687
Change in net assets	887,344	(2,474,214)	1,488,004	(3,619,801)	939,446	2,579,284	1,851,437	1,651,500
Net assets - beginning, as previously reported	164,424,605	36,834,463	72,737,516	72,665,527	16,124,513	70,543,143	279,261	433,609,028
Prior period adjustment (note 17)	-	-	17,391,170	-	-	(1,886,785)	-	15,504,385
Net assets - beginning, as restated	164,424,605	36,834,463	90,128,686	72,665,527	16,124,513	68,656,358	279,261	449,113,413
Net assets - ending	$ 165,311,949	$ 34,360,249	$ 91,616,690	$ 69,045,726	$ 17,063,959	$ 71,235,642	$ 2,130,698	$ 450,764,913

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

For financial reporting purposes, the CNMI has included all funds, organizations, agencies, boards, commissions and institutions. The CNMI has also considered all potential component units for which it is financially accountable as well as other entities for which the nature and significance of their relationship with the CNMI are such that exclusion would cause the CNMI's financial statements to be misleading or incomplete. The net assets and results of operations of the following legally separate entities are presented as part of the CNMI's operations:

1. Blended Component Units

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

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

(b) The Northern Mariana Islands Government Health and Life Insurance Trust Fund (GHLITF), a Fiduciary Fund Type - Pension (and Other Employee Benefit) Trust Fund, is responsible for administering the life and health insurance programs for CNMI government employees. The Board of Trustees of NMIRF administers GHLITF. The GHLITF health benefit administration was privatized on November 1, 2007.

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

1. Blended Component Units, Continued

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

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

Northern Mariana Islands Retirement Fund
P.O. Box 501247
Saipan, MP 96950-1247

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

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

2. Discretely Presented Component Units

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

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

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

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

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

(d) The Marianas Public Land Trust (MPLT) manages all monies received by it from the CNMI Division of Public Lands for the use of public lands and distributes net income to the general fund of the CNMI. Additionally, MPLT is responsible for maintaining a separate trust fund for the development and maintenance of American Memorial Park. MPLT is governed by a five-member Board of Trustees appointed by the Governor.

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

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

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

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

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

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

3. Omitted Component Unit

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

4. Program and Other Revenue Recognition

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

B. Government-Wide Financial Statements

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

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements, Continued

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

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

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

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

The government-wide Statement of Net Assets reports $5,209,811 of restricted net assets, of which $2,256,387 is restricted by enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are, instead, reported as general revenue.

C. Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for its major and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with nonmajor governmental funds being combined into a single column.

The CNMI reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental Fund Financial Statements:

Governmental funds financial statements account for the general governmental activities of the CNMI and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CNMI considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenue when available and entitlement occurs, which is generally within twelve months of the current fiscal period.

Significant revenues susceptible to accrual include income, gross receipts, corporation and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Therefore, tax related receivables are essentially reserved for or have been historically deferred. Miscellaneous revenues from other financing sources are recognized when received because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available. Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Expenditures generally are recorded in the period in which the related fund liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

Fiduciary Funds and Component Units Financial Statements:

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

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments,* as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus,* sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses for either fund category or the governmental and enterprise combined) for the determination of major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining statements. The CNMI reports the following major funds:

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

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

- Department of Public Lands, a Governmental Fund Type - Special Revenue Fund. This fund accounts for all financial transactions related to those lands defined as public lands.

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

(1) Summary of Significant Accounting Policies, Continued

E. Concentrations of Credit Risk

Financial instruments, which potentially subject the CNMI to concentrations of credit risk, consist principally of cash demand deposits and investments.

At September 30, 2011, the CNMI has cash deposits and investments in bank accounts that exceed federal depository insurance limits. The CNMI has not experienced any losses on such accounts.

F. Cash and Cash Equivalents and Time Certificates of Deposit

The CNMI pools cash resources of its various funds in order to facilitate the management of cash. Unless otherwise required by law, interest income received on pooled cash accrues to the General Fund. Cash and cash equivalents applicable to a particular fund are readily identifiable. Cash and cash equivalents include cash held in demand accounts as well as short-term investments in U.S. Treasury obligations with a maturity date within three months of the date acquired by the CNMI. Time certificates of deposit with original maturity dates greater than ninety days are separately classified on the statement of net assets/balance sheet.

G. Receivables

In general, tax revenue is recognized on the government-wide financial statements, when assessed or levied. Tax revenue is recognized on the governmental fund financial statements to the extent that it is both measurable and available. Receivables are stated net of estimated allowances for uncollectible accounts. Reimbursements due to the CNMI for expenditures on federally-funded reimbursement and grant programs are reported as “receivables from federal agencies”.

H. Interfund/Intrafund Transactions

As a general rule, the effect of interfund activity has been eliminated in the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

I. Interfund Receivables and Payables

During the course of its operations, the CNMI records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as “due from other funds” or “due to other funds” on the governmental funds balance sheet. Receivables and payables resulting from transactions between component units and the primary government are classified as “due to/from primary government” or “due to/from component units” on the governmental balance sheet and statement of net assets. Interfund receivables and payables have been eliminated from the statement of net assets.

(1) Summary of Significant Accounting Policies, Continued

J. Advances

Advances include amounts paid in advance to vendors. In the governmental funds balance sheet, advances are offset by inclusion in the fund balance reserve for encumbrances indicating that they do not constitute expendable available resources and are, therefore, not available for appropriation.

K. Inventories

Inventories are stated at the lower of cost or market using the first-in/first-out (FIFO) method.

Food stamp balances held at year end are recorded as inventories based on face value. Inventories reported in the Grants Assistance Fund of $1,200,000 are offset by deferred revenues.

L. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the governmental activity column of the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

All land, non-depreciable land improvements are capitalized, regardless of cost. Singular pieces of machinery and equipment, other than vehicles, that equal or exceed $50,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds $100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

All vehicles have been grouped together regardless of cost and depreciated on a composite basis.

Management has elected to present only assets acquired subsequent to 1990, except for roads and the Commonwealth Hospital Complex. Accordingly, fixed asset records consist of additions commencing in fiscal year 1990.

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

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

(1) Summary of Significant Accounting Policies, Continued

M. Fund Equity/Net Assets

The CNMI reports net assets as restricted where legally segregated for a specific future use by enabling legislation in accordance with GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. Otherwise, these balances are considered unrestricted.

Net assets have been restricted as follows:

"Restricted for capital projects" - identifies amounts restricted for Capital Projects.

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

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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented, effective for the fiscal year ending September 30, 2011. It establishes fund balance classifications based on the extent to which the CNMI is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result of implementing this statement, there were significant changes in the CNMI's fund structure. Funds that did not meet the new special revenue fund definition were moved to the General Fund. Amounts previously reported as reserved and unreserved fund balance are now reported under the following fund balance classifications:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the CNMI Legislature, the CNMI's highest level of decision making authority, and does not lapse at year-end. Formal action of the CNMI Legislature is required to remove the limitations of committed fund balances.

- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Intent is expressed by either the CNMI Legislature or a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

- Unassigned includes negative fund balances in other governmental funds.

(1) Summary of Significant Accounting Policies, Continued

M. Fund Equity/Net Assets, Continued

The CNMI has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned, and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the CNMI is to use committed resources first, followed by assigned, and then unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

A formal minimum fund balance policy has not been adopted.

N. Long-Term Obligations

Article X, Section 4, of the CNMI Constitution limits public indebtedness, other than bonds or other obligations of the government payable solely from the revenues derived from a public improvement or undertaking, to no more than 10% of the aggregate assessed valuation of the real property within the CNMI. The CNMI aggregate assessed valuation has not been determined as of September 30, 2011. However, the CNMI has estimated the aggregate assessed valuation of real property to be $1,596,236,822 as of September 30, 2011. This estimation was based on the 1995 CNMI Mid-Decade Census.

O. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Compensated absences are recorded as a long-term liability in the statement of net assets with amounts to be paid during the next fiscal year reported as current. The liability as of September 30, 2011, is $6,874,988.

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

P. Deferred Revenues

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

(1) Summary of Significant Accounting Policies, Continued

Q. Bond Premiums, Discounts and Issuance Costs

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

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

R. Income Taxes and Wage and Salary Taxes

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

During the calendar year, the CNMI collects individual and corporate income taxes through withholdings and payments from taxpayers. At September 30, the CNMI estimates the amount owed to taxpayers for overpayments and rebates. These estimated amounts and the actual tax rebates claimed for prior years but not paid at year end are recorded as tax rebates payable with a corresponding reduction of tax revenue in the General Fund. The estimated tax rebate liability is evaluated on a regular basis by the CNMI and is based upon the CNMI's periodic review of tax returns in light of historical experience and the nature and volume of tax returns submitted. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Accordingly, changes to estimates are accounted for on a prospective basis.

S. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

(1) Summary of Significant Accounting Policies, Continued

T. New Accounting Standards

During fiscal year 2011, the CNMI implemented the following pronouncements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The Statement requires governments to disclose information in the notes about the processes through which constraints are imposed, as well as accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to be spent. This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. As a result of implementation, the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) for Governmental Funds have been restated due to reclassification of funds. Beginning fund balance for the Other Governmental Funds decreased by $518,614, while the General Fund increased by the same amount. Details on the CNMI's fund balance classifications are reflected in note 11.

- GASB Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.

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.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the CNMI.

(1) Summary of Significant Accounting Policies, Continued

T. New Accounting Standards, Continued

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus,* which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity,* and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the CNMI.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the CNMI.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the CNMI.

In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective 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.

U. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results may differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the tax rebate payable.

(1) Summary of Significant Accounting Policies, Continued

U. Estimates, Continued

In determining the tax rebates payable, the CNMI makes various estimates. In conjunction with these estimates, the CNMI has established a permanent tax rebate reserve of $1,500,000 to offset potential estimated disputes or claims.

V. Landfill

Although landfill closure and postclosure costs will be paid only near or after the date that the Marpi landfill stops accepting waste, the CNMI's governmental activities reports a portion of these closure and postclosure costs as an expense in each period based on landfill capacity used as of each balance sheet date. The $3,435,632 liability reported as landfill closure and postclosure costs at September 30, 2011 within the accompanying financial statements, represents the cumulative amount reported based on capacity used. This amount is based on what it would cost to perform all closure and post closure care in 2011. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

W. Encumbrances

The CNMI utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2011, the CNMI has significant encumbrances summarized as follows:

	General Fund	Grants Assistance	Department of Public Lands	Other Governmental Funds	Total
Encumbrances	$ 6,858,165	$ 10,432,483	$ 67,102	$ 4,983,084	$ 22,340,834

X. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the CNMI's financial statements for the year ended September 30, 2010 from which summarized information was derived.

(2) Deposits and Investments

Deposit and Investment Policy

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

Cash and Cash Equivalents and Time Certificates of Deposit

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

(2) Deposits and Investments, Continued

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

As of September 30, 2011, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit were $29,559,318 and the corresponding bank balances were $32,400,937. Of the bank balance amounts, $26,714,487 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of $3,446,946 represents short-term investments held and administered by the CNMI's trustees in accordance with various trust agreements and bond indentures and $2,239,504 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, 2011. As of September 30, 2011, 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, 2011, is presently not determinable. Accordingly, these deposits are exposed to custodial credit risk.

Restricted cash and cash equivalents and time certificates of deposit as of September 30, 2011 for the primary government represent amounts held and administered by the CNMI in accordance with legal mandates and certain capital projects. Restricted cash and cash equivalents and time certificates of deposit at September 30, 2011 amounted to $22,261,501.

As of September 30, 2011, the carrying amount of the Fiduciary Fund's total cash and cash equivalents were $7,463,396 and the corresponding bank balances were $7,510,311, which are maintained in financial institutions subject to FDIC insurance. As of September 30, 2011, bank deposits in the amount of $7,510,311 were FDIC insured. NMIRF has a legal requirement to collateralize amounts in excess of insurable limits. At September 30, 2011, approximately $3,259,471 of NMIRF's cash and cash equivalents are collateralized with their bank's securities.

As of September 30, 2011, the carrying amount of the discretely presented component units' total cash and cash equivalents and time certificates of deposit were $43,082,008 and the corresponding bank balances were $45,534,122. Of the bank balance amounts, $42,012,723 is maintained in financial institutions subject to FDIC insurance and $632,579 represents amounts maintained in a non-FDIC insured bank. The remaining amount of $2,888,820 represents amount held and administered by the discretely presented components units' investment manager subject to Securities Investor Protection Corporation Insurance. As of September 30, 2011, bank deposits in the amount of $2,687,064 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2011, custodian money market sweep deposits of the discretely presented component units of $2,888,820 are held and administered by an investment manager subject to Securities Investor Protection Corporation (SIPC) insurance up to $250,000 with coverage in excess of SIPC provided by a supplemental insurance policy through certain underwriters with a per client aggregate limit of $1.9 million.

(2) Deposits and Investments, Continued

Investments

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

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the CNMI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The CNMI's investments are held and administered by trustees in accordance with various bond indentures for the purpose of funding various capital projects, land settlement claims and future debt service requirements. Based on negotiated trust and custody contracts, all of these investments were held in the CNMI's name by the CNMI's custodial financial institutions at September 30, 2011.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The CNMI does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

A. Governmental Funds

As of September 30, 2011, the General Fund holds 17% and 11% of the shares of the Pacific Islands Development Bank and the United Micronesia Development Association, Inc. in the amount of $1,000,000 and $1,500,000, respectively. As the fair market value of these investments is not readily available, such have been recorded at cost.

B. Fiduciary Funds

NMIRF:

As of September 30, 2011, NMIRF's investment breakdown is as follows:

	Carrying Value		
Investment Type	DB Plan	DC Plan	Total
Investments categorized:			
U.S. Treasuries	$ 1,994,548	$ -	$ 1,994,548
Mortgage pass through	17,647,398	-	17,647,398
Collateralized mortgage obligations	4,444,143	-	4,444,143
Domestic corporate bonds	26,668,743	-	26,668,743
Domestic stocks (common, preferred, ADRs)	28,608,070	-	28,608,070
Foreign stocks	1,601,007	-	1,601,007
States and local governments	287,818	-	287,818
Total categorized	81,251,727	-	81,251,727
Investments not categorized:			
Money market funds	55,524,356	-	55,524,356
Stock mutual funds	22,848,616	21,142,149	43,990,765
Cash equivalents	680,758	-	680,758
Mutual bond funds	106,563,469	-	106,563,469
Total not categorized	185,617,199	21,142,149	206,759,348
Total investments held outside the State Treasury	$ 266,868,926	$ 21,142,149	$ 288,011,075

(2) Deposits and Investments, Continued

Investments, Continued

B. Fiduciary Funds, Continued

NMIRF, Continued:

Credit Risk

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

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

Interest Rate Risk

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

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

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Mutual bond funds	$ 106,563,469	$ 106,563,469	$ -	$ -	$ -	Unrated
U.S. Treasuries	1,994,548	-	-	-	1,994,548	Unrated
Mortgage pass through	17,647,398	-	1,950,242	1,419,165	14,277,991	Aaa/AAA
Collateralized mortgage obligations	4,444,143	-	1,376,055	-	3,068,088	Aaa/AAA
Domestic corporate bonds	26,668,743	2,224,885	11,492,799	7,414,383	5,536,676	Aa/AA/A/ Baa/BBB/Unrated
	$ 157,318,301	$ 108,788,354	$ 14,819,096	$ 8,833,548	$ 24,877,303	

(2) Deposits and Investments, Continued

Investments, Continued

B. Fiduciary Funds, Continued

NMIRF, Continued:

Interest Rate Risk, Continued

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

Securities Lending

CNMI statutes permit NMIRF to participate in securities lending transactions, and NMIRF has, pursuant to a Securities Lending Authorization Agreement, authorized an agent in lending NMIRF's securities to broker-dealers and banks pursuant to a form of loan agreement. During the year ended September 30, 2011, the agent loaned, on behalf of NMIRF, securities, including U.S. government obligations, domestic corporate bonds, and domestic and international equities, held by agent as custodian and received, as collateral, United States and foreign currency cash, securities issued or guaranteed by the United States government, sovereign debt of foreign countries and irrevocable bank letters of credit. The agent does not have the ability to pledge or sell collateral securities absent borrower default. Borrowers delivered collateral for each loan equal to 125% of the fair value of the loaned securities. In accordance with GASB Statement No. 28, securities lending collateral reported in the statement of plan net assets represented only cash collateral invested in the lending agent's cash collateral investment pool.

Securities Lending Collateral Interest Rate Risk

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

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

Concentration of Credit

As of September 30, 2011, NMIRF had no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

(2) Deposits and Investments, Continued

Investments, Continued

B. Fiduciary Funds, Continued

NMIRF, Continued:

Custodial Credit Risk

As of September 30, 2011, 100% of NMIRF's investments were held in NMIRF's name, and NMIRF is not exposed to custodial credit risk related to these investments.

Foreign Currency Risk

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

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

Derivatives

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

WCC:

WCC's investments are held by a bank administered trust company. Investments at September 30, 2011, are as follows:

Stock mutual fund	$ 473,267
Mutual bond funds	191,958
Money market placements	61,832
	$ 727,057

The following is a listing of WCC's fixed income securities at September 30, 2011:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Mutual bond funds	$ 191,958	$ -	$ -	$ 191,958	$ -	Aa/AA

(2) Deposits and Investments, Continued

Investments, Continued

C. Discretely Presented Component Units

CPA:

CPA's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on those agreements, all of those deposits were held in CPA's name by CPA's custodial financial institutions at September 30, 2011. As of September 30, 2011, investments at fair value consist of investments in U.S. Government money market placements amounting to $16,575,666.

MPLT:

MPLT's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments are held in MPLT's name by MPLT's custodial financial institutions at September 30, 2011.

As of September 30, 2011, investments at fair value are as follows:

Mutual funds	$ 7,952,590
Fixed income securities:	
Domestic fixed income	39,323,999
Other investments:	
Domestic equities	10,954,296
	$ 58,230,885

The following is a listing of MPLT's fixed income securities at September 30, 2011:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Asset and mortgage backed securities	$ 12,330,475	$ -	$ 1,171,859	$ 280,367	$ 10,878,249	No rating
Government bonds	1,558,031	-	-	-	1,558,031	NR
Municipal bonds	163,642	-	-	-	163,642	A+
International bonds	112,618	-	-	112,618	-	A+
International bonds	11,120	-	11,120	-	-	BB
International bonds	97,600	-	97,600	-	-	BBB+
International bonds	63,973	-	63,973	-	-	BBB-
International bonds	55,700	-	55,700	-	-	BB
International bonds	42,000	-	42,000	-	-	B+
Corporate bonds	52,229	-	-	52,229	-	AAA
Corporate bonds	437,740	-	194,236	230,243	13,261	AA
Corporate bonds	739,644	-	522,711	211,225	5,708	AA+
Corporate bonds	539,250	-	73,091	117,063	349,096	AA-
Corporate bonds	6,710,585	20,029	2,429,226	3,522,446	738,884	A
Corporate bonds	2,408,507	-	1,217,660	633,184	557,663	A+
Corporate bonds	3,413,270	155,772	1,081,617	1,541,479	634,402	A-
Corporate bonds	1,223,902	-	610,067	390,397	223,438	BBB
Corporate bonds	1,572,705	-	1,036,330	296,936	239,439	BBB+
Corporate bonds	902,404	-	470,947	332,760	98,697	BBB-

(2) Deposits and Investments, Continued

Investments, Continued

C. Discretely Presented Component Units, Continued

MPLT, Continued:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Rating
Corporate bonds	875,354	-	296,186	447,108	132,060	BB
Corporate bonds	1,172,735	-	483,650	438,635	250,450	BB+
Corporate bonds	1,659,572	-	605,986	976,879	76,707	BB-
Corporate bonds	935,752	-	317,793	462,209	155,750	B
Corporate bonds	712,422	-	219,169	228,068	265,185	B+
Corporate bonds	279,008	-	152,008	127,000	-	B-
Corporate bonds	140,030	-	-	140,030	-	CCC
Corporate bonds	185,652	-	129,532	56,120	-	CCC+
Corporate bonds	61,513	-	61,513	-	-	CAA1
Corporate bonds	808,591	251,100	156,470	47,430	353,591	No rating
Corporate bonds	57,975	-	57,975	-	-	NR
	$ 39,323,999	$ 426,901	$ 11,558,419	$ 10,644,426	$ 16,694,253	

NMC:

NMC's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments were held in NMC's name by NMC's custodial financial institutions at September 30, 2011.

As of September 30, 2011, investments at fair value are as follows:

Fixed income securities:	
Domestic fixed income	$ 1,998,536
International fixed income	73,882
	2,072,418
Other investments:	
Domestic equities	2,054,529
Other	1,224,108
	3,278,637
	$ 5,351,055

(2) Deposits and Investments, Continued

Investments, Continued

C. Discretely Presented Component Units, Continued

NMC, Continued:

The following is a listing of NMC's fixed income securities at September 30, 2011:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Rating
Mortgage and asset backed securities	$ 114,941	$ -	$ -	$ -	$ 114,941	No rating
International bonds	49,197	24,346	-	24,851	-	A-
International bonds	24,685	-	-	24,685	-	BBB+
Corporate bonds	105,091	-	24,617	-	80,474	AA
Corporate bonds	125,006	-	74,234	50,772	-	A
Corporate bonds	45,116	-	45,116	-	-	AA+
Corporate bonds	47,493	-	-	47,493	-	AA-
Corporate bonds	52,579	-	-	24,889	27,690	A+
Corporate bonds	98,994	-	47,071	51,923	-	A-
Corporate bonds	90,060	-	53,576	36,484	-	BBB
Corporate bonds	76,690	-	25,483	-	51,207	BBB+
Corporate bonds	59,524	-	10,249	25,905	23,370	BBB-
Government and GSE bonds	1,183,042	81,088	519,712	388,459	193,783	No rating
	$ 2,072,418	$ 105,434	$ 800,058	$ 675,461	$ 491,465	

(3) Receivables

Governmental Funds

Receivables as of September 30, 2011, for the primary government's individual major governmental funds and nonmajor governmental funds in the aggregate, including allowances for uncollectible accounts, are as follows:

	General	Grants Assistance	Department of Public Lands	Other Governmental Funds	Total
Receivables:					
Federal agencies	$ -	$ 14,813,251	$ -	$ 3,166,419	$ 17,979,670
Other agencies	206,650,071	-	-	-	206,650,071
Taxes	13,966,321	-	-	-	13,966,321
General	2,122,122	12,831	15,543,868	1,209,831	18,888,652
Other	-	-	-	19,629	19,629
Gross receivables	222,738,514	14,826,082	15,543,868	4,395,879	257,504,343
Less allowance for uncollectibles	(208,147,276)	(13,288,916)	(15,057,988)	(715,368)	(237,209,548)
Net receivables	$ 14,591,238	$ 1,537,166	$ 485,880	$ 3,680,511	$ 20,294,795

Receivables are primarily due from businesses and individuals residing in the CNMI. The allowance for uncollectibles primarily represents estimated uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

(3) Receivables, Continued

Fiduciary Funds

Receivables as of September 30, 2011, for the fiduciary funds, including allowances for uncollectible accounts, are as follows:

	NMIRF	GHLITF	WCC	Total
Receivables:				
Contributions	$ 29,966,353	$ -	$ -	$ 29,966,353
Loan	5,885,216	-	-	5,885,216
Notes	7,844,435	-	-	7,844,435
Benefits	948,801	-	298,911	1,247,712
Interest and dividends	689,186	-	-	689,186
Other	101,945	370,719	6,153	478,817
Gross receivables	45,435,936	370,719	305,064	46,111,719
Less allowance for uncollectibles	(29,966,353)	-	-	(29,966,353)
Net receivables	$ 15,469,583	$ 370,719	$ 305,064	$ 16,145,366

Contributions receivable of $29,966,353 recorded by the NMIRF represent amounts owed to the NMIRF for employer contributions from various CNMI autonomous agencies. At September 30, 2011, a corresponding allowance for uncollectible contribution receivables of $29,966,353 is recorded by the NMIRF.

Loan receivable of $5,885,216 recorded by the NMIRF represents a receivable from the CNMI pursuant to a loan agreement entered into in February 28, 1995. The loan is for a period of twenty years, with interest rate at 7.75% per annum and payable in monthly installments of $120,000.

Notes receivable recorded by the NMIRF includes $4,640,087 under the NMIRF's Member Home Loan Program (MHLP). The MHLP was created through Public Law 6-17, which authorized up to 40% of NMIRF's assets to be made available to the program. Borrowings are restricted to the construction, purchase, and improvement of principal residence or refinancing of existing mortgages on a member's home. NMIRF can lend amounts ranging from $5,000 to $150,000 at interest rates of 8.5% to 9% per annum. Notes receivable also include $1,679,942 due from the Municipality of Tinian pursuant to a memorandum of understanding to convert past due employer contributions to notes receivable bearing interest at 9% per annum, payable in monthly installments of $15,000 until January 1, 2021. Remaining notes receivable of $1,524,406 represent a receivable due from CGECU. The note is for a period of thirty years beginning October 12, 1995 and bears interest at an initial rate of 8% per annum and adjusted at a rate that is at least equal to the actuarially assumed rate of return on NMIRF's plan assets. For the year ended September 30, 2011, the interest rate is 7.5% per annum.

(3) Receivables, Continued

Discretely Presented Component Units

Receivables as of September 30, 2011, for the discretely presented component units, including allowances for uncollectible accounts are as follows:

	CPA	CDA	CUC	MPLT	NMC	PSS	MVA	Total
Receivables:								
Loans	$ 3,385,131	$ 51,232,866	$ -	$ -	$ -	$ -	$ -	$ 54,617,997
Notes	-	-	1,081,759	13,909,202	-	-	-	14,990,961
Federal agencies	1,403,682	31,590	-	-	1,508,345	3,398,801	-	6,342,418
General	4,083,337	-	35,356,933	-	2,944,247	-	-	42,384,517
Interest and dividends	-	123,047	-	426,980	-	-	-	550,027
Other	3,355,006	1,082,286	4,556,213	94,970	-	57,893	29,388	9,175,756
Gross receivables	12,227,156	52,469,789	40,994,905	14,431,152	4,452,592	3,456,694	29,388	128,061,676
Less allowance for uncollectibles	(4,902,105)	(31,594,325)	(19,250,392)	(4,959,316)	(1,929,379)	-	-	(62,635,517)
Net receivables	$ 7,325,051	$ 20,875,464	$ 21,744,513	$ 9,471,836	$ 2,523,213	$ 3,456,694	$ 29,388	$ 65,426,159

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

CPA:

Loan receivable from CUC, bearing interest at 6.25% per annum over a term of five years, commencing on July 1, 2008 as reimbursement for project costs paid by CPA for the Sewerline Project and loan receivable from CUC, bearing interest at 6.25% per annum, for repayment of wharfage fees. CPA's utility charges can be offset in lieu of payments.	$ 3,385,131

CDA:

Economic development loans for commercial purposes due within various periods not to exceed thirty (30) years. The interest rates charged are based on the economic purpose of the loan. Production development loans bear interest at 7% to 9% per annum, marine and agriculture loans bear interest at 4.5% per annum, commercial development loans bear interest at 7% to 9% per annum, and microloans bear interest at 7% to 12% per annum. In October 2007, CDA initiated a "Debt Relief Program", which provides for reduction of interest to two percent and extension of term for an additional thirty years with a mandated three year callable provision where warranted and justified.	$ 35,393,024
NMHC housing loans for the specific purpose of providing residents of the Northern Mariana Islands with approved low-cost housing. The loans have terms from ten to thirty-three years in duration at interest rates of 4.5% to 12% per annum.	10,353,111

(3) Receivables, Continued

Discretely Presented Component Units, Continued

CDA, Continued:

Loan receivable from CPA, bearing interest at 2.5% per annum, with quarterly principal and interest payments in the amount of $204,113, with maturity date of November 16, 2014. Proceeds were used for the Saipan Harbor Project. On June 29, 2010, the note was revised with monthly principal and interest payments in the amount of $31,000, with maturity date of June 15, 2030.	5,486,731
	$ 51,232,866

CUC:

Notes receivable from customers.	$ 1,081,759

MPLT:

Notes receivable (Home Loan Program) from various individuals obtained through a settlement agreement with NMHC dated December 31, 2007, interest at 2% per annum (5.5% to 8.5% prior to January 1, 2009) and terms from ten to thirty years.	$ 8,658,943
Note receivable from Adelantun Publickun Luta Enteramente, Incorporated (APLE 501, Inc.), interest at 5% per annum, due on October 18, 2017, with monthly principal and interest payments in the amount of $1,225, collateralized by a loan portfolio. Proceeds were used to fund an independently administered individual or parent-student loan program. MPLT has ceased future loan commitments and disbursements to APLE 501, Inc.	129,316
Note receivable from CDA, interest at 6.5% per annum, due on June 1, 2018, collateralized by future distributable net income for the maintenance and development of the American Memorial Park and is to be repaid from earnings of the investments pursuant to CNMI Public Law 11-72.	1,120,943
Note receivable from the CNMI Government, interest at 7% per annum. Public Law 17-7 earmarks and appropriates from future interest income distributions of fiscal years 2009, 2010, 2012 and additional future fiscal years until the note is fully reimbursed. Interest is due annually.	4,000,000
	$ 13,909,202

(4) Interfund Receivables and Payables

Receivables and payables between funds reflected as due to/from other funds in the governmental funds balance sheet at September 30, 2011, are summarized as follows:

(4) Interfund Receivables and Payables, Continued

Receivable Fund	Payable Fund	Amount
General	DPL	$ 1,451,007
General	Nonmajor governmental	1,211,996
General	Grants Assistance	1,080,264
Grants Assistance	General	7,997,980
Nonmajor governmental	General	4,827,597
Fiduciary	General	1,379,160
		$ 17,948,004

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

Balances reflected as due to/from component units as of September 30, 2011, are summarized as follows:

Due From	Due To	Amount
General	MPLT	$ 1,968,159
PSS	General	$ 6,294,243
NMC	General	317,096
MVA	General	5,337,569
CUC	General	3,192,564
MPLT	General	4,000,000
		$ 19,141,472

The amount recorded as due from component units of the primary government of $1,968,159 does not equal the corresponding due to primary government of the discretely presented component units of $9,414,426 due to CPA and CUC recording 1% public auditor fee of $1,838,963 and $5,500,008, respectively, for which the primary government recorded a corresponding allowance and advances from primary government of $107,296 attributed to timing difference.

The amount recorded as due from primary government of the discretely presented component units of $11,093,018 does not equal the corresponding due to component units of the primary government of $19,141,473 by $8,048,454. The difference of $3,192,564 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 $855,890 is due to an allowance recorded by MVA.

(4) Interfund Receivables and Payables, Continued

As of September 30, 2011, the due to Pension (and Other Employee Benefit) Trust Fund consists of the following:

	NMIRF	GHLITF	WCC	Total
Employer contributions	$ 179,960,050	$ -	$ -	$ 179,960,050
Penalty on unpaid contributions	50,372,932	-	-	50,372,932
Deficiency in NMC's retirement contributions	6,345,651	-	-	6,345,651
Appropriations in prior years not transferred	15,026,333	-	-	15,026,333
Early retirement bonus program	3,631,090	-	-	3,631,090
Prior service contributions	780,733	-	-	780,733
Special annuity	385,577	-	-	385,577
Other	-	-	542,616	542,616
	$ 256,502,366	$ -	$ 542,616	$ 257,044,982

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 $6,345,651 as of September 30, 2011.

The amount recorded as due to Pension (and Other Employee Benefit) Trust Fund of $257,044,982 does not equal the corresponding due from the general fund and due from nonmajor special revenue funds of the Fiduciary Funds of $251,054,536 due to $6,345,651 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 $355,205 in timing differences.

Of the amount due from the General Fund of $250,429,921 and due from component units of $36,860,714, the Pension (and Other Employee Benefit) Trust Fund recorded an allowance for uncollectible receivables of $214,338,226 as of September 30, 2011. The remaining due from the General Fund of $72,952,409 has been offset by deferred revenue of the same amount.

(5) Restricted Assets

Governmental Funds

Restricted assets of $12,628,859 recorded in the General Fund represents cash and cash equivalents of $2,504,670 for capital projects, $2,163,417 for tax rebate payments, $209,546 for recovery rebate payments, $3,775,463 for federal programs and projects, $704,323 for future debt service requirements and $3,271,440 for other various purposes.

(5) Restricted Assets, Continued

Governmental Funds, Continued

Restricted assets of $3,555,689 recorded in the Grants Assistance Fund represents $3,310,693 cash and cash equivalents restricted for capital projects, and $244,996 for federal programs and projects.

Restricted assets of $5,940,088 represent Department of Public Lands (DPL) bank deposits in which DPL has been restricted from full access.

Restricted assets of $136,865 recorded in the Other Governmental Funds represent cash and cash equivalents of $129,965 for capital projects and $6,900 for other purposes.

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

WCC

Restricted assets of $133,249 as of September 30, 2011, represents time certificates of deposit established for the purpose of making compensation for injury increasing disability in accordance with Subsection (f) of Section 9308 of Public Law 10-19.

Fiduciary Fund Type - Agency Fund

Restricted assets of $2,329,398 as of September 30, 2011, represent deposits of foreign investors required by law to operate a business in the CNMI.

Discretely Presented Component Units

CPA:

Restricted assets of CPA as of September 30, 2011, represent the unused proceeds of the Airport Revenue Bonds and the Seaport Revenue Bonds, both issued on March 26, 1998, deposited with the Trustee. The Trustee is a commercial lending institution and the securities are held in the name of CPA. Disbursements from unused bond proceeds are to be made solely for the purpose of paying the costs of the projects, and pursuant to the Act establishing CPA (Public Law No. 2-48), payment of the costs of issuance and the payment of bond principal and interest to the extent provided in the Indenture.

Fund	Airport Revenue Bonds	Seaport Revenue Bonds	Total
Bond Reserve Fund	$ 1,575,062	$ 3,479,616	$ 5,054,678
Supplemental Reserve Fund	-	8,034,239	8,034,239
Construction Fund	-	7,178	7,178
Reimbursement Fund	-	5,807	5,807
Bond Fund	378,165	712,475	1,090,640
Maintenance and Operation	1,598,442	771,047	2,369,489
Optional Redemption Fund	12,100	-	12,100
Revenue Fund	724	811	1,535
	$ 3,564,493	$ 13,011,173	$ 16,575,666

(5) Restricted Assets, Continued

Discretely Presented Component Units, Continued

CDA:

Restricted assets of CDA as of September 30, 2011, are comprised of the following:

	Development Banking Division	Northern Marianas Housing Corporation	Total
Cash and cash equivalents	$ 3,260,556	$ 2,617,558	$ 5,878,114
Time certificates of deposit	1,000,000	-	1,000,000
	$ 4,260,556	$ 2,617,558	$ 6,878,114

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

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

Escrow account maintained as a guarantee for any deficiency in foreclosure proceeds related to USDA Rural Development Loans	$ 1,096,538
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development	199,509
Savings account maintained as a guarantee of housing loans made by a savings and loan in the CNMI	100
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	1,275,439
Other depository accounts reserved for various purposes	45,972
	$ 2,617,558

CUC:

Cash and cash equivalents of $8,324,311 as of September 30, 2011, represent customer deposits segregated pursuant to CUC policy. Of the $8,324,311, $7,500,000 is held as security pursuant to a letter of credit obtained from a financial institution to secure a $7,500,000 credit limit for fuel purchases.

MPLT:

Restricted assets of $58,230,885 represent investments held and administered by trustees in accordance with trust and custody agreements for purposes of investment and distribution to the CNMI General Fund in accordance with provisions of the CNMI Constitution.

(6) Fixed Assets and Depreciation

Capital assets activities of the primary government for the year ended September 30, 2011, are as follows:

	Balance October 1, 2010	Additions	Retirements	Reclassifications	Balance September 30, 2011
Historical cost:					
Assets not being depreciated:					
Land	$ 29,262,552	$ 427,784	$ -	$ -	$ 29,690,336
Construction in progress	10,661,398	8,466,278	-	(135,306)	18,992,370
Subtotal assets not being depreciated	39,923,950	8,894,062	-	(135,306)	48,682,706
Depreciable assets:					
Buildings and other improvements	179,846,799	-	-	135,306	179,982,105
Machinery and equipment	23,424,613	2,908,992	-	-	26,333,605
Infrastructure	132,471,335	-	-	-	132,471,335
Subtotal depreciable assets	335,742,747	2,908,992	-	135,306	338,787,045
Total capital assets at cost	375,666,697	11,803,054	-	-	387,469,751
Accumulated depreciation:					
Buildings and other improvements	(54,144,576)	(5,777,564)	-	-	(59,922,140)
Machinery and equipment	(13,417,866)	(2,645,807)	-	-	(16,063,673)
Infrastructure	(105,805,676)	(1,944,734)	-	-	(107,750,410)
Total accumulated depreciation	(173,368,118)	(10,368,105)	-	-	(183,736,223)
Capital assets, net	$ 202,298,579	$ 1,434,949	$ -	$ -	$ 203,733,528

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

Community and Social Services	$ 1,174,813
General Government	852,215
Health	1,861,014
Public Works	3,640,921
Judicial Branch	291,274
Public Safety and Law Enforcement	2,428,179
Lands and Natural Resources	119,689
Total depreciation expense - governmental activities	$ 10,368,105

(7) Tax Rebates Payable

The CNMI makes significant estimates in determining tax rebates payable. A Rebate Trust Fund was established to account for amounts paid to the CNMI, with respect to taxes imposed, which are rebateable to taxpayers. P.L. 9-22, enacted in January 1995, repealed and re-enacted the CNMI tax code and removed the requirement of a Rebate Trust Fund. P.L. 9-57, enacted in October 1995, reestablished the Rebate Trust Fund. The reestablishment was not retroactive, and thus tax year liabilities are paid from subsequent year collections of the General Fund.

(7) Tax Rebates Payable, Continued

GASB 54 specified that a special revenue fund is used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. The Rebate Trust Fund does not record revenues and expenditures and thus does not meet the definition of a special revenue fund. The Rebate Trust Fund has been reclassified from a major fund to the General Fund.

The rebate percentage is either 90%, 70% or 50%, based on the specified tax brackets for taxes paid. Tax rebate liabilities amounted to $57,087,301 as of September 30, 2011. Cash to fund this liability is to be provided by the General Fund. Any changes in the estimate will be accounted for in a prospective manner.

(8) Recovery Rebates Payable

The Congress of the United States passed the Economic Stimulus Act of 2008, which was approved and became law on February 13, 2008 as U.S. Public Law 110-185 (the Act). Among other things, the Act provides economic stimulus through recovery rebates to individuals meeting certain criteria. The Act provides that the U.S. Department of Treasury will make payment to the CNMI in an amount equal to the aggregate amount of the credits allowable by reason of the provision to the CNMI's residents against their CNMI income tax to cover advance and final payments. In 2008, the CNMI received total funds of $16,100,000 pursuant to the Act. The recovery rebates payable of $399,303 recorded in the General Fund represents the remaining undisbursed funds as of September 30, 2011.

(9) Deferred Revenues

As of September 30, 2011, deferred revenues for individual major fiduciary funds are as follows:

	NMIRF	GHLITF	WCC	Totals
Penalty on unpaid contributions	$ 57,264,179	$ -	$ -	$ 57,264,179
CNMI appropriations	15,026,333	-	38,862	15,065,195
Benefits receivable	948,801	-		948,801
Fines and other penalties	-	-	298,911	298,911
Special annuity	385,577	-	-	385,577
Prior service trust fund	51,466	-	-	51,466
	$ 73,676,356	$ -	$ 337,773	$ 74,014,129

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, 2011, the $50,372,932 penalty on unpaid contributions represents assessed penalties on unpaid CNMI Government employer contributions. Remaining penalty contributions of $6,891,247 are assessed penalties on unpaid agencies' contributions.

(9) Deferred Revenues, Continued

The $15,026,333 deferred revenue recorded by the NMIRF represents remaining uncollected appropriations from the CNMI Government of $8,494,020 pursuant to Public Law No. 11-41, which earmarked 90% of poker machine licensing fees for the NMIRF, and $6,532,313 pursuant to Public Law No. 8-31, which earmarked the NMIRF with $2,000,000 for fiscal years 2004, 2005 and 2006.

(10) Long-Term Debt Obligations

NMIRF Loan

On February 28, 1995, the CNMI entered into a loan agreement with NMIRF, a Fiduciary Fund Type - Pension (and Other Employee Benefits) Trust Fund, for the construction of a Judicial Complex on the island of Saipan, in an amount not to exceed $15,000,000. All revenue collected by the courts is deposited into the Judicial Building Fund, a Governmental Fund Type - Special Revenue Fund, to finance debt service on the loan. As of September 30, 2011, cash balances held by NMIRF for the retirement of debt totaled $523. The loan was initially for a period of fifteen years, due February 28, 2010, with interest at 7.5% per annum, principal and interest payable in monthly installments of $137,198. On July 15, 1999, the loan agreement was amended to extend the term of the loan to twenty years and to increase interest to 7.75% per annum. Pursuant to the amendment, principal and interest are payable in monthly installments of $120,000. As of September 30, 2011, the principal outstanding and payable is $5,885,216.

$40,000,000 Bond Issue

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

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

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

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

(10) Long-Term Debt Obligations, Continued

$40,000,000 Bond Issue, Continued

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

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

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

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

As of September 30, 2011, principal outstanding and payable is $2,400,000 less unamortized discount on bond issuance of $27,839.

Refunding of Debt

In April 2007, the CNMI issued $100,490,000 of Series 2007A and Series 2007B General Obligation bonds to primarily refund the outstanding debt obligations of the Series 2000A and Series 2003A General Obligation bonds, and to pay certain expenses related to the issuance of the bonds. The primary purpose of the refunding was to refinance at lower interest rates. The refunding resulted in a cash flow savings of $7,801,220 and did not extend the length of original bonds.

The refunding resulted in the advance defeasance of approximately 95% of the Series 2000A and Series 2003A General Obligation bonds by placing deposits in an irrevocable trust and escrow account for the purchase of U.S. government securities to pay the principal and interest on the defeased bonds as they are due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the accompanying financial statements.

(10) Long-Term Debt Obligations, Continued

Refunding of Debt, Continued

Although the advance refunding resulted in the recognition of an accounting loss of $8.2 million for the year ended September 30, 2011, the CNMI in effect reduced its aggregate debt service payments by $7.8 million over the next twenty-six years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $7.475 million.

At September 30, 2011, Series 2003A bonds outstanding of $37,400,000 are considered defeased.

$57,800,000 Bond Issue

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

Amount outstanding and payable as of September 30, 2011, consist of the following:

Series 2007A general obligations refunding bonds	$ 54,645,000
Unamortized premium on bond issuance	82,490
Deferred difference on debt refunding	(2,447,963)
	$ 52,279,527

$42,690,000 Bond Issue

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

Amount outstanding and payable as of September 30, 2011, consist of the following:

Series 2007B general obligations refunding bonds	$ 42,690,000
Unamortized premium on bond issuance	56,547
Deferred difference on debt refunding	(4,366,020)
	$ 38,380,527

(10) Long-Term Debt Obligations, Continued

Changes in long-term liabilities for the year ended September 30, 2011, are as follows:

	Balance October 1, 2010	Additions	Reductions	Balance September 30, 2011	Due Within One Year
Loans and bonds payable:					
NMIRF loan	$ 6,094,644	$ -	$ (209,428)	$ 5,885,216	$ 2,144,601
2003 Series A Bonds	2,600,000	-	(200,000)	2,400,000	700,000
2007 Series A Bonds	56,950,000	-	(2,305,000)	54,645,000	2,425,000
2007 Series B Bonds	42,690,000	-	-	42,690,000	305,000
	108,334,644	-	(2,714,428)	105,620,216	5,574,601
Deferred amounts:					
Deferred difference on debt refunding	(7,123,710)	-	309,727	(6,813,983)	(309,727)
Unamortized discount on bonds issued	(29,104)	-	1,265	(27,839)	(1,265)
Unamortized premium on bonds issued	145,357	-	(6,320)	139,037	6,320
	101,327,187	-	(2,409,756)	98,917,431	5,269,929
Other:					
Compensated absences	7,230,663	5,986,648	(6,342,323)	6,874,988	3,298,961
Claims and judgments payable	32,632,308	55,049	(798,193)	31,889,164	31,889,164
Landfill closure	3,053,895	381,737	-	3,435,632	-
	42,916,866	6,423,434	(7,140,516)	42,199,784	35,188,125
	$ 144,244,053	$ 6,423,434	$ (9,550,272)	$ 141,117,215	$ 40,458,054

The annual debt service requirements to maturity for the NMIRF loan payable is as follows:

Year ending September 30,	Principal	Interest	Total
2012	$ 2,144,601	$ 342,023	$ 2,486,624
2013	1,188,410	251,590	1,440,000
2014	1,285,229	154,771	1,440,000
2015	1,266,976	50,060	1,317,036
	$ 5,885,216	$ 798,444	$ 6,683,660

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

Year ending September 30,	Principal	Interest	Total
2012	$ 3,430,000	$ 4,997,500	$ 8,427,500
2013	3,670,000	4,810,000	8,480,000
2014	3,915,000	4,608,625	8,523,625
2015	4,050,000	4,404,625	8,454,625
2016	4,295,000	4,199,625	8,494,625
2017 - 2021	23,305,000	17,548,750	40,853,750
2022 - 2026	22,600,000	11,882,000	34,482,000
2027 - 2031	25,390,000	5,544,625	30,934,625
2032 - 2034	9,080,000	691,750	9,771,750
	$ 99,735,000	$ 58,687,500	$ 158,422,500

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units

CPA

Note payable to CDA, due November 16, 2014, interest at 2.5% per annum, with maturity date of June 15, 2030. Principal and interest payments in the amount of $31,000 are due monthly beginning June 15, 2010. The payment of accrued interest totaling $546,679 has been deferred until the maturity of the loan or until the loan is paid off, whichever comes first.	$ 5,486,731

CDA

Note payable to MPLT, bearing interest at 6.5% per annum, due over a fifteen-year term, beginning June 2003. The note is collateralized by the full faith and credit of the CNMI Government held in trust by MPLT, for the purpose of development and maintenance of the American Memorial Park, and is being repaid from earnings of the investments pursuant to CNMI Public Law 11-72.	1,120,943

CUC

Loan payable to CPA. Principal of $3,385,131, interest at 6.25% per annum, with a maturity date of October 31, 2017. Principal and interest payments are due in monthly installments of $38,008 beginning October 31, 2007.	3,385,131
Loan payable to CPA. Principal of $4,829,895, interest at 6.25% per annum, with a maturity date of October 31, 2012. Principal and interest payments are due in monthly installments of $93,938 beginning October 31, 2007.	2,297,495
	$ 12,290,300

CPA $20,050,000 Bond Issue

On March 26, 1998, CPA issued $20,050,000 of tax-exempt airport revenue bonds which, in part, were used for a current refunding of $8,250,000 of 1987 Series B tax-exempt airport revenue bonds. The refunding was undertaken to consolidate existing bonds with new bonds issued for the purpose of financing various airport projects and to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by $503,906. This amount was netted against the new debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt. The transaction also resulted in an economic gain of $688,620 and an increase of $7,616,151 in future debt service payments.

Installments are paid to the Bond Trustee annually on March 15 through 2028. Interest is payable semi-annually, at 6.25%, on March 15 and September 15 of each year.

Revenue bonds payable as of September 30, 2011, consist of the following:

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

CPA $20,050,000 Bond Issue, Continued

1998 Senior Series A tax-exempt airport revenue bonds	$ 14,460,000

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

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

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

CPA $33,775,000 Bond Issue

On March 26, 1998, CPA issued $33,775,000 of Senior Series A tax-exempt seaport revenue bonds which, in part, were used for a current refunding of $22,470,000 of 1995 Series A tax-exempt seaport revenue bonds. The refunding was undertaken to consolidate existing debt with new debt issued for the purpose of financing various seaport projects and to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by $1,345,593. This amount was netted against the new debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt. The transaction also resulted in an economic gain of $1,724,777 and a decrease of $6,983,345 in future debt service payments.

Installments are paid to the Bond Trustee annually on March 15 through 2028. Interest is payable semi-annually, at 6.6%, on March 15 and September 15 of each year.

Revenue bonds payable as of September 30, 2011, consist of the following:

1998 Senior Series A tax-exempt seaport revenue bonds	$ 26,060,000
Deferred difference on debt refunding	(914,454)
	$ 25,145,546

Additionally, CPA has resolved to hold $8,000,000 in the Seaport supplemental reserve fund. The supplemental reserve fund was established pursuant to the First Supplemental Indenture dated March 1, 2000 for the purpose of providing funding and maintenance for the 1998 Senior Series A Seaport Bonds. At September 30, 2011, total deposits in the Seaport supplemental reserve fund amounted to $8,034,239.

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

CPA $33,775,000 Bond Issue, Continued

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

The 1998 Senior Series A tax-exempt seaport revenue bonds are subject to redemption prior to their stated maturity, at the option of CPA, as a whole or in part by lot, on any date from the proceeds of available funds, the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

CPA $7,225,000 Bond Issue

On September 21, 2005, CPA issued $7,225,000 of Senior Series A tax-exempt seaport revenue bonds for the purpose of financing (including reimbursing itself for) the purchase, acquisition, construction, reconstruction, repair, renovation, improvement or expansion of CPA's seaports. Pursuant to Section 2.04(A)(9) of the 1998 Senior Series A Seaport Revenue Bonds Indenture Agreement dated March 1, 1998 and as supplemented by a First Supplemental Indenture dated March 1, 2000, CPA entered into a Second Supplemental Indenture for the issuance of the 2005 Senior Series A bonds. Interest on the bonds is payable semi-annually at 5.5% on March 15 and September 15 of each year.

Revenue bonds payable as of September 30, 2011, consist of the following:

2005 Senior Series A tax-exempt seaport revenue bonds	$ 6,580,000
Discount on bonds	(95,592)
	$ 6,484,408

The bond indentures contain several restrictive covenants, including restrictions on the use of bond proceeds. Management of CPA is of the opinion that CPA was in compliance with all significant covenants as of September 30, 2011. Section 6.11 of the Airport and Seaport Bond Indenture Agreements (Indenture) states that CPA shall impose, levy, enforce and collect such dockage, entry and wharfage fees, tariffs, lease rentals, licensing fees and other fees and charges in an aggregate amount with respect to each fiscal year to produce gross revenues of 125% of debt service requirements. Management of CPA has determined that gross revenues consist of total operating revenues, other grant revenue and contributions, interest income and passenger facility charges to meet the indenture requirements. For fiscal year 2011, management of CPA determined that 100% of passenger facility charges would be considered as gross revenues for these purposes.

Annual debt service requirements to maturity for these discretely presented component units outstanding as of September 30, 2011, including interest payments, for those audit entities whose audit reports include such, are as follows:

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

Year ending September 30,	Principal	Interest	Total
2012	$ 4,342,679	$ 3,807,467	$ 8,150,146
2013	3,246,088	3,273,974	6,520,062
2014	2,449,318	3,086,449	5,535,767
2015	2,595,915	2,935,847	5,531,762
2016	2,743,758	2,776,210	5,519,968
2017 - 2021	15,163,817	10,942,664	26,106,481
2022 - 2026	18,029,163	5,992,179	24,021,342
2027 - 2031	10,819,562	1,415,932	12,235,494
	$ 59,390,300	$ 34,230,722	$ 93,621,022

Obligations Under Preferred Stock Agreement

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

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

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

(10) Long-Term Debt Obligations, Continued

Discretely Presented Component Units, Continued

Obligations Under Preferred Stock Agreement, Continued

CUC has determined that GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, does not provide a structure to allow preferred stock to be displayed within net assets. As such, CUC and CDA have taken the position that the value of the preferred stock represents the net present value of the future stream of dividend payments required by CUC and not the face value of the stock itself. CUC has treated the Agreement as a troubled debt restructuring and has recorded a long-term liability based on the discounted cash flows of the future dividend payments at 6.27% per annum. At September 30, 2011, CUC has recorded dividends payable to CDA of $1,800,000 and CDA has recorded an investment of $11,309,651, with a corresponding 100% valuation allowance. Future receipts for dividends are as follows:

Year ending September 30,	Principal Balance
2012	$ -
2013	120,000
2014	120,000
2015	120,000
2016	120,000
2017 - 2021	600,000
2022 - 2026	600,000
2027	120,000
	$ 1,800,000

Changes in long-term liabilities of the discretely presented component units for the year ended September 30, 2011, are as follows:

	Balance October 1, 2010	Additions	Reductions	Reclassifications	Balance September 30, 2011	Due Within One Year
Notes and bonds payable:						
CPA	$ 54,306,040	$ -	$ (1,719,309)	$ -	$ 52,586,731	$ 1,820,110
CUC	9,268,348	-	(3,585,722)	-	5,682,626	2,382,269
CDA	1,252,843	-	(131,900)	-	1,120,943	140,300
	64,827,231	-	(5,436,931)	-	59,390,300	4,342,679
Deferred amounts:						
CPA:						
Deferred difference on debt refunding	(953,106)	-	38,652	-	(914,454)	-
Discount	(100,372)	-	4,780	-	(95,592)	-
	63,773,753	-	(5,393,499)	-	58,380,254	4,342,679
Other liabilities:						
Obligations under preferred stock agreement	19,579,335	900,000	-	(18,679,335)	1,800,000	-
Compensated absences	3,662,182	2,791,982	(1,670,110)	-	4,784,054	2,416,171
Deferred revenues	8,719,388	833,571	(883,833)	-	8,669,126	2,341,376
	$ 95,734,658	$ 4,525,553	$ (7,947,442)	$ (18,679,335)	$ 73,633,434	$ 9,100,226

(11) Fund Balances

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

	General Fund	Grants Assistance	Department of Public Lands	Other Governmental Funds	Total
Non-spendable					
Inventories	$ 1,278,596	$ -	$ -	$ -	$ 1,278,596
United Micronesia Development Association	1,500,000	-	-	-	1,500,000
Pacific Islands Development Bank	1,000,000	-	-	-	1,000,000
Restricted for					
Capital projects	2,504,670	5,496,730	-	129,965	8,131,365
Public lands	-	-	3,188,784	-	3,188,784
Debt service fund	704,323	-	-	231,392	935,715
Landfill closure costs	-	-	-	3,435,632	3,435,632
Other purposes	-	-	-	6,900	6,900
Assigned					
General government	-	-	-	193,022	193,022
Public works	-	-	-	24,389	24,389
Unassigned	(351,283,082)	(18,669)	(1,773,400)	491,444	(352,583,707)
	$ (344,295,493)	$ 5,478,061	$ 1,415,384	$ 4,512,744	$ (332,889,304)

(12) Transfers In/Out

Operating Fund Transfers

Operating transfers in/out for each major governmental fund and nonmajor governmental funds in the aggregate, for the year ended September 30, 2011, are as follows:

Source/Recipient	Transfer Out	Transfer In
General Fund		
From General Fund to:		
Grants Assistance Fund	$ 13,643,737	$ -
Nonmajor governmental funds	-	3,740,932
To General Fund from:		
Grants Assistance Fund	-	1,930,443
	13,643,737	5,671,375
Grants Assistance Fund		
From Grants Assistance Fund to:		
General Fund	1,930,443	-
Nonmajor governmental funds	40,087	-
To Grants Assistance Fund from:		
General Fund	-	13,643,737
Nonmajor governmental funds	-	131,351
	1,970,530	13,775,088

(12) Transfers In/Out, Continued

Operating Fund Transfers, Continued

Source/Recipient	Transfer Out	Transfer In
Nonmajor governmental funds		
From nonmajor governmental funds to:		
General Fund	3,740,932	-
Grants Assistance Fund	131,351	-
Nonmajor governmental funds	174,774	-
To nonmajor governmental funds from:		
Grants Assistance Fund	-	40,087
Nonmajor governmental funds	-	174,774
	4,047,057	214,861
	$ 19,661,324	$ 19,661,324

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

The amount recorded as payments to component units from the primary government of $39,601,812 does not equal the corresponding contributions from the primary government of $39,331,512 by $270,300. The difference of $259,820 with NMC is due to $257,867 accrual for utilities and $1,953 in unreconciled differences. The difference of $10,475 with PSS is due to unreconciled differences.

The amount recorded as contributions from component units of the primary government of $3,951,631 does not equal the corresponding contributions to the primary government of the component units of $5,133,384 due to $489,722 recorded as contributions to the primary government by MPLT relating to the repayment of MPLT's loans receivable from CDA, $694,758 recorded as contributions to the primary government by CUC relating to the 1% OPA fees which have not been paid by CUC and $280,745 with CDA due to timing difference in recording payments.

(13) Commitments

Land Acquisitions

The CNMI has acquired certain properties from landowners for right-of-way or easement projects. The CNMI government's liability for future reimbursement costs associated with unknown land acquisitions is presently not determinable.

(13) Commitments, Continued

Dedicated Revenues and Pledges

CNMI has pledged all Judicial Building Fund (a Governmental Fund Type - Special Revenue Fund) revenues to repay a loan of $15,000,000 to NMIRF pursuant to an agreement entered into in February 1995. Total principal and interest remaining on this loan is approximately $8,673,211 payable through September 2015. For the year ended September 30, 2011, principal and interest paid were $209,428 and $470,328, respectively, and total Judicial Building Fund revenues were $667,968.

Discretely Presented Component Units

CPA has pledged future gross revenues to repay $20,050,000 and $33,775,000 in 1998 Senior Series A and $7,225,000 of 2005 Senior Series A tax-exempt special revenue bonds. Proceeds from the bonds provided financing for capital assets. The bonds are payable from pledged gross revenues. The bonds are payable through fiscal years 2028, 2028 and 2031, respectively. The total principal and interest payable for the remainder of the life of these bonds are $77,475,372 at September 30, 2011. Pledged gross revenues received during the year ended September 30, 2011 were $17,239,628. Debt service payments during the year ended September 30, 2011 amounted to $4,517,830 representing 27% of pledged gross revenues.

Operating Lease

On August 18, 2003, NMC entered into an assignment of lease with a corporation (Assignor), whereby the Assignor assigns leases and leasehold estate and other rights on the La Fiesta property to NMC for a total payment of $4,000,000 payable in annual installments of $200,000 beginning October 29, 2004. On September 15, 2004, NMC and the CNMI entered into a Memorandum of Agreement for the transfer of the lease assignment. On January 7, 2005, NMC and the CNMI executed an Assignment of Contract Rights whereby NMC assigns and transfers to the CNMI all right, titles and interest to the assignment of leases dated August 18, 2003. Rental expense for this lease for the fiscal year ended September 30, 2011, is $200,000.

CNMI's future rentals under the lease as of September 30, 2011, are as follows:

September 30,	
2012	$ 200,000
2013	200,000
2014	200,000
2015	200,000
2016	200,000
2017 - 2021	1,000,000
2022 - 2025	800,000
	$ 2,800,000

(14) Contingencies

Landfill Closure Costs

The CNMI operates a solid waste disposal site in Puerto Rico, Saipan, which is under administrative order from the U.S. Environmental Protection Agency to close in the near future. The disposal site was officially closed in 2003. The related costs will be funded through grant awards from the U.S. Department of the Interior. The future costs associated with closing this disposal site is presently not determinable.

Questioned Costs Under Federally Funded Programs

The CNMI participates in a number of federally assisted grant programs funded by the United States Government. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs of $28,938,525 have been set forth in the CNMI's Single Audit Report for the year ended September 30, 2011. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

Insurance Coverage

The CNMI does not maintain insurance coverage for a significant amount of fixed assets. In the event of a catastrophe, the CNMI may be self-insured to a material extent. The CNMI, however, maintains fidelity bonding insurance coverage over employees with access to cash. In the event of a loss through employee malfeasance, the CNMI will be self-insured for losses in excess of $1,000,000.

Unfunded Pension Liability

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

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

(14) Contingencies, Continued

General Fund Financial Position

The CNMI's General Fund has sustained recurring operating deficits and has an unassigned fund deficit of $351,283,082 at September 30, 2011. In addition, at September 30, 2011, the primary government's current liabilities exceed current assets by $346,003,083, and total liabilities exceed total assets by $238,902,743.

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 $256.4 million as of September 30, 2011. 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.

(14) Contingencies, Continued

General Fund Financial Position, Continued

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%.

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 unassigned fund deficit increased by $14.3 million in fiscal year 2011 following increases of $36.1 million in fiscal year 2010 and $44.6 million in fiscal year 2009.

NMIRF Loan

At September 30, 2011, the CNMI was in arrears $1,046,625 with its loan payable to NMIRF.

Other

The CNMI records expenditures for sick leave when the leave is actually taken. Sick leave is compensated absence during working hours arising from employee illness or injury. Sick leave accumulates at the rate of thirteen working days for each year of service, without limit. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The accumulated estimated amount of unused sick leave as of September 30, 2011, is $40,907,720.

(14) Contingencies, Continued

Other, Continued

As of September 30, 2011, the Northern Mariana Islands Government Health and Insurance Trust Fund (GHLITF) has a net deficit of $16,911,335. In addition, GHLITF submitted unprocessed claims from service providers with service dates as of September 30, 2011 and earlier that totaled $36.3 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, 2011. 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, 2011. The outcome of this matter is presently not determinable; therefore, no provision has been made in the accompanying financial statements. With the privatization of the health benefit plan in November 1, 2007, the CNMI will not be liable for medical claims accruing after privatization. The CNMI is only liable for its share of medical premiums.

(15) Risk Management

The CNMI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, CNMI management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the CNMI reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Total claims amounted to $798,193, $4,897,108 and $458,314 for the years ended September 30, 2011, 2010 and 2009, respectively. Changes in the balance of claims liabilities during the past year are as follows:

	Year ended September 30,
Unpaid claims at beginning of year	$ 32,632,308
Incurred claims	55,049
Claim payments	(798,193)
Unpaid claims at end of year	$ 31,889,164

(16) Pension and Other Postemployment Benefits Trust Fund

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

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

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

GASB Statement No. 45 requires employers to record other postemployment benefits (OPEB) expense for their contractually required contributions to the OPEB plan. The CNMI has complied with GASB 45 by recording OPEB expense based on the statutorial determined contribution rate of NMIRF. The CNMI's OPEB liability is incorporated into the Due to Pension (and Other Employee Benefit) Trust Fund liability amount. It is the understanding of the management of the CNMI that the statutorial determined contribution rate of NMIRF incorporates both the pension liability and the OPEB liability. GASB 45 also requires detailed disclosure of information related to the OPEB plan and CNMI management was unable to obtain this information from the NMIRF financial report. CNMI management is unable to obtain the required disclosures and is of the opinion that such information must be obtained from NMIRF. It is the position of the management of the CNMI that NMIRF is solely responsible for disclosure of OPEB information.

Defined Benefit Plan (DB Plan)

The DB Plan provides retirement, disability, security and other benefits to employees of the CNMI Government and CNMI agencies, instrumentalities and public corporations and their spouses and dependents. Benefits are based on the average annual salary of the beneficiary over the term of credited service. Public Law No. 6-17, the Northern Mariana Islands Retirement Fund Act of 1988, is the authority under which benefit provisions are established. Public Law No. 6-17 was subsequently amended by Public Law Nos. 6-41, 8-24, 8-30, 8-31, 8-39, 9-25, 9-45, 10-8, 10-19, 11-9, 11-95, 13-60, 15-14, 15-70, 15-126, 16-2 and 16-36.

DB Plan members are required to contribute 6.5% and 9% of their annual covered salary for Class I and Class II members, respectively. On June 14, 2007, Public Law No. 15-70 was enacted to amend the NMIRF Act to improve the DB Plan's fiscal solvency. Public Law No. 15-70 provides for increasing employee contributions to the DB Plan by 1% per year beginning in fiscal year 2008 until reaching 10.5% for Class I members and 11% for Class II members. The actuarial contribution rate for fiscal year ended September 30, 2011 has yet to be determined. The actuarially determined contribution rate for the fiscal year ended September 30, 2009 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, 2011 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%. On November 10, 2010, the CNMI was ordered to remit the employer contribution rate of 30% effective October 1, 2010.

The CNMI's recorded DB contributions to NMIRF for the years ended September 30, 2011, 2010 and 2009 were $3,372,795, $9,972,999 and $7,168,476, respectively, equal to the required statutory contributions for each year.

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

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. The CNMI is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. The CNMI's recorded DC contributions for the years ended September 30, 2011, 2010 and 2009 were $920,866, $987,936 and $781,941, respectively, equal to the required contributions for each year.

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

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

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, 2011, NMIRF assessed accumulated penalties of $50,372,932. The CNMI has recorded a liability of $50,732,932 at September 30, 2011.

All component units of the CNMI government reporting entity also contribute to the Plan. Separate actuarial valuations have not been performed for these separate component units.

(17) Restatement

The financial statements of CUC and PSS are included in the CNMI's basic financial statements as discretely presented component units. The 2010 net assets of CUC and PSS have been restated from amounts previously reported by $17,391,170 and $1,886,785, respectively. Accordingly, the discretely presented component units' 2011 beginning net assets have been restated by $15,504,385.

(18) Subsequent Events

On August 30, 2012, Public Law 17-79 was enacted to amend Title I of the Commonwealth Code to include the intent of the CNMI to participate in the retirement insurance system established by Title II of the U.S. Federal Insurance Contributions Act (FICA) and for participation to be extended to elected officials, employees, political subdivisions and instrumentalities of the CNMI. Authorization of participation has not been obtained from the U.S. Government. On September 11, 2012, Public Law 17-82 *CNMI Pension Reform Recovery Act of 2012* was enacted. Unless specifically exempted or authorized by federal law, Public Law 17-82 provides for mandatory membership of CNMI Government employees and elected officials in the U.S. Social Security system and authorizes employees, who elect to, to buy quarters of service in the U.S. Social Security system from contributions made to the DB plan. In addition, Public Law 17-82 provides active and inactive DB Plan members the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the DC Plan and to participate in the U.S. Social Security system without termination of employment or penalty. Further, Public Law 17-82 allows the CNMI Government to continue remitting its 4% employer contribution to the DC Plan unless the employee ceases to contribute its employee share.

In November 2012, NMIRF sought guidance from the federal court relating to the legality of certain provisions authorized by Public Law 17-82 and ceased disbursement of employee contributions pending the federal court's guidance.

On November 19, 2012, the CNMI agreed to pay outstanding amounts due to PSS at September 30, 2011 and PSS agreed to pay payroll withholding taxes due to R&T for 2011 and 2012. In December 2012, PSS received $3,547,903 from the CNMI of which $109,686 relates to other funds due to PSS for fiscal year 2012. Subsequently, PSS paid R&T for withholding taxes due through November 30, 2012. In addition in fiscal year 2012, the CNMI remitted $1,956,027 to PSS and paid $900,000 directly to CUC related to receivables from the CNMI at September 30, 2011.

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING

YEAR ENDED SEPTEMBER 30, 2011

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Revenues, Expenditures, and Changes in Deficit
- Budget and Actual - General Fund
Year Ended September 30, 2011

	Budgeted Amounts		Actual - Budgetary Basis	
	Original	Final	(Budgetary)	Variance
Revenues:				
Taxes	$ 109,200,000	$ 109,200,000	$ 108,977,238	$ (222,762)
Charges for sales and services	19,850,000	19,850,000	18,970,037	(879,963)
Licenses and fees	7,420,000	7,420,000	7,105,680	(314,320)
Contributions from component units	1,300,000	1,300,000	3,668,159	2,368,159
Other	1,036,000	1,036,000	2,864,581	1,828,581
Total revenues	138,806,000	138,806,000	141,585,695	2,779,695
Expenditures - budgetary basis by function:				
Executive branch	54,144,970	55,333,645	76,445,536	(21,111,891)
Second Senatorial District - Tinian	5,727,737	5,727,746	5,592,416	135,330
First Senatorial District - Rota	5,728,579	5,728,579	6,039,032	(310,453)
Government utilities	6,898,597	6,898,596	11,413,506	(4,514,910)
Legislative branch	5,240,415	5,240,418	5,148,071	92,347
Judicial branch	3,136,341	3,136,340	3,306,613	(170,273)
Independent programs	2,000,740	661,661	434,148	227,513
Third Senatorial District - Saipan	1,348,938	1,348,935	1,253,228	95,707
Office of the Public Auditor	889,425	889,425	1,126,917	(237,492)
Resident Representative to the United States	-	-	(2,000)	2,000
Boards and commissions	493,736	493,736	421,444	72,292
Education (payment to Public School System, Northern Marianas College and Board of Education	33,057,410	33,057,409	33,046,935	10,474
Tourism (payment to Marianas Visitors Authority)	2,390,901	2,390,899	6,284,578	(3,893,679)
Employee benefits (payment to Pension (and Other Employee Benefit) Trust Fund)	742,508	742,507	134,967	607,540
Public Law 16-7 (Marianas Public Land Trust funds diverted to Commonwealth Utilities Corporation	200,000	200,000	-	200,000
Judgments	97,600	128,850	157,534	(28,684)
Disaster expenditures	-	119,152	210,074	(90,922)
Miscellaneous/continuing appropriations	-	-	367,012	(367,012)
Unallocated	102,103	102,102	2,319,924	(2,217,822)
Total expenditures	122,200,000	122,200,000	153,699,935	(31,499,935)
Excess (deficiency) of revenues over (under) expenditures	16,606,000	16,606,000	(12,114,240)	(28,720,240)
Other financing sources (uses):				
Operating transfers in	-	-	1,434,128	1,434,128
Operating transfers out	(16,606,000)	(16,606,000)	(8,912,652)	7,693,348
Total other financing sources (uses), net	(16,606,000)	(16,606,000)	(7,478,524)	9,127,476
Deficiency of revenues and other financing sources under expenditures and other financing uses	-	-	(19,592,764)	(19,592,764)
Other changes in deficit:				
Decrease in non-spendable inventories	-	-	112,372	112,372
Decrease in restricted assets	-	-	6,887,156	6,887,156
Decrease in committed funds	-	-	164,304	164,304
Deficit at beginning of year	(189,874,849)	(189,874,849)	(189,874,849)	-
Deficit at end of year	$ (189,874,849)	$ (189,874,849)	$ (202,303,781) *	$ (12,428,932)

* See note 2.

See Accompanying Notes to Required Supplementary Information - Budgetary Reporting.

(1) Budgetary Information

Under Public Law No. 3-68, as amended by Public Law No. 3-93, the Governor submits a proposed budget to the CNMI Legislature by April 1 for the fiscal year commencing the following October 1. By July 1, the CNMI Legislature sets limits on expenditures by House Concurrent Resolution (a resolution originating in the House of Representatives which is passed by both the House and Senate). By September 1, the budget is legally enacted by the CNMI Legislature through passage of Annual Appropriation Acts. If a balanced budget is not approved before the first day of the fiscal year, appropriations for government operations and obligations shall be at the same level for the previous fiscal year. Budgetary control is maintained at the department level. To the extent not expended or encumbered, General Fund appropriations generally lapse at the end of the fiscal year for which appropriations were made.

Accounting principles used in developing data on a budgetary basis differ from those used in preparing the basic financial statements in conformity with GAAP. Amounts included on the Statement of Revenues, Expenditures and Changes in Deficit - Budget and Actual - General Fund (which are presented on a non-GAAP budgetary basis) are reconciled to unassigned deficit of the Governmental Fund Balance Sheet within the other changes in unassigned deficit section of that statement.

Encumbrance accounting is employed in governmental funds. For budgetary purposes, encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent fiscal year.

On October 8, 2010, the CNMI passed Public Law 17-21 as the Appropriations and Budget Authority Act of 2011. The Act allocates local funds for the operations and activities of the Government of the CNMI, its agencies, its instrumentalities, independent agencies and political subdivisions and provides authority for government corporations for Fiscal Year 2011 commencing October 1, 2010 and ending September 30, 2011. On March 15, 2011, the CNMI Governor mandated a proportional reduction of 9.76% in the continuing budget authority.

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

For the year ended September 30, 2011, expenditures of the General Fund exceeded budget at the program area level (i.e., the legal level of budgetary control) as follows:

Program Area	Excess
Executive Branch:	
Attorney General	$ 399,565
Public Health	$ 21,293,003
Public Safety	$ 363,621
Second Senatorial District - Tinian:	
Revenue and Taxation	$ 3,102
Procurement and Supply	$ 210
Fish and Wildlife	$ 179

(1) Budgetary Information, Continued

Program Area	Excess
First Senatorial District - Rota:	
Municipal Council	$ 113,608
Finance and Accounting	$ 7,456
Revenue and Taxation	$ 1,082
Procurement and Supply	$ 5,387
Customs Service	$ 25,327
Economic Development	$ 13,743
DPS Police	$ 77,959
Agriculture	$ 44,174
Soil and Water Conservation	$ 3,096
Operations and Maintenance	$ 50,361
Rota Public Library	$ 12,167
Rota Health Center	$ 276,988
Government Utilities	$ 4,514,910
Judicial Branch:	
CNMI Superior Court	$ 42,887
CNMI Supreme Court	$ 69,331
Law Revision Commission	$ 13,560
Administrative	$ 44,495
Independent Programs:	
Northern Marianas Protection & Advocacy Systems, Inc.	$ 3,280
Third Senatorial District - Saipan:	
Municipal Council	$ 3,786
Office of the Public Auditor	$ 237,492
Boards and Commissions:	
Board of Professional Licensing	$ 768
Board of Elections - Special Election	$ 6,803
Judgments	$ 28,684
Tourism	$ 3,893,679
Disaster Expenditures	$ 90,922

(2) Explanation of Differences

CNMI Public Law 15-15 authorized the suspension of government obligations owing to the Northern Mariana Islands Retirement Fund (NMIRF) for parts of fiscal year 2006 and all of fiscal year 2007. The CNMI budgeted for this deferred retirement contribution on the cash basis rather than the modified accrual basis. At September 30, 2011, the accumulated deferred retirement contribution is $47,035,810.

During the fiscal year ended September 30, 2011, 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 $39,221,406. Of this amount, $3,152,770 relates to fiscal year 2011.

(2) Explanation of Differences, Continued

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, 2011, the accumulated penalty in retirement contributions amounted to $27,112,461.

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 $6,345,651. Of this amount, $216,994 relates to fiscal year 2011.

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, 2011, 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 restricted against unassigned deficit.

As of September 30, 2011, 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 restricted within unassigned deficit. As related budgetary basis revenues were not reflected for the year ended September 30, 2011, 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, 2011, the accumulated bad debts amounted to $6,709,745. Of this amount, $2,497,120 relates to fiscal year 2011.

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, 2011, the accumulated claims and judgments expenditures accrued is $29,374,674. Of this amount, $4,796,105 relates to fiscal year 2011.

The amount reported as operating transfers in of $5,703,334 under GAAP basis does not equal the amount reported as operating transfers in of $1,434,128 under budgetary basis by $4,269,206 due to: (a) $1,930,443 in Compact impact funds; and (b) $2,338,763 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.

(2) Explanation of Differences, Continued

The amount reported as operating transfers out of $22,378,591 under GAAP basis does not equal the amount reported as operating transfers out of $8,912,652 under budgetary basis due to $13,465,939 in federal grants local match reported as transfers out in the governmental fund financial statements but were reported as expenditures for budgetary purposes.

The following reconciles budget to GAAP differences:

	October 1, 2010	September 30, 2011
Deficit, budgetary basis	$ 189,874,849	$ 202,303,781
Deferred retirement contributions per Public Law 15-15	47,035,810	47,035,810
Deficiency in retirement contributions per Public Law 16-2	36,068,636	39,221,407
Deficiency in retirement contributions per Public Law 16-32		
Penalty in retirement contributions per Public Law 6-41	28,538,493	27,112,461
NMC retirement contributions	6,128,657	6,345,651
Payments to PSS, offset against decrease in restricted assets	1,708,269	1,708,269
Restricted 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 restricted for land claims	109,076	109,076
Restricted for land claims	(109,076)	(109,076)
Accumulated bad debts	4,212,625	6,709,745
Claims and judgments	24,578,569	29,374,674
Encumbrances not recognized under GAAP basis	-	(6,838,082)
Deficit, GAAP basis	$ 336,934,103	$ 351,761,911

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

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2011

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Expenditures by Account
Governmental Funds
Year Ended September 30, 2011

	General	Grants Assistance	Department of Public Lands	Other Governmental Funds	Total
Salaries and wages	$ 49,860,981	$ 10,671,117	$ 1,277,866	$ 583,910	$ 62,393,874
Employee benefits	17,623,109	2,530,569	429,334	175,718	20,758,730
Construction in progress	14,800	3,693,475	-	240,879	3,949,154
Professional services	5,522,309	43,262,801	99,700	1,582,376	50,467,186
Capital outlay:					
Office equipment	44,105	1,087,507	35,527	17,103	1,184,242
Vehicles	-	811,569	-	35,750	847,319
Machinery and equipment	166,481	871,448	419	12,831	1,051,179
Furniture and fixtures	75,737	526,665	-	13,367	615,769
Road improvements	2,907	86,087	-	5,045,620	5,134,614
Building improvements	-	504,028	-	-	504,028
Other	279,837	790,955	429,572	16,034	1,516,398
Utilities	11,462,565	474,422	-	924	11,937,911
Supplies	6,413,018	2,767,184	20,446	316,145	9,516,793
Food items	659,442	14,804,402	-	456,108	15,919,952
Scholarships/grants	1,902,634	591,367	-	2,938,868	5,432,869
Interest	5,107,813	-	-	470,328	5,578,141
Travel	2,848,813	2,182,011	40,450	193,794	5,265,068
Rentals	1,912,598	726,979	149,012	948,437	3,737,026
Communications	772,458	785,200	31,476	95,143	1,684,277
Repairs and maintenance	1,182,144	1,220,413	14,545	377,176	2,794,278
Bad debts (recovery)	2,497,120	-	-	-	2,497,120
Indirect costs	-	1,952,897	-	-	1,952,897
Principal repayment	2,691,000	-	-	209,428	2,900,428
Education:					
Payments to Public School System	28,921,643	26,327,861	-	-	55,249,504
Payments to Northern Marianas College	4,125,290	2,237,033	-	-	6,362,323
Payments to Marianas Visitors Authority	6,284,578	-	-	-	6,284,578
Payments to Pension (and Other Employee Benefit) Trust Fund	1,218,013	-	-	-	1,218,013
Miscellaneous services	944,286	91,701	9,178	6,600	1,051,765
Fuel and lubrication	1,054,283	534,687	25,554	203,997	1,818,521
Claims and judgments	4,796,105	-	-	-	4,796,105
Printing	93,434	257,571	1,110	27,323	379,438
Official representation	60,053	-	-	18,568	78,621
Advertising	25,748	528,241	13,328	15,368	582,685
Dues and subscriptions	165,925	84,949	52	2,814	253,740
Freight	54,967	45,712	1,969	2,632	105,280
Insurance	16,280	436,807	41,430	4,173	498,690
Books and library materials	22,873	117,619	-	7,825	148,317
Licenses and fees	13,373	6,396	700	15,042	35,511
Other	2,889,804	1,591,700	119	(78,017)	4,403,606
	$ 161,726,526	$ 122,601,373	$ 2,621,787	$ 13,956,264	$ 300,905,950

See Accompanying Independent Auditors' Report.

The General Fund is the CNMI's primary operating fund and is used to account for all financial transactions not accounted for in any other fund.

NMTIT Rebate Trust

This fund was established to account for at least 75% of amounts paid to the CNMI with respect to taxes. Amounts may be withdrawn from the trust fund only for the purpose of making rebates, payments into the General Fund (but only after a final determination that the amount in question is not validly subject to rebate), or payments into the General Fund of interest derived from the trust accounts.

Commonwealth Museum Fund

This fund was established pursuant to Public Law No. 10-5. This fund accounts for all funds received from legislative appropriations for the activities and operations of the Museum; fees generated by the Museum and all gifts, loans or other funds designated for any and all operations and activities of the Museum.

Human Resources Development Trust Fund

This fund was established pursuant to Public Law No. 5-3 to account for all revenues raised from the licensing of amusement machines. Public Law No. 5-3 was subsequently amended by Public Law No. 10-41, which required that funds collected under Public Law No. 5-3 to be transferred into the General Fund for general appropriation.

Micronesian Garment Manufacturing Fund

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

Governor's Education Initiative Fund

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

La Fiesta Revolving Fund

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

Debt Service Fund

This fund accounts for the accumulation of resources, principally transfers from the General Fund for the payment of long-term debt principal and interest.
See Accompanying Independent Auditors' Report.

See Accompanying Independent Auditors' Report.

Miscellaneous General Fund

The miscellaneous general fund combines the following:

- San Antonio Park Fund
- Smiling Cove Operations and Maintenance Fund
- Law Revision Commission Revolving Fund
- CRM Publication Fund
- Tinian Municipal School Fund
- Department of Corrections Revolving Fund
- Miscellaneous Expendable Trust Fund
- Agriculture Revolving Fund
- Public Utilities Commission Fund
- Soil and Water Conservation Fund

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet
General Fund
September 30, 2011

	General	NMTIT Rebate Trust	Commonwealth Museum	Human Resources Development Trust	Micronesian Garment Manufacturing	Governor's Education Initiative	La Fiesta Revolving	Debt Service	Miscellaneous	Eliminations	Total
Assets											
Cash and cash equivalents	$ 4,850,455	$ 665,986	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,516,441
Time certificates of deposit	37,559	-	-	-	-	-	-	-	-	-	37,559
Investments	2,500,000	-	-	-	-	-	-	-	-	-	2,500,000
Restricted cash and cash equivalents	11,924,536	-	-	-	-	-	-	704,323	-	-	12,628,859
Receivables, net:											
Taxes	5,572,660	8,393,661	-	-	-	-	-	-	-	-	13,966,321
General	624,917	-	-	-	-	-	-	-	-	-	624,917
Due from component units	1,968,159	-	-	-	-	-	-	-	-	-	1,968,159
Due from other funds	3,771,121	48,064,486	-	253,537	456,655	17	-	-	704,784	(49,507,333)	3,743,267
Advances	497,235	-	-	-	-	-	-	-	-	-	497,235
Inventories	1,278,596	-	-	-	-	-	-	-	-	-	1,278,596
	$ 33,025,238	$ 57,124,133	$ -	$ 253,537	$ 456,655	$ 17	$ -	$ 704,323	$ 704,784	$ (49,507,333)	$ 42,761,354
Liabilities and Fund Balances (Deficit)											
Liabilities:											
Accounts payable	$ 6,157,352	$ 36,832	$ 17,253	$ 752	$ -	$ -	$ -	$ -	$ 2,643	$ -	$ 6,214,832
Tax rebates payable	-	57,087,301	-	-	-	-	-	-	-	-	57,087,301
Recovery rebates payable	399,303	-	-	-	-	-	-	-	-	-	399,303
Other liabilities and accruals	4,319,423	-	9,192	61,476	-	-	-	-	-	-	4,390,091
Claims and judgments payable	29,199,144	-	-	-	-	-	-	-	-	-	29,199,144
Due to other funds	62,867,222	-	3,287	-	-	-	-	-	841,561	(49,507,333)	14,204,737
Due to component units	19,141,472	-	-	-	-	-	-	-	-	-	19,141,472
Due to Pension (and Other Employee Benefit) Trust Fund	256,419,967	-	-	-	-	-	-	-	-	-	256,419,967
Total liabilities	378,503,883	57,124,133	29,732	62,228	-	-	-	-	844,204	(49,507,333)	387,056,847
Fund balances (deficit):											
Non-spendable	3,778,596	-	-	-	-	-	-	-	-	-	3,778,596
Restricted	2,504,670	-	-	-	-	-	-	704,323	-	-	3,208,993
Unassigned	(351,761,911)	-	(29,732)	191,309	456,655	17	-	-	(139,420)	-	(351,283,082)
Total fund balances (deficit)	(345,478,645)	-	(29,732)	191,309	456,655	17	-	704,323	(139,420)	-	(344,295,493)
	$ 33,025,238	$ 57,124,133	$ -	$ 253,537	$ 456,655	$ 17	$ -	$ 704,323	$ 704,784	$ (49,507,333)	$ 42,761,354

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
General Fund
For the Year Ended September 30, 2011

	General	NMTIT Rebate Trust	Commonwealth Museum	Human Resources Development Trust	Micronesian Garment Manufacturing	Governor's Education Initiative	La Fiesta Revolving	Debt Service	Miscellaneous	Eliminations	Total
Revenues:											
Taxes	$ 108,977,238	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 108,977,238
Charges for sales and services	18,970,037	-	-	-	-	-	-	-	21,758	-	18,991,795
Licenses and fees	7,105,680	-	-	-	-	-	-	-	-	-	7,105,680
Interest and dividends	9,647	-	-	-	-	-	-	-	983	-	10,630
Contributions from component units	3,668,159	-	-	-	-	-	-	-	-	-	3,668,159
Other	2,854,934	-	-	-	-	-	-	-	1,236	-	2,856,170
Total revenues	141,585,695	-	-	-	-	-	-	-	23,977	-	141,609,672
Expenditures:											
Current:											
Health	40,770,555	-	-	-	-	-	-	-	-	-	40,770,555
Public safety and law enforcement	19,738,469	-	-	-	-	-	-	-	-	-	19,738,469
General government	16,160,215	-	-	-	-	-	-	-	-	-	16,160,215
Community and social services	2,665,879	-	97,616	119,007	-	-	-	-	-	-	2,882,502
Other elected officials	5,995,557	-	-	-	-	-	-	-	-	-	5,995,557
Utilities	11,413,506	-	-	-	-	-	-	-	-	-	11,413,506
Lands and natural resources	3,143,254	-	-	-	-	-	-	-	-	-	3,143,254
Legislative branch	5,424,571	-	-	-	-	-	-	-	-	-	5,424,571
Judicial branch	3,462,573	-	-	-	-	-	-	-	67,661	-	3,530,234
Education	1,710,234	-	-	-	-	-	-	-	-	-	1,710,234
Economic development	779,254	-	-	-	-	-	-	-	-	-	779,254
Payments to:											
Public School System	28,921,644	-	-	-	-	-	-	-	-	-	28,921,644
Northern Marianas College	4,125,291	-	-	-	-	-	-	-	-	-	4,125,291
Marianas Visitors Authority	6,284,578	-	-	-	-	-	-	-	-	-	6,284,578
Pension (and Other Employee Benefit) Trust Fund	134,967	-	-	-	-	-	-	-	-	-	134,967
Debt service:											
Principal retirement	-	-	-	-	-	-	-	2,505,000	-	-	2,505,000
Interest and fiscal charges	6,900	-	-	-	-	-	-	5,273,050	-	-	5,279,950
Capital outlay:											
Public works	2,926,745	-	-	-	-	-	-	-	-	-	2,926,745
Total expenditures	153,664,192	-	97,616	119,007	-	-	-	7,778,050	67,661	-	161,726,526
Excess (deficiency) of revenues over (under) expenditures	(12,078,497)	-	(97,616)	(119,007)	-	-	-	(7,778,050)	(43,684)	-	(20,116,854)
Other financing sources (uses):											
Operating transfers in	5,703,334	-	239,063	18,412	-	-	-	8,478,108	-	(8,767,542)	5,671,375
Operating transfers out	(22,378,591)	-	-	-	-	-	(32,688)	-	-	8,767,542	(13,643,737)
Total other financing sources (uses), net	(16,675,257)	-	239,063	18,412	-	-	(32,688)	8,478,108	-	-	(7,972,362)
Net change in fund balances (deficit)	(28,753,754)	-	141,447	(100,595)	-	-	(32,688)	700,058	(43,684)	-	(28,089,216)
Fund balances (deficit) at beginning of year	(316,724,891)	-	(171,179)	291,904	456,655	17	32,688	4,265	(95,736)	-	(316,206,277)
Fund balances (deficit) at end of year	$ (345,478,645)	$ -	$ (29,732)	$ 191,309	$ 456,655	$ 17	$ -	$ 704,323	$ (139,420)	$ -	$ (344,295,493)

See Accompanying Independent Auditors' Report.

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

DOI Capital Projects Fund

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

Federal Grants Fund

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

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet
Grants Assistance Fund
September 30, 2011

	Federal Grants	DOI Capital Projects	Total
Assets			
Restricted cash and cash equivalents	$ 244,996	$ 3,310,693	$ 3,555,689
Receivables, net of allowance for uncollectibles:			
Federal agencies	325,677	1,198,658	1,524,335
Other	-	12,831	12,831
Due from other funds	6,401,155	1,596,825	7,997,980
Inventories	1,200,000	-	1,200,000
Advances	629,401	-	629,401
	$ 8,801,229	$ 6,119,007	$ 14,920,236
Liabilities and Fund Balances (Deficit)			
Liabilities:			
Accounts payable	$ 5,280,634	$ 253,007	$ 5,533,641
Other liabilities and accruals	1,374,044	254,226	1,628,270
Due to other funds	965,220	115,044	1,080,264
Deferred revenues	1,200,000	-	1,200,000
Total liabilities	8,819,898	622,277	9,442,175
Fund balances (deficit):			
Restricted	-	5,496,730	5,496,730
Unassigned	(18,669)	-	(18,669)
Total fund balances (deficit)	(18,669)	5,496,730	5,478,061
	$ 8,801,229	$ 6,119,007	$ 14,920,236

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Grants Assistance Fund
For the Year Ended September 30, 2011

	Federal Grants	DOI Capital Projects	Total
Revenues:			
Federal contributions	$ 104,047,527	$ 5,851,644	$ 109,899,171
Licenses and fees	135,350	-	135,350
Interest and dividends	-	394	394
Contributions from component units	-	99,592	99,592
Other	603,455	-	603,455
Total revenues	104,786,332	5,951,630	110,737,962
Expenditures:			
Current:			
Health	40,128,262	90,379	40,218,641
Public safety and law enforcement	8,033,463	-	8,033,463
General government	1,146,962	544,841	1,691,803
Community and social services	22,462,765	1,306,083	23,768,848
Utilities	-	232,932	232,932
Lands and natural resources	7,932,078	-	7,932,078
Education	380,669	153,299	533,968
Economic development	245,674	1,988,860	2,234,534
Payments to:			
Public School System	26,327,861	-	26,327,861
Northern Marianas College	2,237,033	-	2,237,033
Marianas Visitors Authority	150,668	-	150,668
Capital outlay:			
Utilities - Capital Projects	-	1,543,615	1,543,615
Public works	7,271,057	424,872	7,695,929
Total expenditures	116,316,492	6,284,881	122,601,373
Deficiency of revenues under expenditures	(11,530,160)	(333,251)	(11,863,411)
Other financing sources (uses):			
Operating transfers in	13,482,021	293,067	13,775,088
Operating transfers out	(1,970,530)	-	(1,970,530)
Total other financing sources (uses), net	11,511,491	293,067	11,804,558
Net change in fund balances (deficit)	(18,669)	(40,184)	(58,853)
Fund balances at beginning of year	-	5,536,914	5,536,914
Fund balances (deficit) at end of year	$ (18,669)	$ 5,496,730	$ 5,478,061

See Accompanying Independent Auditors' Report.

On February 22, 2006, Public Law 15-02 was enacted to repeal Executive Order 94-03 as codified, in Public Law 10-57, 12-33 and 12-71 to create the Department of Public Lands (DPL) within the Executive Branch of the CNMI Government and to transfer the obligations and responsibilities of the Marianas Public Lands Authority to DPL. DPL is responsible for administration, use, leasing, development and disposition all those lands defined as public lands by N.M.I. Const. Art.XI.1 or any other provision of law, subject to the provisions of P.L. 15-02 and except as limited by transfers of freehold interest to individuals, entities, or other government agencies. DPL's authority does not extend to the issuance of land use permits and licenses, except as specifically provided for in P.L. 15-02 and does not limit in any respect the authority of other Commonwealth agencies to issue permits and licenses pursuant to their respective enabling legislation.

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

Private Grants Fund

This fund accounts for all financial transactions related to miscellaneous grants that are not directly from the U.S. government. Included in this fund are transactions relating to grants from world organizations and private business organizations in the CNMI.

Commonwealth Arts Council Fund

This fund was established through Executive Order No. 26 pursuant to Section 15 Article III of the Constitution. The fund accounts for financial transactions of the Commonwealth Arts Council related to the receipt of donations and gifts and the use of those funds.

Oil Overcharge Fund

This fund accounts for payments awarded to the 50 States, and U.S. territories and possessions, by the U.S. courts in settlement of charges against several U.S. oil companies that had violated U.S. Department of Energy price control regulations by overcharging their distributors and customers. The CNMI has received oil overcharge funds from the Warner, Exxon, and Stripper Well Cases that are restricted for use in several energy related approved programs.

Commonwealth Nonresident Workers' Fee Fund

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

Commonwealth Alien Deportation Fund

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

Judicial Building Fund

This fund was created by Public Law No. 7-25 to account for financing restricted to the construction and furnishing of the CNMI Supreme Court and Superior Court building. At September 30, 2011, the project was completed. Revenues generated by the court will be used to finance the debt service on the loan with NMIRF.

Local Revenue Fund

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

Saipan Trust Fund

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

Tobacco Settlement Trust Fund

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

Tobacco Control Fund

This fund was created by Public Law 13-38 to amend 4 CMC § 1402(A)(16) through (20) to restrict cigarette smoking and for other purposes.

Solid Waste Revolving Fund

This fund was created by Public Law 13-42 to provide financial support to the Commonwealth Solid Waste Management Systems and for other purposes.

Managaha Landing Fee Fund

This fund was established by Public Law 11-64 to account for revenues collected from commercial carriers who charge a fee to transport nonresident passengers to Managaha Island. Such fees are to be deposited into the Fund and will be expended exclusively on projects and for the construction, maintenance and operation of the Saipan Cultural and Performing Arts Center, the Saipan Youth Program, the Division of Public Lands, the Commonwealth Museum, and for the cultural heritage activities of the Indigenous and Carolinian Affairs Offices, in accordance with appropriations made by the Saipan and Northern Islands Legislative Delegation.

Miscellaneous Special Revenue Funds

The miscellaneous special revenue fund combines the following:

- Zoning Board Revolving Fund
- Joeten-Kiyu Library Revolving Fund
- Animal Health Revolving Fund
- Fish and Game Revolving Fund
- Tobacco License Fee Fund
- Probation Services Fund
- Outer Cover Marina Fund
- Special Disabilities Fund

See Accompanying Independent Auditors' Report.

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

Commonwealth Development Authority Fund

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

Infrastructure Tax Fund

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

Public Works Grants Fund

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

American Memorial Park Fund

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

Local Capital Projects Fund

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

Private Capital Grants Fund

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

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011

	Special Revenue Funds					
	Private Grants	Commonwealth Arts Council	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Judicial Building
Assets						
Restricted cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -
Receivables, net of allowance for uncollectibles:						
Federal	580,271	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	14,044	47,737	-	-	230,868
Due from Pension (and Other Employee Benefit) Trust Fund	-	-	-	-	-	524
	$ 580,271	$ 14,044	$ 47,737	$ -	$ -	$ 231,392
Liabilities and Fund Balances (Deficit)						
Liabilities:						
Accounts payable	$ 91,032	$ 15,165	$ -	$ -	$ 16,793	$ -
Other liabilities and accruals	-	-	-	11,411	61	-
Due to other funds	500,244	-	-	312	8,603	-
Due to Pension (and Other Employee Benefit) Trust Fund	-	-	-	-	-	-
Deferred revenues	-	-	47,499	-	-	-
Total liabilities	591,276	15,165	47,499	11,723	25,457	-
Commitments and contingencies						
Fund balances (deficit):						
Restricted	-	-	-	-	-	231,392
Assigned	-	-	-	-	-	-
Unassigned	(11,005)	(1,121)	238	(11,723)	(25,457)	-
Total fund balances (deficit)	(11,005)	(1,121)	238	(11,723)	(25,457)	231,392
	$ 580,271	$ 14,044	$ 47,737	$ -	$ -	$ 231,392

See Accompanying Independent Auditors' Report.

Combining Balance Sheet, Continued
Nonmajor Governmental Funds
September 30, 2011

Special Revenue Funds								
Local Revenue	Saipan Trust	Tobacco Settlement Trust	Tobacco Control	Solid Waste Revolving	Managaha Landing Fee	Qualifying Certificate Reserve Fund	Miscellaneous	Total Special Revenue Funds
$ -	$ 6,900	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,900
-	-	-	-	-	-	-	-	580,271
-	-	1,209,831	-	-	-	-	-	1,209,831
2,344,585	16,565	1,167	-	232,202	39,580	49,548	1,393,153	4,369,449
-	-	-	-	-	-	-	-	524
$ 2,344,585	$ 23,465	$ 1,210,998	$ -	$ 232,202	$ 39,580	$ 49,548	$ 1,393,153	$ 6,166,975
$ 104,395	$ -	$ -	$ 5,657	$ 83,472	$ -	$ -	$ 28,880	$ 345,394
-	19,338	-	-	116,000	-	-	-	146,810
-	-	-	240,308	-	-	-	-	749,467
-	-	-	-	-	-	-	542,616	542,616
-	-	-	-	-	-	-	-	47,499
104,395	19,338	-	245,965	199,472	-	-	571,496	1,831,786
-	6,900	-	-	3,435,632	-	-	-	3,673,924
140,521	-	-	-	-	-	-	52,501	193,022
2,099,669	(2,773)	1,210,998	(245,965)	(3,402,902)	39,580	49,548	769,156	468,243
2,240,190	4,127	1,210,998	(245,965)	32,730	39,580	49,548	821,657	4,335,189
$ 2,344,585	$ 23,465	$ 1,210,998	$ -	$ 232,202	$ 39,580	$ 49,548	$ 1,393,153	$ 6,166,975

See Accompanying Independent Auditors' Report.

Combining Balance Sheet, Continued
Nonmajor Governmental Funds
September 30, 2011

	Capital Projects Funds							
	Commonwealth Development Authority	Infrastructure Tax	Public Works Grants	American Memorial Park	Local Capital Projects	Private Capital Grants	Total Capital Projects Funds	Total Nonmajor Governmental Funds
Assets								
Restricted cash and cash equivalents	$ -	$ -	$ -	$ -	$ 129,965	$ -	$ 129,965	$ 136,865
Receivables, net of allowance for uncollectibles:								
Federal	-	-	1,870,780	-	-	-	1,870,780	2,451,051
Other	-	-	-	19,629	-	-	19,629	1,229,460
Due from other funds	52,405	-	-	-	650	405,093	458,148	4,827,597
Due from Pension (and Other Employee Benefit) Trust Fund	-	-	-	-	-	-	-	524
	$ 52,405	$ -	$ 1,870,780	$ 19,629	$ 130,615	$ 405,093	$ 2,478,522	$ 8,645,497
Liabilities and Fund Balances (Deficit)								
Liabilities:								
Accounts payable	$ -	$ 4,238	$ 572,881	$ -	$ -	$ 31,574	$ 608,693	$ 954,087
Other liabilities and accruals	-	-	1,170,307	6,869	-	-	1,177,176	1,323,986
Due to other funds	-	318,680	127,592	12,760	3,497	-	462,529	1,211,996
Due to Pension (and Other Employee Benefit) Trust Fund	-	-	-	-	-	-	-	542,616
Deferred revenues	52,569	-	-	-	-	-	52,569	100,068
Total liabilities	52,569	322,918	1,870,780	19,629	3,497	31,574	2,300,967	4,132,753
Fund balances (deficit):								
Restricted	-	-	-	-	129,965	-	129,965	3,803,889
Assigned	-	-	-	-	-	24,389	24,389	217,411
Unassigned	(164)	(322,918)	-	-	(2,847)	349,130	23,201	491,444
Total fund balances (deficit)	(164)	(322,918)	-	-	127,118	373,519	177,555	4,512,744
	$ 52,405	$ -	$ 1,870,780	$ 19,629	$ 130,615	$ 405,093	$ 2,478,522	$ 8,645,497

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) Nonmajor Governmental Funds For the Year Ended September 30, 2011

	Special Revenue Funds					
	Private Grants	Commonwealth Arts Council	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Judicial Building
Revenues:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Charges for sales and services	-	-	-	-	-	-
Licenses and fees	-	-	-	267,385	7,425	667,743
Interest and dividends	-	-	119	-	-	39,550
Contributions from component units	-	-	-	-	-	-
Other	1,472,076	19,028	-	-	-	225
Total revenues	1,472,076	19,028	119	267,385	7,425	707,518
Expenditures:						
Current:						
Health	89,242	-	-	-	-	-
Public safety and law enforcement	881,236	-	-	80,778	76,890	-
General government	-	-	-	-	-	-
Community and social services	376,808	19,621	-	-	-	-
Other elected officials	-	-	-	-	-	-
Lands and natural resources	2,986	-	-	-	-	-
Legislative branch	-	-	-	-	-	-
Education	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	209,428
Interest and fiscal charges	-	-	-	-	-	470,328
Capital outlay:						
Public works	-	-	-	-	-	-
Total expenditures	1,350,272	19,621	-	80,778	76,890	679,756
Excess (deficiency) of revenues over (under) expenditures	121,804	(593)	119	186,607	(69,465)	27,762
Other financing sources (uses):						
Operating transfers in	59,061	-	-	-	-	-
Operating transfers out	-	-	-	(846,797)	-	-
Total other financing sources (uses), net	59,061	-	-	(846,797)	-	-
Net change in fund balances (deficit)	180,865	(593)	119	(660,190)	(69,465)	27,762
Fund balances (deficit) at beginning of year	(191,870)	(528)	119	648,467	44,008	203,630
Fund balances (deficit) at end of year	$ (11,005)	$ (1,121)	$ 238	$ (11,723)	$ (25,457)	$ 231,392

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit), Continued
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

Special Revenue Funds								
Local Revenue	Saipan Trust	Tobacco Settlement Trust	Tobacco Control	Solid Waste Revolving	Managaha Landing Fee	Qualifying Certificate Reserve Fund	Miscellaneous	Total Special Revenue Funds
$ -	$ -	$ -	$ 1,142,049	$ 1,565,213	$ -	$ 49,548	$ -	$ 2,756,810
-	-	-	-	-	-	-	25,950	25,950
3,794,420	-	-	-	274,653	-	-	177,630	5,189,256
-	(17,741)	-	-	-	-	-	-	21,928
153,704	-	-	-	-	-	-	-	153,704
2,665	-	1,613,107	-	-	-	-	172,694	3,279,795
3,950,789	(17,741)	1,613,107	1,142,049	1,839,866	-	49,548	376,274	11,427,443
72,550	-	-	40,982	205,107	-	-	-	407,881
1,700	-	-	-	-	-	-	58,055	1,098,659
71,131	-	-	-	27,319	-	-	-	98,450
159,766	-	-	39,806	-	-	-	26,068	622,069
79,745	-	-	-	-	-	-	-	79,745
-	-	-	-	-	-	-	73,890	76,876
24,898	-	-	-	-	-	-	-	24,898
2,953,349	-	-	-	-	-	-	-	2,953,349
4,400	-	-	-	-	-	-	-	4,400
-	-	-	-	-	-	-	-	209,428
-	-	-	-	-	-	-	-	470,328
226,917	-	-	-	1,499,677	-	-	-	1,726,594
3,594,456	-	-	80,788	1,732,103	-	-	158,013	7,772,677
356,333	(17,741)	1,613,107	1,061,261	107,763	-	49,548	218,261	3,654,766
96,453	-	-	36,994	-	-	-	-	192,508
-	-	(1,613,107)	(1,338,427)	-	-	-	-	(3,798,331)
96,453	-	(1,613,107)	(1,301,433)	-	-	-	-	(3,605,823)
452,786	(17,741)	-	(240,172)	107,763	-	49,548	218,261	48,943
1,787,404	21,868	1,210,998	(5,793)	(75,033)	39,580	-	603,396	4,286,246
$ 2,240,190	$ 4,127	$ 1,210,998	$ (245,965)	$ 32,730	$ 39,580	$ 49,548	$ 821,657	$ 4,335,189

See Accompanying Independent Auditors' Report.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit), Continued
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

	Capital Projects Funds							
	Commonwealth Development Authority	Infrastructure Tax	Public Works Grants	American Memorial Park	Local Capital Projects	Private Capital Grants	Total Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:								
Taxes	$ -	$ 58,161	$ -	$ -	$ -	$ -	$ 58,161	$ 2,814,971
Federal contributions	-	-	6,079,508	-	-	-	6,079,508	6,079,508
Charges for sales and services	-	-	-	-	-	-	-	25,950
Licenses and fees	-	-	-	-	-	-	-	5,189,256
Interest and dividends	-	432	-	-	-	-	432	22,360
Contributions from component units	-	-	-	-	30,176	-	30,176	183,880
Other	-	70,769	-	-	-	-	70,769	3,350,564
Total revenues	-	129,362	6,079,508	-	30,176	-	6,239,046	17,666,489
Expenditures by account:								
Current:								
Health	-	-	-	-	51,687	-	51,687	459,568
Public safety and law enforcement	-	26,276	-	-	-	-	26,276	1,124,935
General government	-	-	-	-	-	-	-	98,450
Community and social services	-	-	-	-	-	-	-	622,069
Other elected officials	-	-	-	-	-	-	-	79,745
Lands and natural resources	-	-	-	-	-	-	-	76,876
Legislative branch	-	-	-	-	-	-	-	24,898
Education	-	26,066	-	-	-	-	26,066	2,979,415
Economic development	-	-	-	-	-	-	-	4,400
Debt service:								
Principal retirement	-	-	-	-	-	-	-	209,428
Interest and fiscal charges	-	-	-	-	-	-	-	470,328
Capital outlay:								
Public works	-	50	6,079,508	-	-	-	6,079,558	7,806,152
Total expenditures	-	52,392	6,079,508	-	51,687	-	6,183,587	13,956,264
Excess (deficiency) of revenues over (under) expenditures	-	76,970	-	-	(21,511)	-	55,459	3,710,225
Other financing sources (uses):								
Operating transfers in	-	-	-	-	22,353	-	22,353	214,861
Operating transfers out	-	(248,726)	-	-	-	-	(248,726)	(4,047,057)
Total other financing sources (uses), net	-	(248,726)	-	-	22,353	-	(226,373)	(3,832,196)
Net change in fund balances (deficit)	-	(171,756)	-	-	842	-	(170,914)	(121,971)
Fund balances (deficit) at beginning of year	(164)	(151,162)	-	-	126,276	373,519	348,469	4,634,715
Fund balances (deficit) at end of year	$ (164)	$ (322,918)	$ -	$ -	$ 127,118	$ 373,519	$ 177,555	$ 4,512,744

See Accompanying Independent Auditors' Report.

Pension and Other Employee Benefits Trust Funds

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

Northern Mariana Islands Retirement Fund (NMIRF)

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

CNMI Workers' Compensation Commission

The CNMI Workers' Compensation Commission (WCC) was created by Public Law No. 6-33. The law provides financial protection to both employers and employees for the catastrophic effects of work related injuries, illnesses or deaths. It is a social insurance plan that compensates employees for disabilities incurred from work related injuries regardless of fault. It is also a no-fault insurance program, solely paid for by the employer. The WCC ensures that private sector employers obtain and provide workers' compensation insurance coverage for their employees. The WCC also administers the CNMI government's workers' compensation self-insurance program. The Board of Trustees of the Northern Mariana Islands Retirement Fund (NMIRF) administers the WCC.

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

This fund was created by Public Law No. 10-19 to ensure that CNMI Government employees are provided with medical and life insurance benefits, and that funds collected and disbursed for these purposes are administered in a fiscally sound and professionally accountable manner. The Board of Trustees of NMIRF administers the fund.

Tinian Land Condemnation Fund

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

Security Deposit Fund

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

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Fiduciary Net Assets (Deficiency)
Fiduciary Funds
September 30, 2011

	Pension (and Other Employee Benefit) Trust Fund			
	Northern Mariana Islands Retirement Fund	CNMI Government Health and Life Insurance Trust	CNMI Workers' Compensation Commission	Total
Assets				
Cash and cash equivalents	$ 3,715,769	$ 1,954,353	$ 166,711	$ 5,836,833
Receivables:				
Loans	5,885,216	-	-	5,885,216
Notes	7,844,435	-	-	7,844,435
Benefits	948,801	-	298,911	1,247,712
Interest and dividends	689,186	-	-	689,186
Other	101,945	370,719	6,153	478,817
	15,469,583	370,719	305,064	16,145,366
Due from General Fund	250,391,059	-	38,862	250,429,921
Due from component units	36,860,714	-	-	36,860,714
Less allowance for uncollectible receivables	(214,338,226)	-	-	(214,338,226)
	72,913,547	-	38,862	72,952,409
Due from Nonmajor Special Revenue Funds	82,399	-	542,216	624,615
Prepaid items	9,284	-	-	9,284
Investments, at fair market value:				
Equity securities	30,209,077	-	-	30,209,077
Corporate debt securities	48,760,284	-	-	48,760,284
U.S. Government securities	2,282,366	-	727,057	3,009,423
Mutual funds	206,078,590	-	-	206,078,590
Cash equivalents	680,758	-	-	680,758
	288,011,075	-	727,057	288,738,132
Restricted assets	-	-	133,249	133,249
Capital assets	3,934,495	11,534	2,089	3,948,118
Total assets	384,136,152	2,336,606	1,915,248	388,388,006
Liabilities and Other Credits				
Accounts payable	368,563	19,247,941	71,193	19,687,697
Other liabilities and accruals	509,258	-	-	509,258
Due to Judicial Building Fund	563	-	-	563
Deferred revenue	73,676,356	-	337,773	74,014,129
Total liabilities and other credits	74,554,740	19,247,941	408,966	94,211,647
Net assets (deficiency):				
Held in trust for pension benefits	309,581,412	-	-	309,581,412
Held in trust for medical and life insurance benefits	-	(16,911,335)	-	(16,911,335)
Held in trust for workers' compensation benefits and other purposes	-	-	1,506,282	1,506,282
Total net assets (deficiency)	$ 309,581,412	$ (16,911,335)	$ 1,506,282	$ 294,176,359

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Changes in Fiduciary Net Assets (Deficiency)
Fiduciary Funds
Year Ended September 30, 2011

	Pension (and Other Employee Benefit) Trust Fund			
	Northern Mariana Islands Retirement Fund	CNMI Government Health and Life Insurance Trust	CNMI Workers' Compensation Commission	Total
Additions				
Contributions:				
Employer	$ 29,124,918	$ -	$ -	$ 29,124,918
Employee	13,462,137	-	-	13,462,137
Revenues:				
Premiums	-	-	46,930	46,930
Rent income and other	1,517,813	630,286	20,883	2,168,982
Total contributions and revenues	44,104,868	630,286	67,813	44,802,967
Net investment earnings:				
Net change in fair value	(2,888,999)	-	6,250	(2,882,749)
Interest	8,238,435	-	-	8,238,435
Total investment earnings	5,349,436	-	6,250	5,355,686
Less: investment expense	2,452,025	-	-	2,452,025
Net investment earnings	2,897,411	-	6,250	2,903,661
Other financing sources:				
Transfer in	772,395	-	209,729	982,124
Total additions	47,774,674	630,286	283,792	48,688,752
Deductions				
Benefits	70,887,373	-	-	70,887,373
General and administrative	2,504,625	75,927	174,961	2,755,513
Bad debts	13,712,763	-	-	13,712,763
Refunds and withdrawals	6,646,297	-	-	6,646,297
Medical claims	-	-	5,805	5,805
Total deductions	93,751,058	75,927	180,766	94,007,751
Change in net assets (deficiency)	(45,976,384)	554,359	103,026	(45,318,999)
Net assets (deficiency) at beginning of year	355,557,796	(17,465,694)	1,403,256	339,495,358
Net assets (deficiency) at end of year	$ 309,581,412	$ (16,911,335)	$ 1,506,282	$ 294,176,359

See Accompanying Independent Auditors' Report.