



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, 2015



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



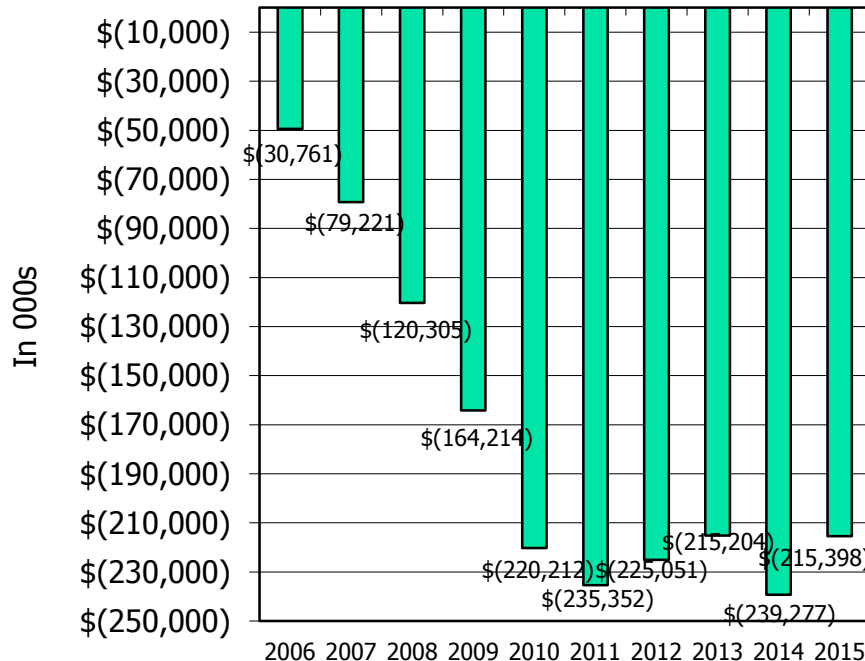
Limitations of the Performer[®]

- 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.

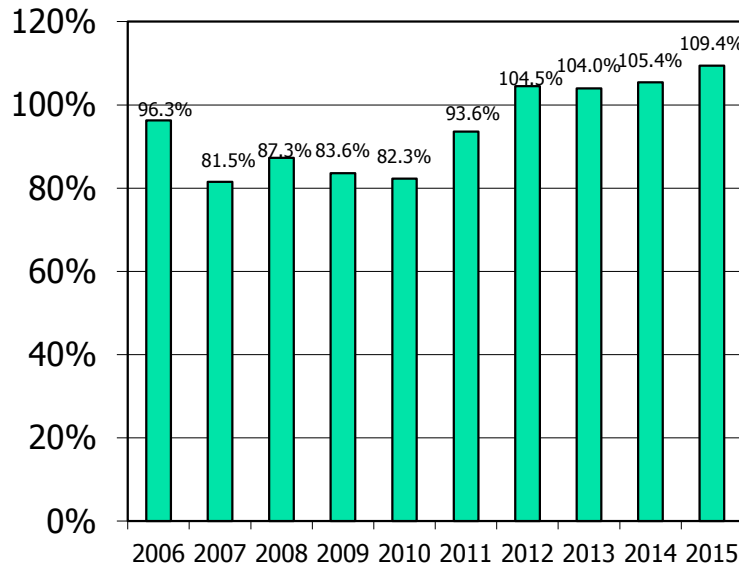
For the year ended September 30, 2015, the CNMI's total net position (deficit) decreased by \$23.9 million or 10% from the prior year. In the prior year, the CNMI transferred all of the hospital assets and activity to a separate entity, which accounts for much of the decline in net position in the prior year. The CNMI primary government's overall net position (deficit) now stands as a net deficit of \$215.4 million, an improvement by shrinking down the size of the overall net position deficit.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
-104.4%	-60.6%	-60.4%	-51.9%	-36.5%	-34.1%	-6.9%	4.4%	4.2%	-11.2%	10%

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.

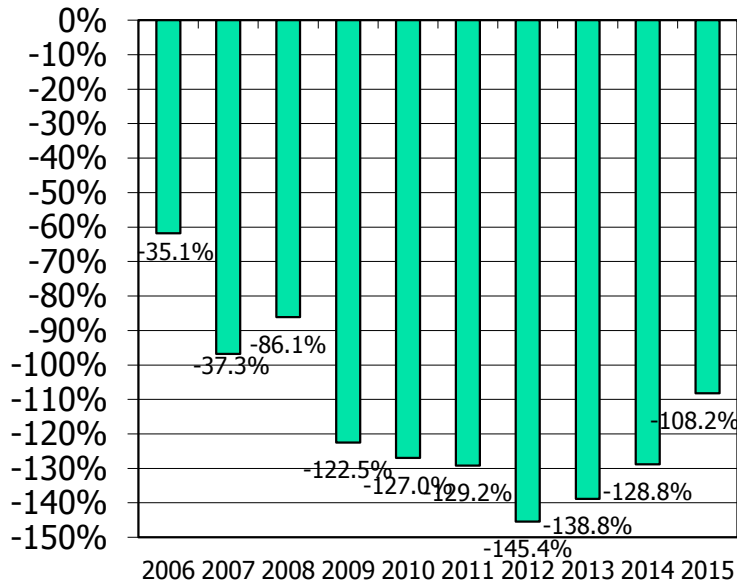
For the year ended September 30, 2015, CNMI funded 109.4 % of their current year expenses with current year revenues, which is an excellent ratio and a slight improvement from the ratios of prior periods.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
94.1%	96.3%	81.5%	87.3%	83.6%	82.3%	93.6%	104.5%	104.0%	105.4%	109.4%

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.

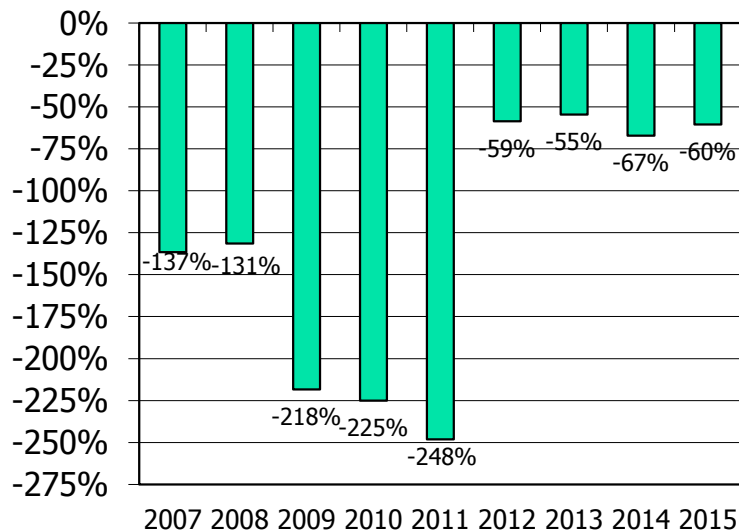
For the year ended September 30, 2015, the CNMI's total unrestricted net position (deficit) amounts to a deficit of \$302.2 million, which is equivalent to 108.2% of annual total revenues. This represents an improvement in the ratio when compared to the ratio of the prior year.

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
-61.8%	-96.8%	-86.1%	-122.5%	-127.0%	-129.2%	-145.4%	-138.8 %	-128.8 %	-108.2%

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.

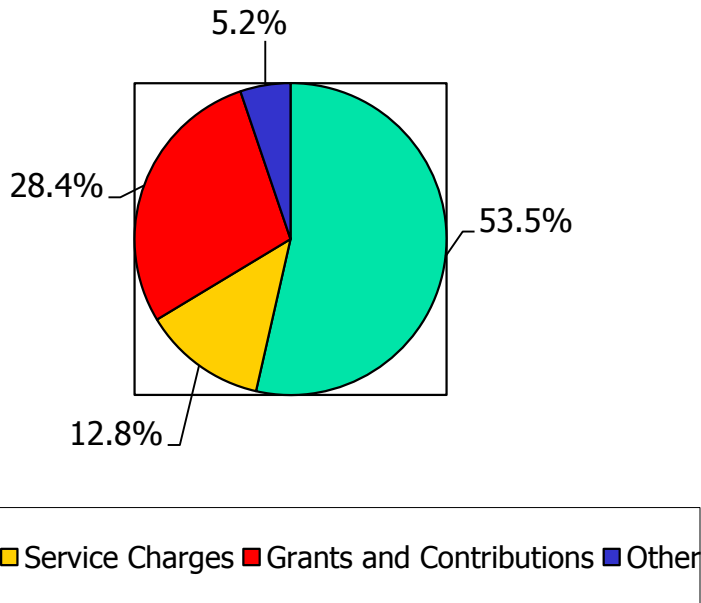
For the year ended September 30, 2015, the CNMI's unassigned fund balance (deficit) of the General Fund was a deficit of \$97.8 million, or the equivalent of 60.4% of General Fund revenues, which represents an improvement in reducing the size of the deficit-to-revenue ratio from the prior year.

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
-84.9%	-136.5%	-131.4%	-218.4%	-225.1%	-248.1%	-58.6%	-54.5%	-67.2%	-60.4%

Revenue Dispersion

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

2015 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.

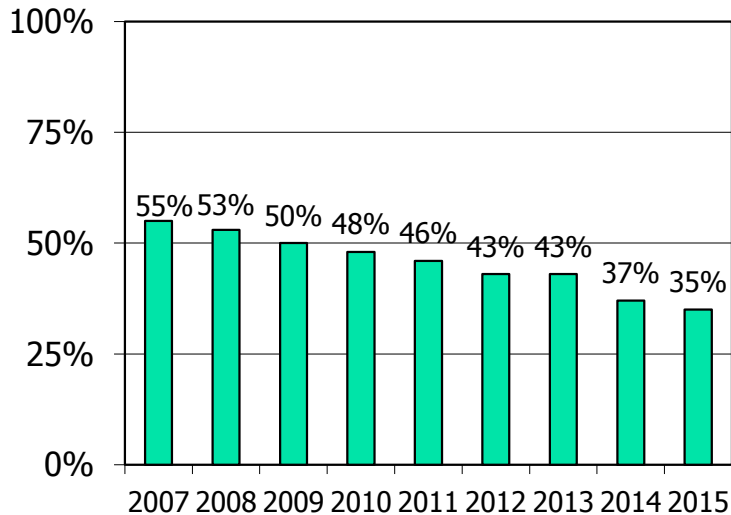
For the year ended September 30, 2015, the CNMI had direct control over 68% of its revenues. This ratio indicates the CNMI has some limited exposure, as do most insular governments, to financial difficulties due to reliance (32%) on non-controlled revenues.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
76.7%	68.4%	72.5%	60.0%	67.5%	59.6%	54.9%	58.5%	62.1%	72.0%	68.4%

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.

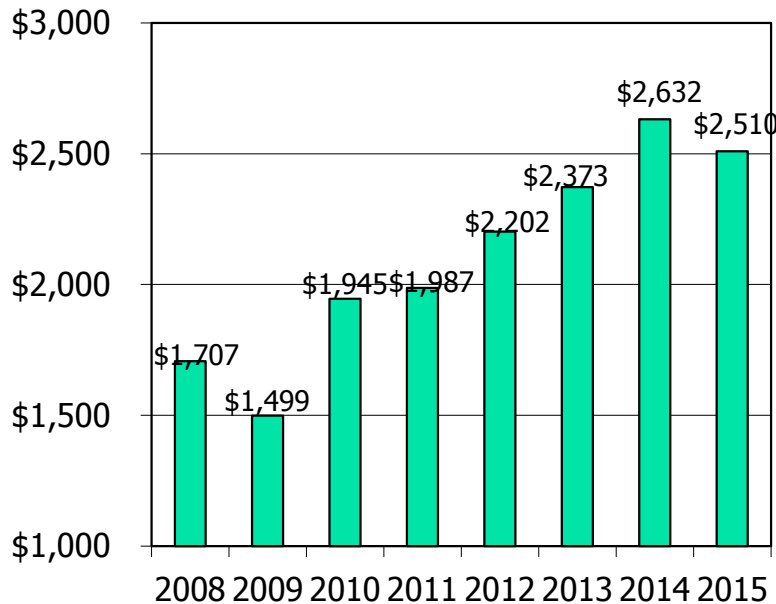
At September 30, 2015, the CNMI's depreciable capital assets amounted to \$308 million, while accumulated depreciation totaled \$200 million. This indicates that, on the average, the CNMI's capital assets have 35% of their useful lives remaining. This is considered a below satisfactory financial indicator, and represents a decline from the ratios of the prior periods, and continues a multi-year downward trend.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
53%	59%	55%	53%	50%	48%	46%	43%	43%	37%	35%

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).

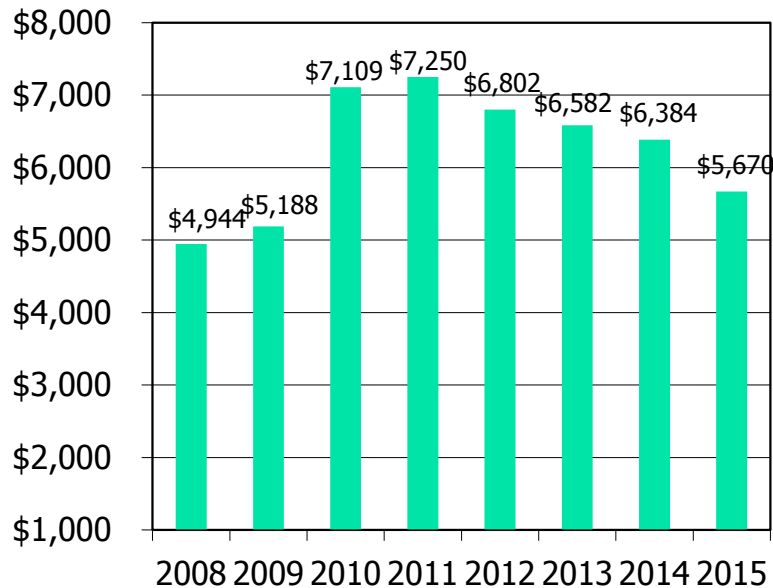
For the year ended September 30, 2015, total taxes referred to above amounted to \$135.3 million or \$2,510 per capita. This indicates a relatively high tax burden when compared to other insular governments, and represents a slight decrease from the ratio of the prior period.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
\$2,511	\$2,219	\$1,809	\$1,707	\$1,499	\$1,945	\$1,987	\$2,202	\$2,373	\$2,632	\$2,510

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.

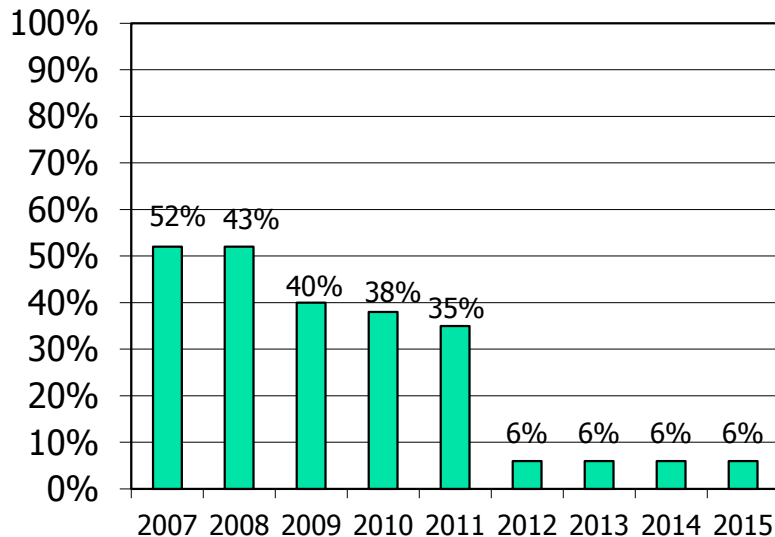
For the year ended September 30, 2014, the CNMI had \$305.5 million of long-term debt, or \$5,670 per capita. This is considered a relatively high debt burden per capita when compared to other insular governments, but does represent a slight decrease in the ratio from the prior period.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
\$3,513	\$3,714	\$4,390	\$4,944	\$5,188	\$7,109	\$7,250	\$6,802	\$6,582	\$6,384	\$5,670

Pension Plan Funding Ratio

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

**Pension Plan Trust Fund Net Position
as a Percentage of Total Pension
Liability**



The pension funding ratio compares the net position of the pension trust fund to the total pension liability for pension benefits. A percentage less than 100% indicates the plan is underfunded at the valuation date.

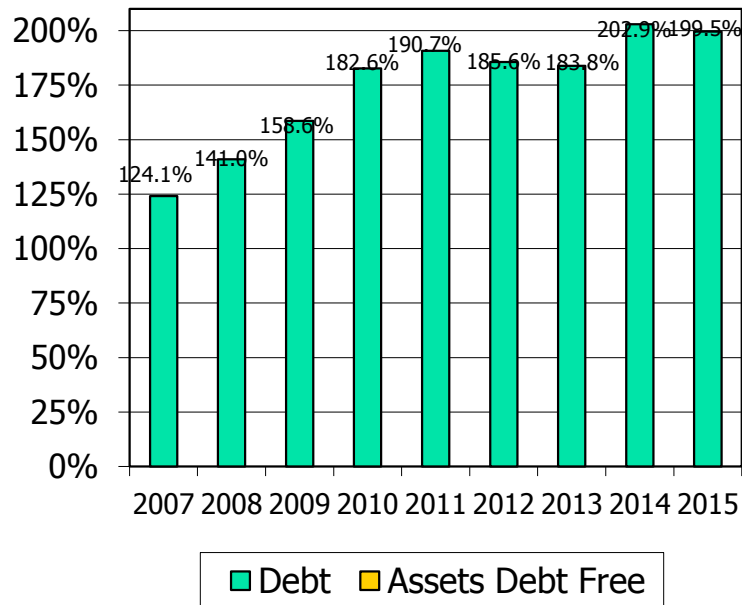
At September 30, 2015, we were unable to locate any recent actuarial valuations of the plan in order to determine its funded status. Therefore, we have kept the prior valuation funded ratio intact for this analysis, which was estimated to be anywhere from 5.5% to 12.7% of the total pension liability. However, a court-issued settlement plan has now been put in place to assist in improving the funded ratio over time.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
44%	46%	52%	52%	40%	38%	35%	6%	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.

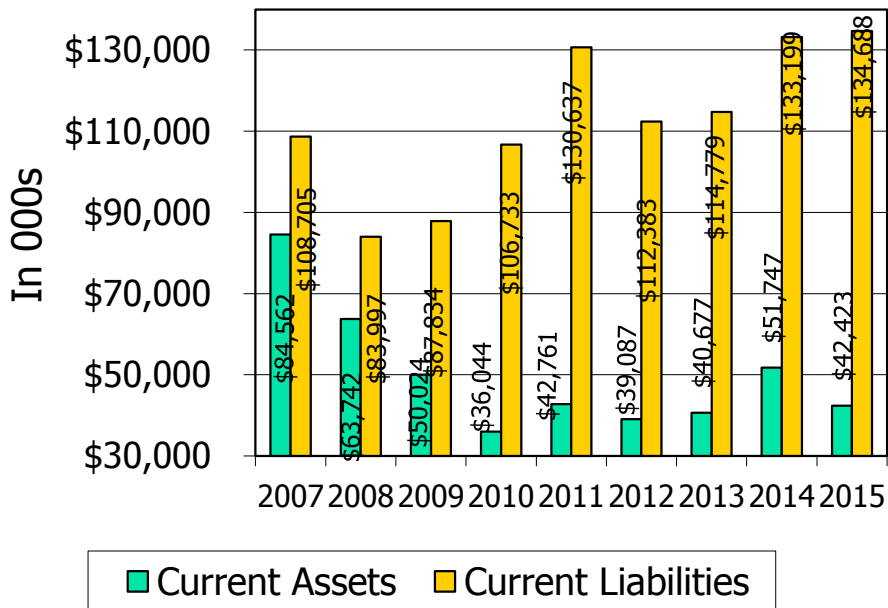
At September 30, 2015, approximately 199.5% of the CNMI's \$216.6 million of total assets were funded with debt or other obligations. This is an unsatisfactory financial indicator and shows no assets of the CNMI that are debt-free. For example, for every \$1.00 of assets the CNMI owns, it owes almost \$2.00 to others. However, this ratio does represent a slight improvement from the debt-to-assets ratio of the prior period.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
113.5%	117.3%	124.1%	141.0%	158.6%	182.6%	190.7%	185.6%	183.8%	202.9%	199.5%

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.

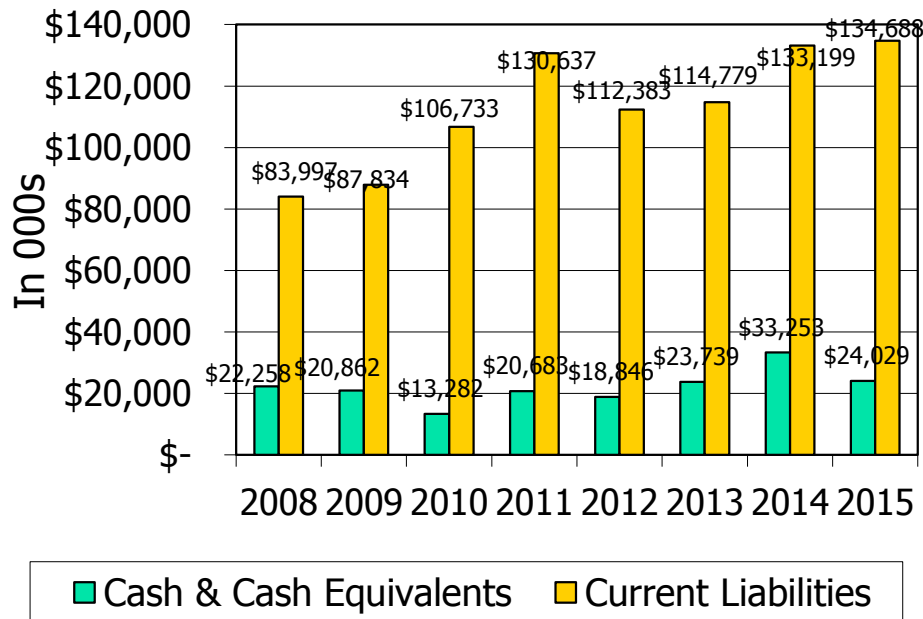
At September 30, 2015, the CNMI had a General Fund ratio of current assets to current liabilities of 0.31 to 1. This indicates that the CNMI General Fund has, for each dollar of current liabilities, 31 cents of current assets to fund them. This ratio is relatively consistent with the ratios of the recent past periods, although at an all-time low.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
0.83	0.82	0.78	0.76	0.57	0.34	0.33	0.35	0.35	0.39	0.31

Quick Ratio

How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities



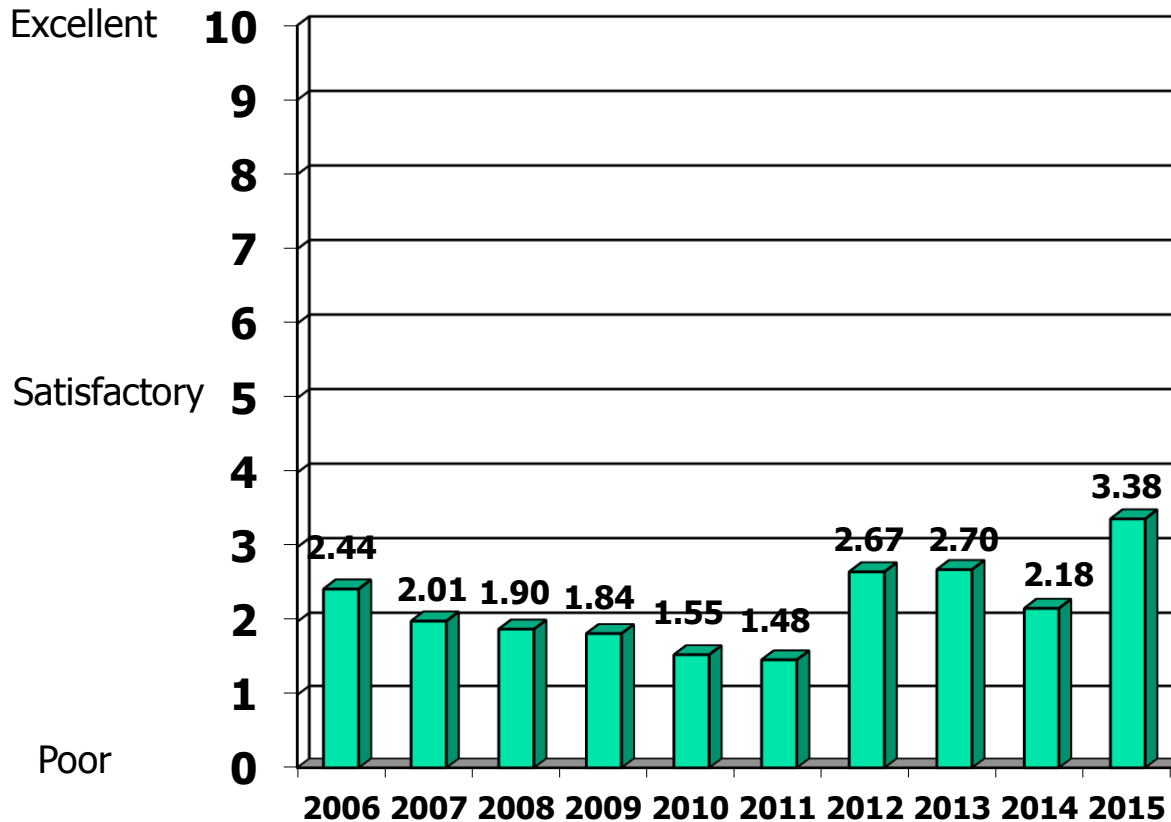
The quick ratio is another, more conservative, measure of the CNMI's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term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

At September 30, 2015, the CNMI had a General Fund ratio of cash and cash equivalents to current liabilities of \$0.18 to 1. This indicates that the CNMI General Fund had, for every \$1 of current liabilities, 18 cents of cash and cash equivalents to fund them. This ratio is relatively consistent with the ratios of the recent past periods, although a decline from the ratio of the immediate past year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
0.16	0.34	0.28	0.26	0.24	0.12	0.16	0.17	.21	.25	.18

Performmeter® Reading

Overall Reading



The 2015 reading of 3.38 indicates the evaluator's opinion that the CNMI's overall financial health and performance improved during FY 2015, however the reading continues to remain below satisfactory as of and for the fiscal year ended September 30, 2015.

The Commonwealth rebounded from a down year last year where the net position was downwardly affected by the transfer of assets to the Hospital Corporation. Many operational ratios actually improved during FY 2015, and the resulting improvement in the reading resulted from such improvements. However, several of the ratios, such as the total net position deficit, the unrestricted net position deficit, and the General Fund unassigned fund balance deficit were still large enough to negatively impact the overall score.

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.

	2008	2009	2010	2011	2012	2013	2014	2015
Number of F.S. Opinion Qualifications/Exceptions	4	2	1	6	3	7	2	5
Number of Major Federal Program Qualifications/Exceptions	5	5	8	8	8	7	8	8
Number of F.S. Findings								
A. Internal Control and Compliance	-	-	-	-	2	2	2	1
B. Internal Control Only	15	18	15	19	18	11	13	12
C. Compliance Only	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>	-	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	16	19	16	22	20	13	15	13
Percentage of Findings Repeated	62.5%	78.9%	100%	72.7%	72.7%	100%	60%	85%
Number of A-133 Findings								
A. Internal Control and Compliance	41	37	37	22	28	0	2	19
B. Internal Control Only	-	-	-	-	-	29	36	0
C. Compliance Only	-	-	-	<u>3</u>	-	<u>1</u>	<u>0</u>	<u>5</u>
TOTAL	41	37	37	25	28	30	38	23
Percentage of A-133 Findings Repeated	56%	75.7%	51.4%	56%	56%	50%	39.5%	59%
Number of months Y/E the F.S. were Released	9	9	20	20	17	9	9	16
Number of Qualifications/Exceptions Related to C.U.	4	2	1	6	2	7	2	4
\$ of Questioned Costs-Current Year	\$7,165,461	\$4,817,031	\$5,483,038	\$4,223,661	\$6,620,692	\$10,288,891	\$3,754,204	\$3,198,253
\$ of Questioned Costs- Cumulative	\$7,249,314	\$19,231,826	\$24,714,864	\$28,938,525	\$35,559,217	\$45,848,108	\$26,187,584	\$17,114,454
\$ of Questioned Costs Resolved – Current Year	\$0	\$0	\$0	\$0	\$0	\$0	\$23,414,727	\$12,271,383



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.