A decorative graphic on the left side of the slide, consisting of a black crosshair with a blue square in the top-left quadrant, a red square in the bottom-left quadrant, and a yellow square in the bottom-right quadrant.

THE PERFORMETER[®] and the A.F.T.E.R. Analysis

A Financial Statement Analysis Using Indicators of the
Financial Health and Success
and a
Status Report of Audit Findings, Timeliness and
Exception Resolution (A.F.T.E.R.)
of
The Commonwealth of the Northern Marianas Islands
as of and for the Year Ended September 30, 2014



What Is The Performer[®]?

- An analysis that takes a government's financial statements and converts them into useful and understandable measures of financial performance
- Financial ratios and a copyrighted analysis methodology are used to arrive at an overall rating of 1-10
- The overall reading is a barometer of the CNMI's financial health and performance



How to Use The Performer[®]

- Use the individual ratios to identify financial warning signals
- Use the overall rating as a collective benchmark of financial health and success of the CNMI as a whole
- Use the comparisons to prior years to monitor trends in financial indicators



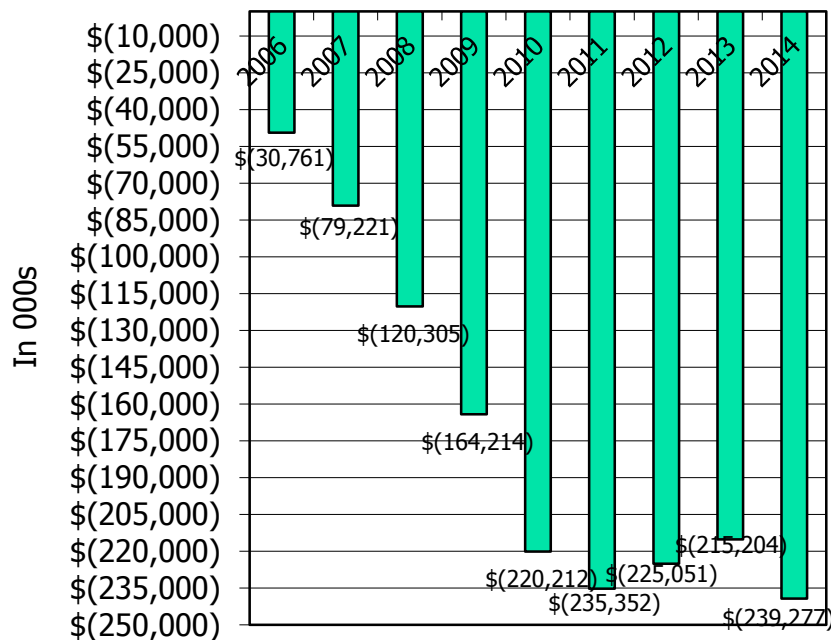
Limitations of the Performer®

- The Performer® should not be used as the only source of financial information to evaluate the CNMI's performance and condition
- The analysis is an overall rating of the CNMI as a whole and not of specific activities, funds or units
- The Performer® is based on Crawford & Associates' professional judgment and is limited as to its intended use

Change in Net Position (Deficit)

Did our overall financial position improve, decline or remain steady over the past year?

Net Position (Deficit) at Year End



Net position (deficit) include all assets, deferred outflows, liabilities and deferred inflows of the CNMI, except for fiduciary fund activity, which is held for the benefit of others. It is measured as the difference between total assets, including capital assets, plus deferred outflows, and total liabilities, including long-term debt, plus deferred inflows.

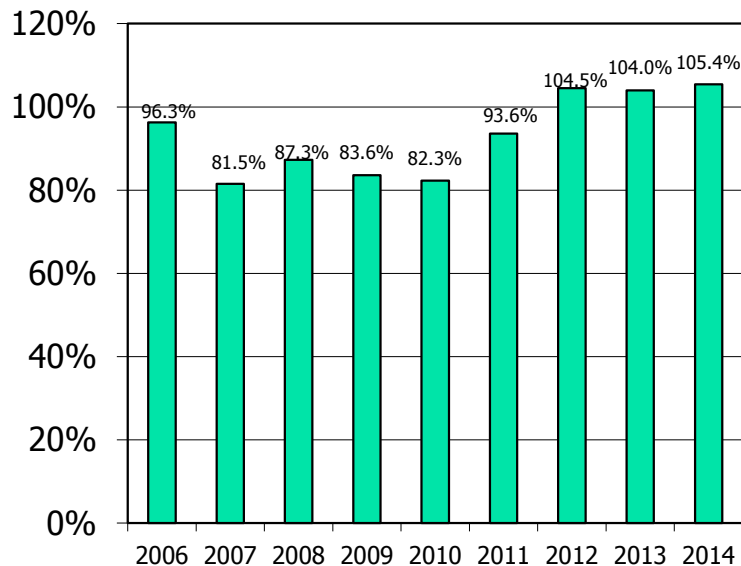
For the year ended September 30, 2014, the CNMI's total net position (deficit) increased by \$24.1 million or 11.2% from the prior year. This was due to the CNMI transferring of net assets with a carrying value of \$39.9 million to the Commonwealth Healthcare Corporation, a new component unit of the CNMI. The CNMI primary government's overall net position (deficit) now stands as a net deficit of \$239.3 million, with this transaction as the main reason for the reversal of a two-year trend of decreasing the size of the deficit.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
-219.6%	-104.4%	-60.6%	-60.4%	-51.9%	-36.5%	-34.1%	-6.9%	4.4%	4.2%	-11.2%

Intergenerational Equity

Who is paying for today's costs of services?

Revenues as a % of Annual Expenses



A measure of whether the government lived within its means in the measurement year, or was required to use prior year resources to fund a portion of current year costs, or shifted the funding of some of the current year costs to future periods.

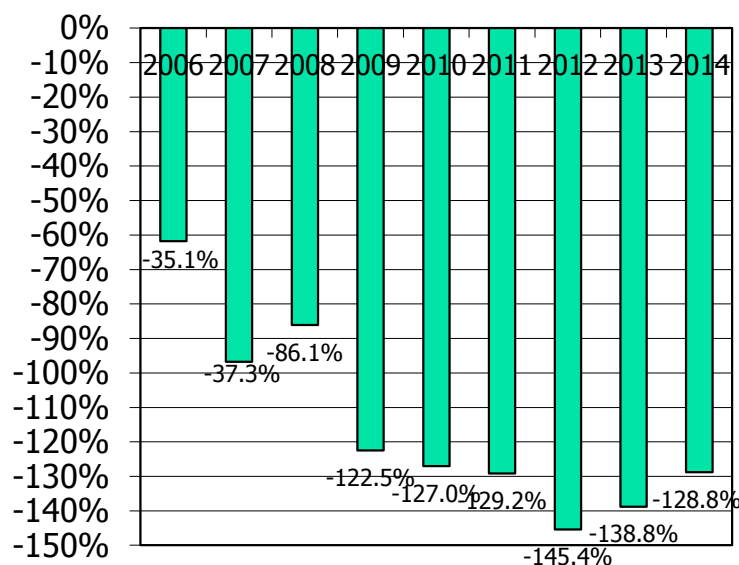
For the year ended September 30, 2014, CNMI funded 105.4 % of their current year expenses with current year revenues, which is an excellent ratio and a slight improvement from the ratios of prior periods. This ratio excludes the transfer of net assets to the Commonwealth Healthcare Corporation.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
89.7%	94.1%	96.3%	81.5%	87.3%	83.6%	82.3%	93.6%	104.5%	104.0%	105.4%

Level of Unrestricted Net Position (Deficit)

How do our total rainy day funds look?

Unrestricted Net Position (Deficit) as
a % of Annual Revenues



The level of total unrestricted net position (deficit) is an indication of the amount of unexpended and available resources the CNMI has at a point in time to fund emergencies, shortfalls or other unexpected needs.

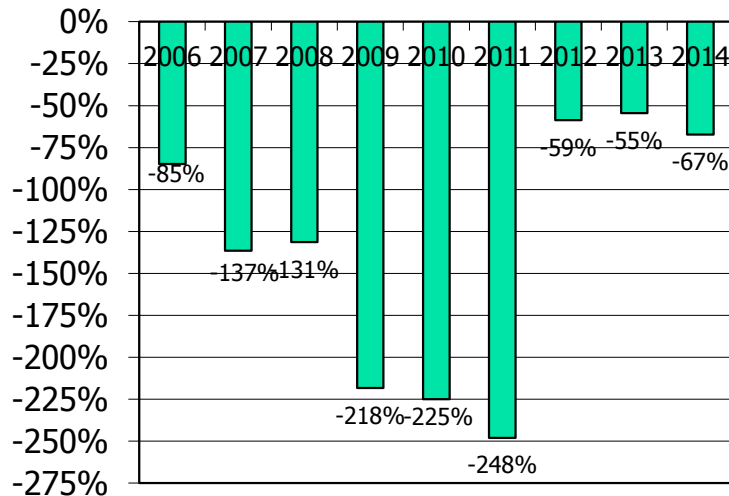
For the year ended September 30, 2014, the CNMI's total unrestricted net position (deficit) amounts to a deficit of \$369.9 million, which is equivalent to 129% of annual total revenues. This represents an decrease in the ratio when compared to the ratio of the prior year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
-53.5%	-61.8%	-96.8%	-86.1%	-122.5%	-127.0%	-129.2%	-145.4%	-138.8 %	-128.8 %

Level of Unassigned Fund Balance

How does our budgetary carryover look?

General Fund Unassigned Fund Balance (Deficit) as a Percentage of Annual Revenues



The level of budgetary unassigned fund balance is an indication of the amount of unexpended, unencumbered and available resources the CNMI has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls or other unexpected needs.

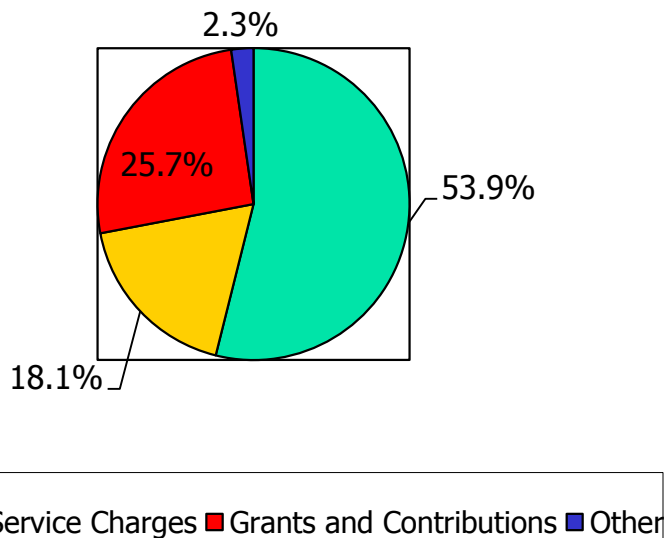
For the year ended September 30, 2014, the CNMI's unassigned fund balance (deficit) of the General Fund was a deficit of \$111 million, or the equivalent of 67.2% of General Fund revenues, which represents an increase in the size of the deficit-to-revenue ratio from the prior year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
-81.1%	-84.9%	-136.5%	-131.4%	-218.4%	-225.1%	-248.1%	-58.6%	-54.5%	-67.2%

Revenue Dispersion

How heavily are we relying on revenue sources we can't directly control?

2014 Revenue Percentages by Source



The percentage dispersion of revenue by source indicates how dependent the CNMI is on certain types of revenue. The more dependent the CNMI is on revenue sources beyond its direct control, such as grants, the less favorable the dispersion.

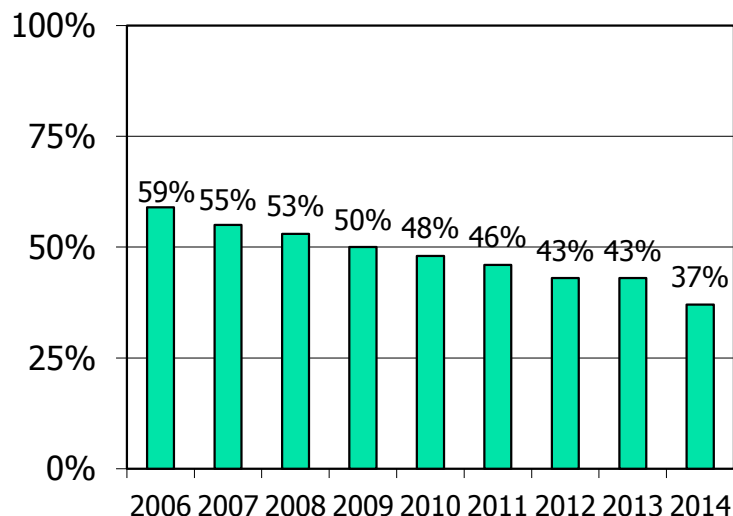
For the year ended September 30, 2014, the CNMI had direct control over 72% of its revenues. This ratio indicates the CNMI has some limited exposure, as do most insular governments, to financial difficulties due to reliance (28%) on non-controlled revenues.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
77.5%	76.7%	68.4%	72.5%	60.0%	67.5%	59.6%	54.9%	58.5%	62.1%	72.0%

Capital Asset Condition

How much useful life do we have left in our capital assets?

Percentage of Capital Assets' Useful Life Remaining



The capital asset condition ratio compares capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.

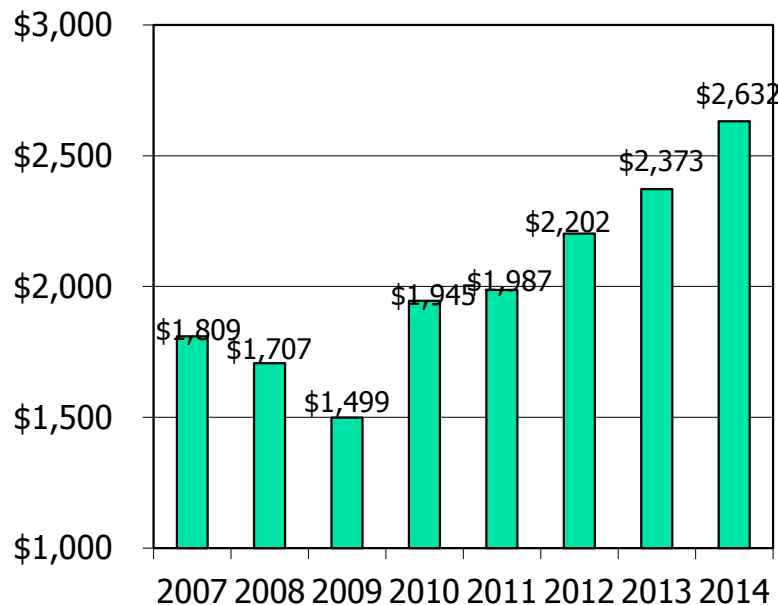
At September 30, 2014, the CNMI's depreciable capital assets amounted to \$300 million, while accumulated depreciation totaled \$190.2 million. This indicates that, on the average, the CNMI's capital assets have 37% of their useful lives remaining. This is considered a below satisfactory financial indicator, and represents a decline from the ratios of the prior periods, and continues a multi-year downward trend. The large decline was primarily due to the transfer of \$39.9 million of net assets, much of which were capital assets, to the Commonwealth Healthcare Corporation.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
53%	53%	59%	55%	53%	50%	48%	46%	43%	43%	37%

Financing Margin - Taxes

Will our citizens be willing to pay increased taxes for operations or capital improvements, if needed?

Total Taxes Per Capita



The financial ratio of taxes per capita is an indication of the CNMI's tax burden on its citizens and other taxpayers. The ratio includes business gross receipts and most taxes (hotel taxes are excluded).

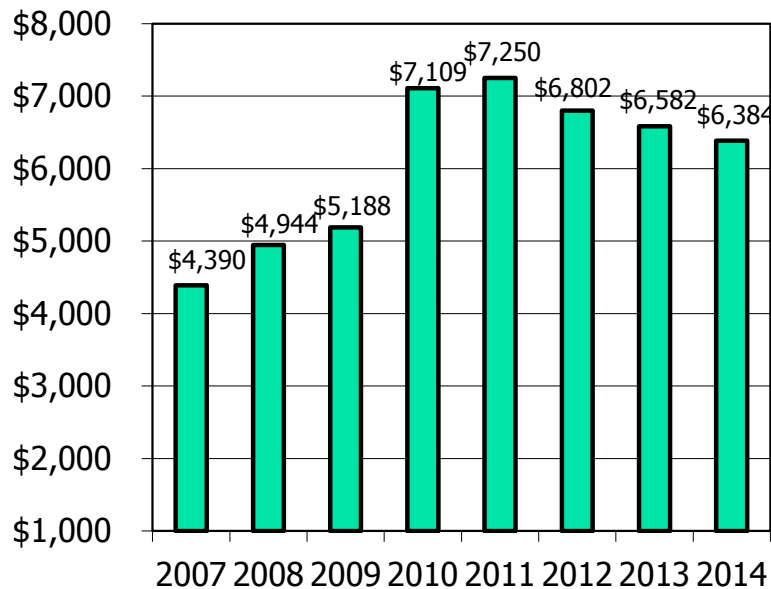
For the year ended September 30, 2014, total taxes referred to above amounted to \$141.8 million or \$2,632 per capita. This indicates a relatively high tax burden when compared to other insular governments, and represents a slight increase over the prior period.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
\$2,482	\$2,511	\$2,219	\$1,809	\$1,707	\$1,499	\$1,945	\$1,987	\$2,202	\$2,373	\$2,632

Financing Margin - Debt

Will we be able to issue more debt, if needed?

Debt Per Capita



The financial ratio of debt per capita is an indication of the CNMI's debt burden on its citizens and other taxpayers.

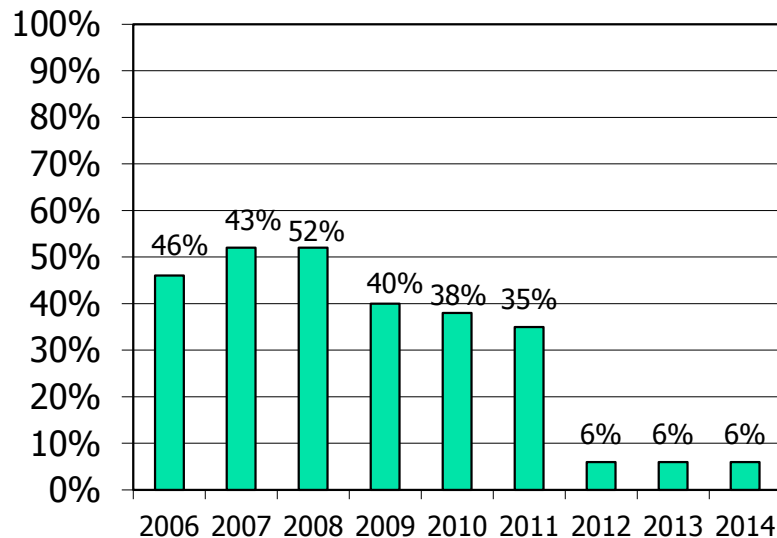
For the year ended September 30, 2014, the CNMI had \$354.7 million of long-term debt, or \$6,384 per capita. This is considered a relatively high debt burden per capita when compared to other insular governments, but does represent a slight decrease in the ratio from the prior period.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
\$3,312	\$3,513	\$3,714	\$4,390	\$4,944	\$5,188	\$7,109	\$7,250	\$6,802	\$6,582	\$6,384

Pension Plan Funding Ratio

Will we be able to pay our employees when they retire?

**Plan Assets as a Percentage of
Accrued Liability**



The pension funding ratio compares the actuarial fair value of the pension plan's assets to the actuarial accrued liability for pension benefits. A percentage less than 100% indicates the plan is under-funded at the valuation date.

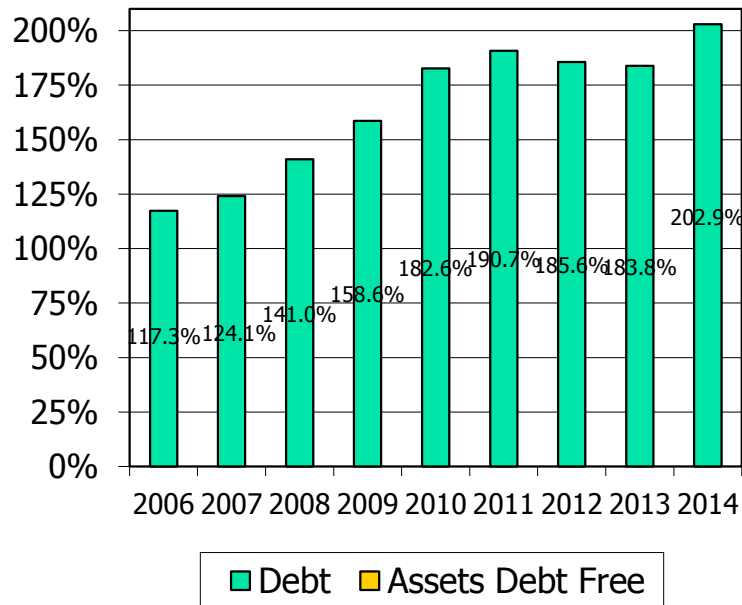
At September 30, 2014, we were unable to locate any recent actuarial valuations of the plan in order to determine its funded status. Therefore, we have kept the prior valuation funded ratio intact for this analysis, which was estimated to be anywhere from 5.5% to 12.7% of the accrued pension benefit liability. However, a court-issued settlement plan has now been put in place to assist in improving the funded ratio over time.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
43%	44%	46%	52%	52%	40%	38%	35%	6%	6%	6%

Debt to Assets

Who really owns the CNMI?

Percentage of Debt to Assets



The debt to assets ratio measures the extent to which the CNMI had funded its assets with debt. The lower the debt percentage, the more equity the CNMI has in its assets.

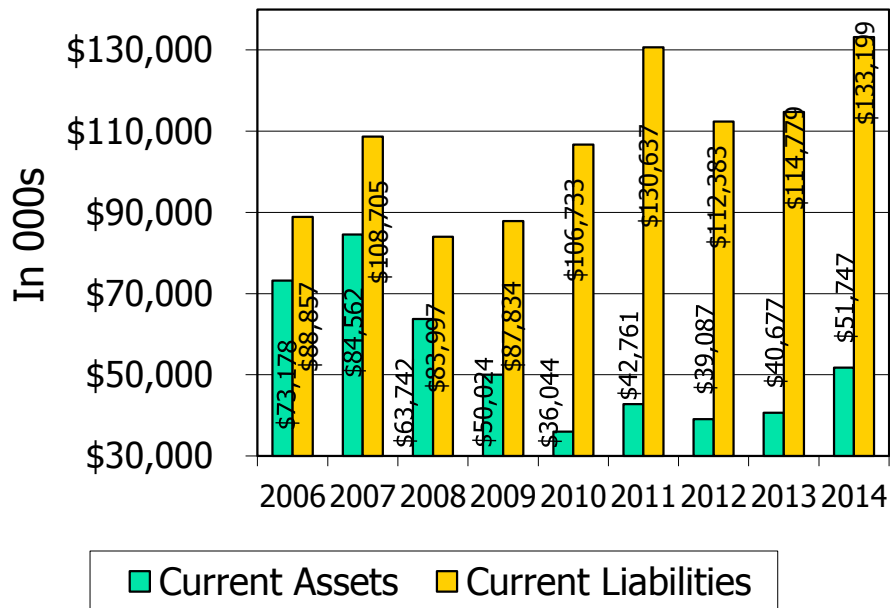
At September 30, 2014, approximately 202.9% of the CNMI's \$232.5 million of total assets were funded with debt or other obligations. This is an unsatisfactory financial indicator and shows no assets of the CNMI that are debt-free. For example, for every \$1.00 of assets the CNMI owns, it owes \$2.03 to others. This ratio represents a increase in the ratio of debt-to-assets of the prior period.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
106.1%	113.5%	117.3%	124.1%	141.0%	158.6%	182.6%	190.7%	185.6%	183.8%	202.9%

Current Ratio

Will our vendors and employees be pleased with our ability to pay them on time?

Current Assets Compared to Current Liabilities



The current ratio is one measure of the CNMI's ability to pay its short-term obligations. The current ratio compares total current assets and liabilities. A current ratio of 2 to 1 indicates satisfactory current liquidity and an ability to meet the short-term obligations. This measure looks only at the CNMI General Fund, the main operating fund of the CNMI.

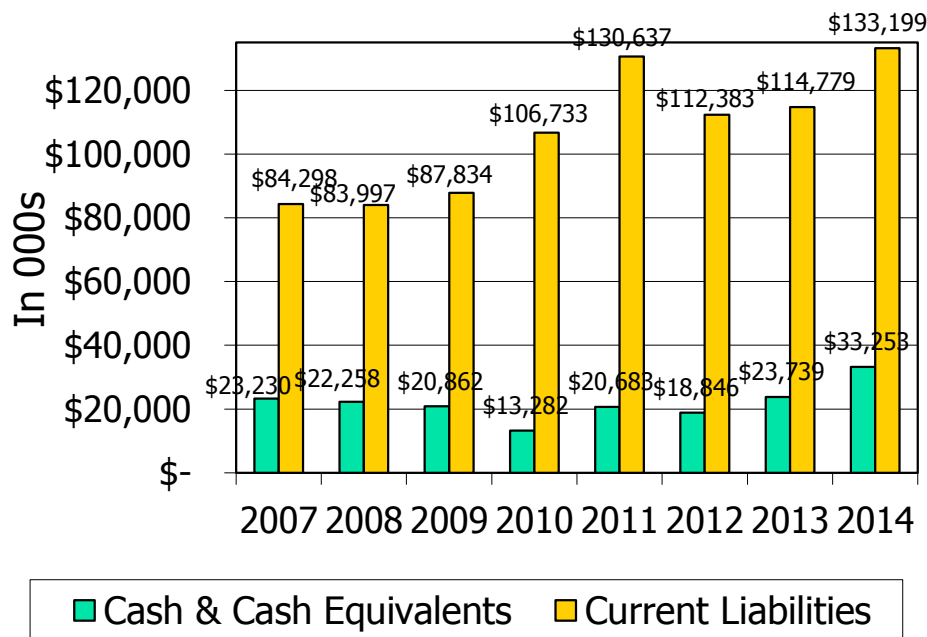
At September 30, 2014, the CNMI had a General Fund ratio of current assets to current liabilities of 0.39 to 1. This indicates that the CNMI General Fund has, for each dollar of current liabilities, 39 cents of current assets to fund them. This ratio is relatively consistent with the ratios of the recent past periods.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1.07	0.83	0.82	0.78	0.76	0.57	0.34	0.33	0.35	0.35	0.39

Quick Ratio

How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities



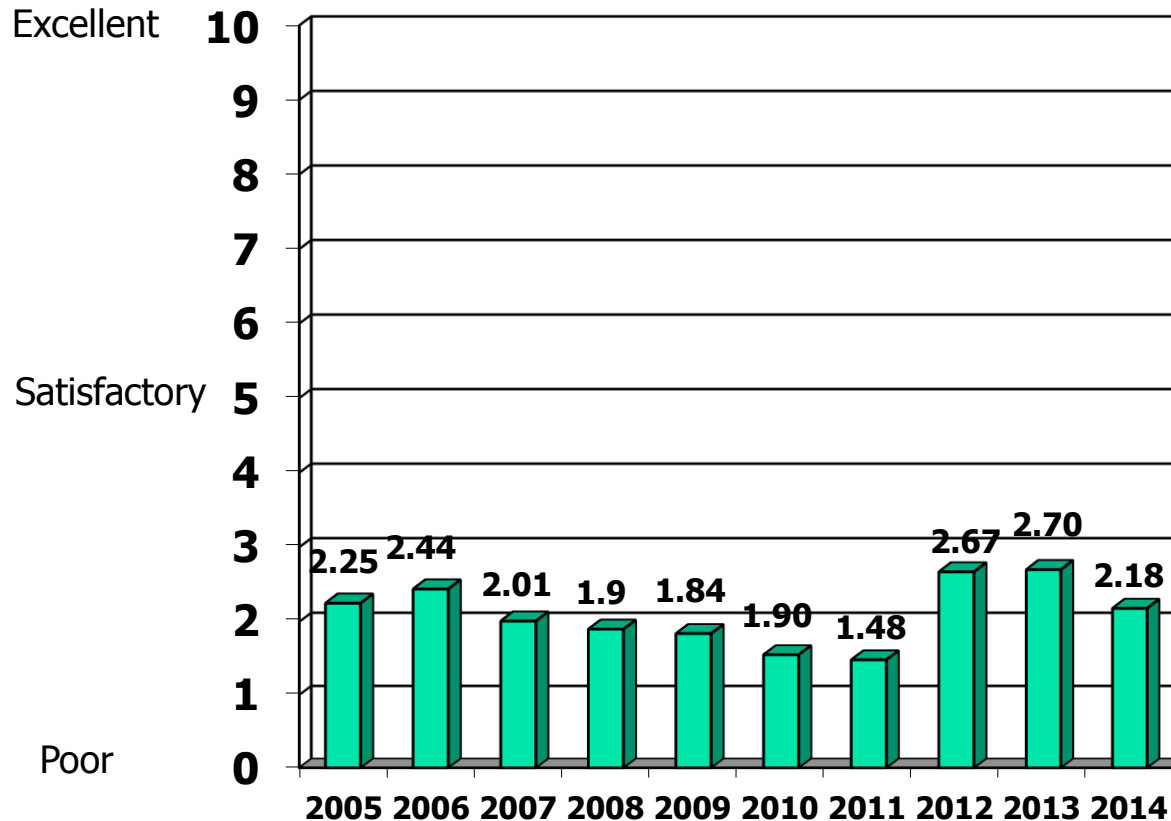
The quick ratio is another, more conservative, measure of the CNMI's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations with cash. This measure looks only at the CNMI General Fund, the main operating fund of the CNMI.

At September 30, 2014, the CNMI had a General Fund ratio of cash and cash equivalents to current liabilities of \$0.25 to 1. This indicates that the CNMI General Fund had, for every \$1 of current liabilities, 25 cents of cash and cash equivalents to fund them. However, this ratio is a slight improvement from the prior period.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
0.22	0.16	0.34	0.28	0.26	0.24	0.12	0.16	0.17	.21	.25

Performer[®] Reading

Overall Reading



The 2014 reading of 2.18 indicates the evaluator's opinion that the CNMI's overall financial health and performance declined during FY 2014, and continues to remain well below satisfactory as of and for the fiscal year ended September 30, 2014.

A the decline was entirely due to the transfer of net assets with a carrying value of \$39.9 million from the CNMI primary government to the Commonwealth Healthcare Corporation. Several of the ratios were negatively affected by this transfer, however this analysis does not factor in the value of any future economic benefits or obligations that could result from this transfer. Many operational ratios actually improved during FY 2014, however the overall score was significantly impacted by the transfer described above.



What is the A.F.T.E.R. Analysis?

- The A.F.T.E.R. Analysis is very simply an analysis of the status of audit findings, the timeliness of the submission of the audit and the resolution of certain audit exceptions, this analysis can be used to track a government's progress towards eliminating its most significant findings and exceptions, along with tracking the timeliness of submission to the Federal Clearinghouse.

A.F.T.E.R.



	2007	2008	2009	2010	2011	2012	2013	2014
Number of F.S. Opinion Qualifications/Exceptions	10	4	2	1	6	3	7	2
Number of Major Federal Program Qualifications/Exceptions	6	5	5	8	8	8	7	8
Number of F.S. Findings								
A. Internal Control and Compliance	-	-	-	-	-	2	2	2
B. Internal Control Only	10	15	18	15	19	18	11	13
C. Compliance Only	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>	-	<u>0</u>	<u>0</u>
TOTAL	11	16	19	16	22	20	13	15
Percentage of Findings Repeated	82%	62.5%	78.9%	100%	72.7%	72.7%	100%	60%
Number of A-133 Findings								
A. Internal Control and Compliance	42	41	37	37	22	28	0	2
B. Internal Control Only	-	-	-	-	-	-	29	36
C. Compliance Only	-	-	-	-	<u>3</u>	-	<u>1</u>	<u>0</u>
TOTAL	42	41	37	37	25	28	30	38
Percentage of A-133 Findings Repeated	46%	56%	75.7%	51.4%	56%	56%	50%	39.5%
Number of months Y/E the F.S. were Released	9	9	9	20	20	17	9	9
Number of Qualifications/Exceptions Related to C.U.	8	4	2	1	6	2	7	2
\$ of Questioned Costs-Current Year	\$2,213,809	\$7,165,461	\$4,817,031	\$5,483,038	\$4,223,661	\$6,620,692	\$10,288,891	\$3,754,204
\$ of Questioned Costs- Cumulative	\$7,249,314	\$7,249,314	\$19,231,826	\$24,714,864	\$28,938,525	\$35,559,217	\$45,848,108	\$26,187,584
\$ of Questioned Costs Resolved – Current Year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,414,727



Thank You

We would like to commend and thank the Commonwealth of the Northern Mariana Islands management, the U.S. Department of Interior, and the Graduate School for allowing us to present this financial analysis. We hope it serves as a useful and understandable compliment to the CNMI's annual financial report.

Visit our website at www.crawfordcpas.com for other useful tools for governments.