PERFORMETER

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, 2009

CRAWFORD & ASSOCIATES P.C.

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Oklahoma City, Oklahoma

What Is The Performeter®?

- 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 Performeter®

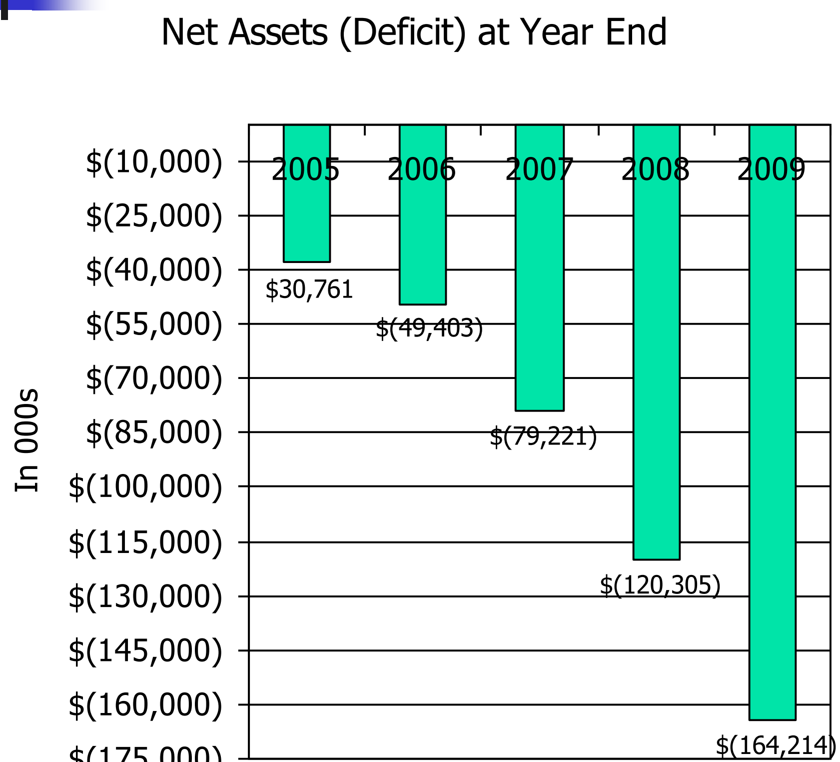
- Use the individual ratios to identify financial warning signals
- Use the overall rating as a collective benchmark of financial health and success of the CNMI as a whole
- Use the comparisons to prior years to monitor trends in financial indicators

Limitations of the Performeter®

- The Performeter® 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 Performeter® is based on Crawford & Associates' professional judgment and is limited as to its intended use

Change in Net Assets

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



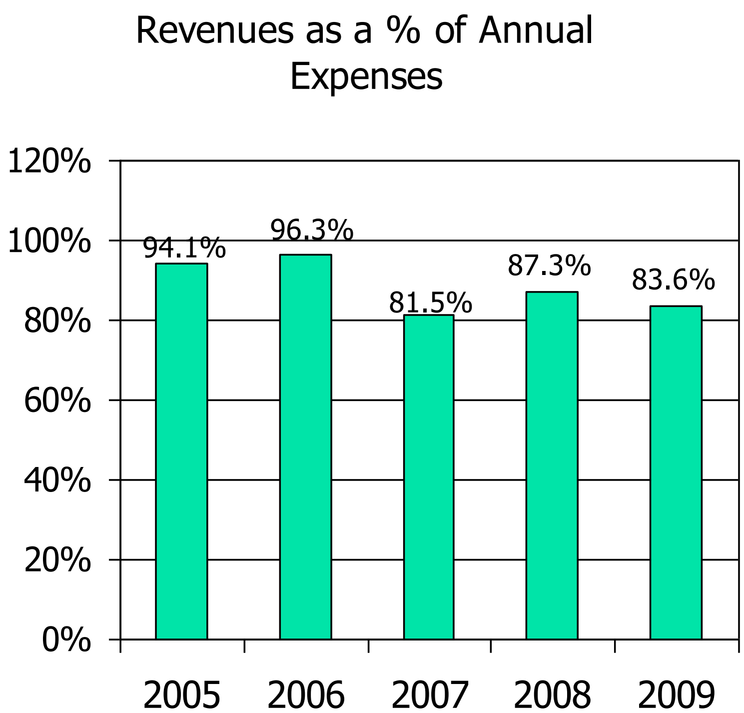
Net assets include all assets of the CNMI, except for fiduciary funds held for the benefit of others. It is measured as the difference between total assets, including capital assets, and total liabilities, including long-term debt.

For the year ended September 30, 2009, the total net assets (deficit) increased by $45.2 million or 38.0% from the prior year. This increase in the deficit is primarily due to an approximate $20 million increase in the amount due to the employee benefit plans system during the current year, which has increased net asset (deficit) at the end of the year, and continues a decline in net asset position over the past several years.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-20.2%	-49.3%	-219.6%	-104.4%	-29.6%	-234.5%	-51.9%	-38.0%		

Intergenerational Equity

Who is paying for today's costs of services?



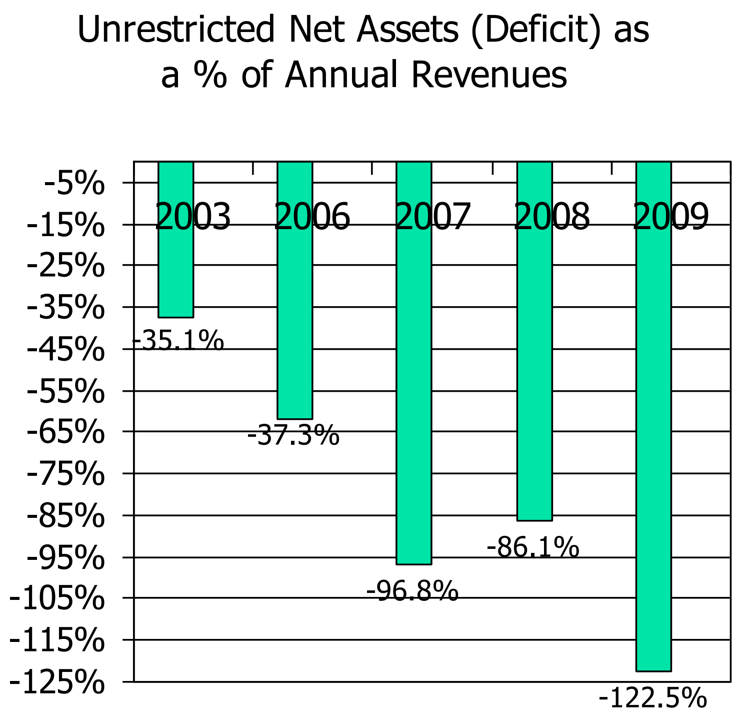
A measure of whether the government lived within its means in the measurement year, or was required to use prior year resources to fund a portion of current year costs, or shifted the funding of some of the current year costs to future periods.

For the year ended September 30, 2009, CNMI funded 83.6% of their expenses with current year revenues, which is a less than satisfactory percentage, and a decline in the ratio of the prior year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
97.3%	97.9%	89.7%	94.1%	96.3%	81.5%	87.3%	83.6%		

Level of Unrestricted Net Assets

How do our total rainy day funds look?



The level of total unrestricted net assets 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.

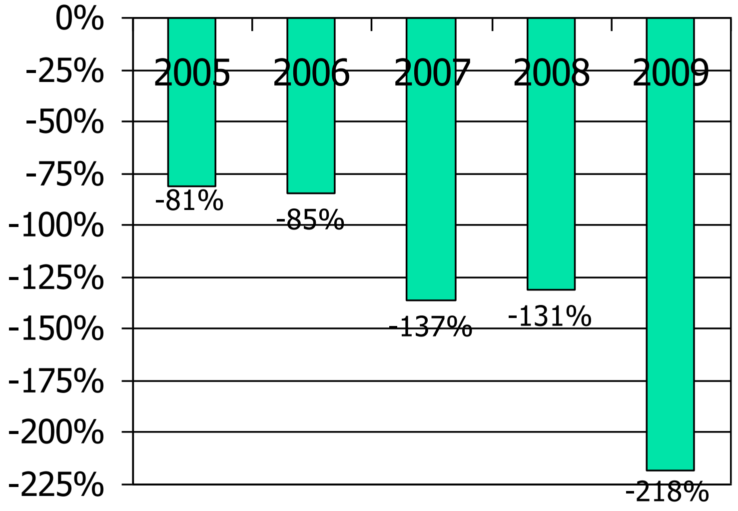
For the year ended September 30, 2009, the CNMI's total unrestricted net assets (deficit) was $282 million, which is equivalent to 122.5% of annual total revenues, which is a significant increase from the ratio of the prior year. A significant part of the deficit ($235 million) is related to pension and other employee benefit plan liabilities.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-35.1%	-37.3%	-61.4%	-53.5%	-61.8%	-96.8%	-86.1%	-122.5%		

Level of Budgetary Fund Balance

How does our budgetary carryover look?

Budgetary Unreserved Fund Balance (Deficit) as a Percentage of Annual Revenues



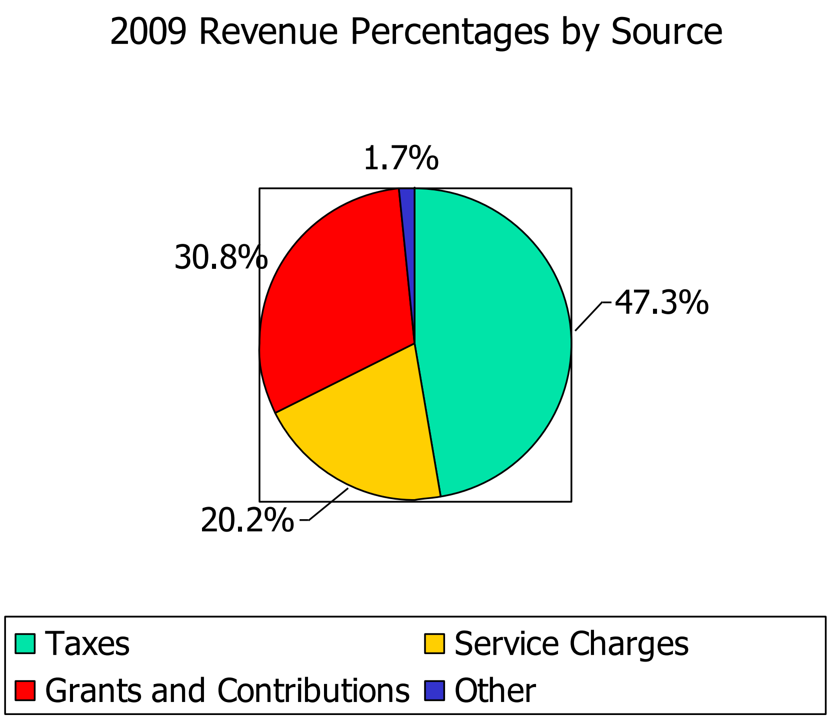
The level of budgetary unreserved fund balance is an indication of the amount of unexpended, unencumbered and available resources the CNMI has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls or other unexpected needs.

For the year ended September 30, 2009, the CNMI's unreserved fund balance (deficit) of the General Fund was $300.8 million, or the equivalent of 218.4% of General Fund revenues, which is a significant increase in the size of the deficit of the prior year. A significant part of the deficit ($235 million) is related to pension and other employee benefit plan liabilities.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-53.1%	-59.0%	-72.8	-81.1%	-84.9%	-136.5%	-131.4%	-218.4%		

Revenue Dispersion

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



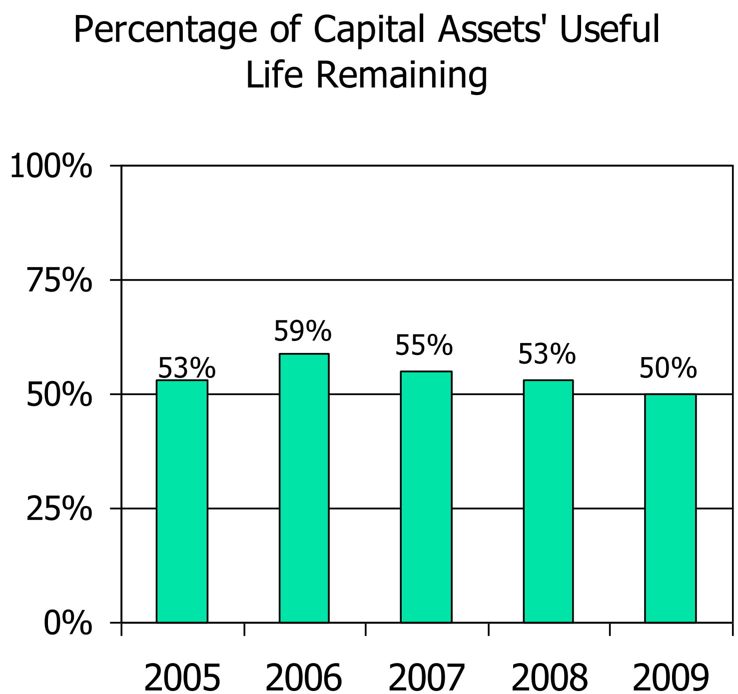
The percentage dispersion of revenue by source indicates how dependent the CNMI is on certain types of revenue. The more dependent the CNMI is on revenue sources beyond its direct control, such as grants, the less favorable the dispersion.

For the year ended September 30, 2009, the CNMI had direct control over 67.5% of its revenues. This ratio indicates the CNMI has some limited exposure, as do most governments, to financial difficulties due to reliance (32.5%) on non-controlled revenues.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
69.0%	76.8%	77.5%	76.7%	68.4%	72.5%	60.0%	67.5%		

Capital Asset Condition

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



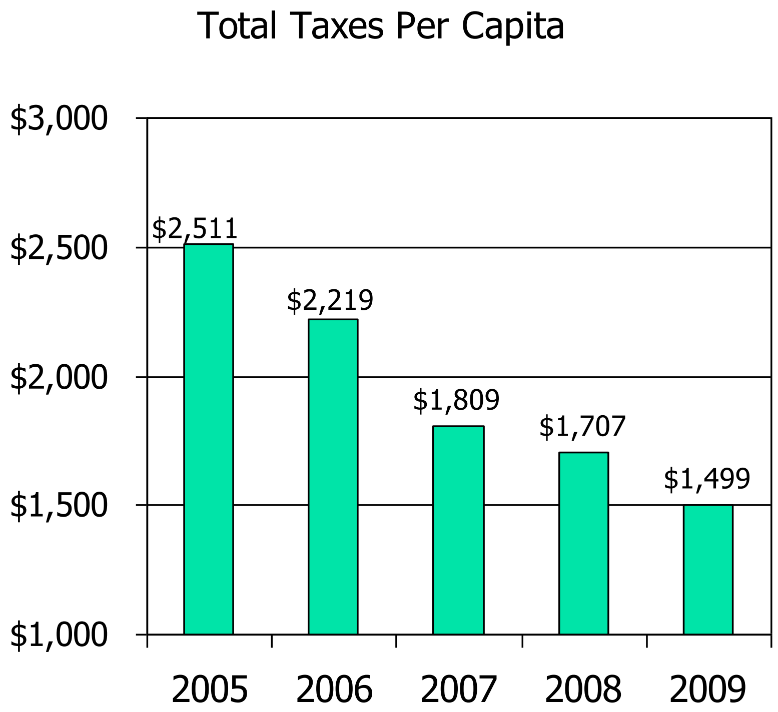
The capital asset condition ratio compares capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.

At September 30, 2009, the CNMI's depreciable capital assets amounted to $329.8 million while accumulated depreciation totaled $163.3 million. This indicates that, on the average, the CNMI's capital assets have 50% of their useful lives remaining. This is considered a satisfactory financial indicator, but a decline from the ratios of the prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
51%	48%	53%	53%	59%	55%	53%	50%		

Financing Margin - Taxes

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



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 nearly all taxes (hotel taxes are excluded), and include business gross receipts, income and most other taxes.

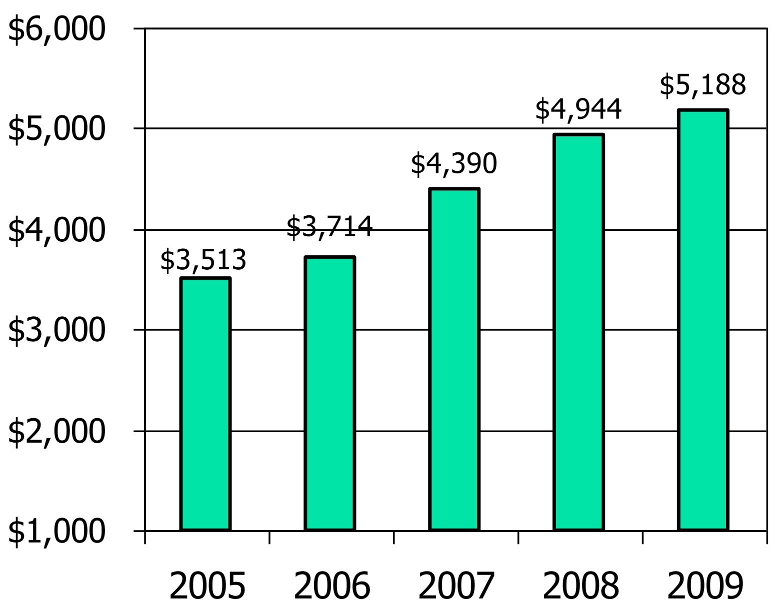
For the year ended September 30, 2009, total taxes referred to above amounted to $103.7 million or $1,499 per capita. This indicates a relatively moderate tax burden, and continues a trend of decreasing tax earnings per capita that began in prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
$2,392	$2,370	$2,482	$2,511	$2,219	$1,809	$1,707	$1,499		

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.

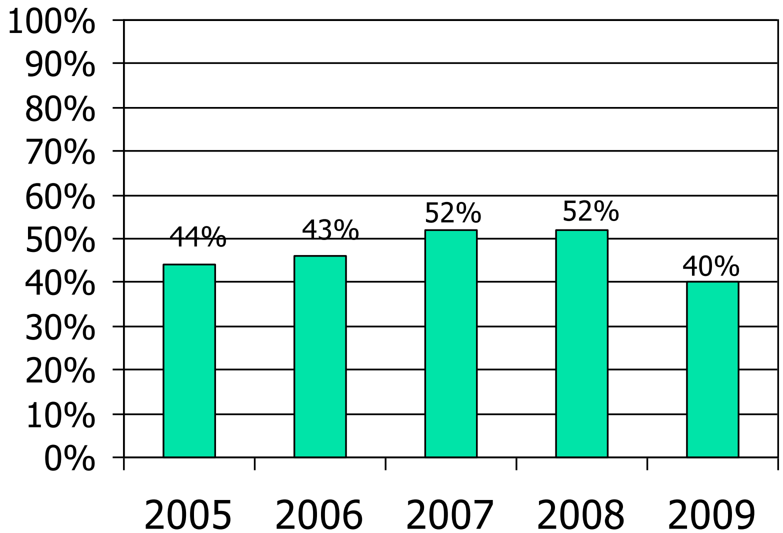
For the year ended September 30, 2009, the CNMI had $359.1 million of long-term debt or $5,188 per capita which is considered a high debt burden per capita when compared to other insular governments, and continues a trend of increases from prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
$2,235	$2,397	$3,312	$3,513	$3,714	$4,390	$4,944	$5,188		

Pension Plan Funding Ratio

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

Plan Assets as a Percentage of Accrued Liability



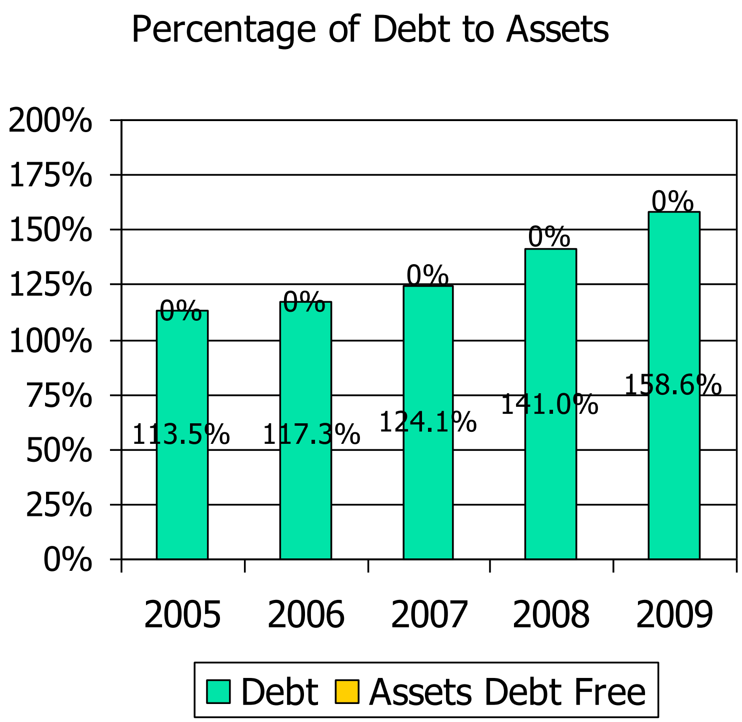
The pension funding ratio compares the actuarial fair value of the pension plan's assets to the actuarial accrued liability for pension benefits. A percentage less than 100% indicates the plan is under-funded at the valuation date.

At September 30, 2009, the CNMI's pension plan assets were 40% of the accrued pension benefit liability, indicating the plan was has continued to be under-funded as of the last valuation date.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
69%	43%	43%	44%	46%	52%	52%	40%		

Debt to Assets

Who really owns the CNMI?



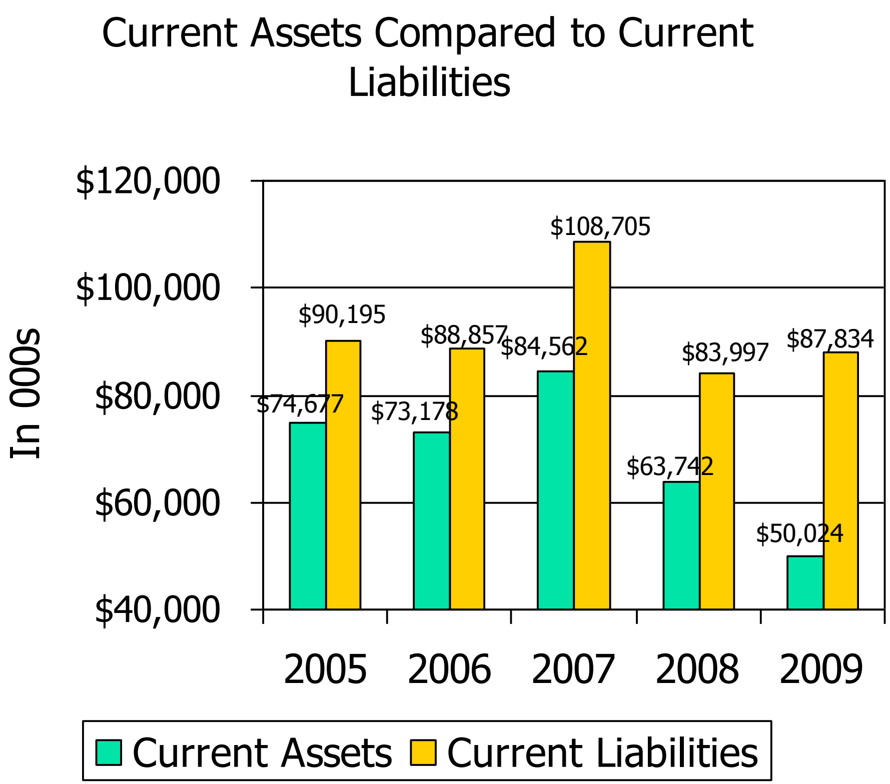
The debt to assets ratio measures the extent to which the CNMI had funded its assets with debt. The lower the debt percentage, the more equity the CNMI has in its assets.

At September 30, 2009, approximately 158.6% of the CNMI's $280.1 million of total assets were funded with debt or other obligations. This is an unsatisfactory financial indicator and shows the continued decline of assets that remain debt-free. For every $1 of assets the CNMI owns, it owes $1.589 to others.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
87.8%	90.9%	106.1%	113.5%	117.3%	124.1%	141.0%	158.6%		

Current Ratio

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



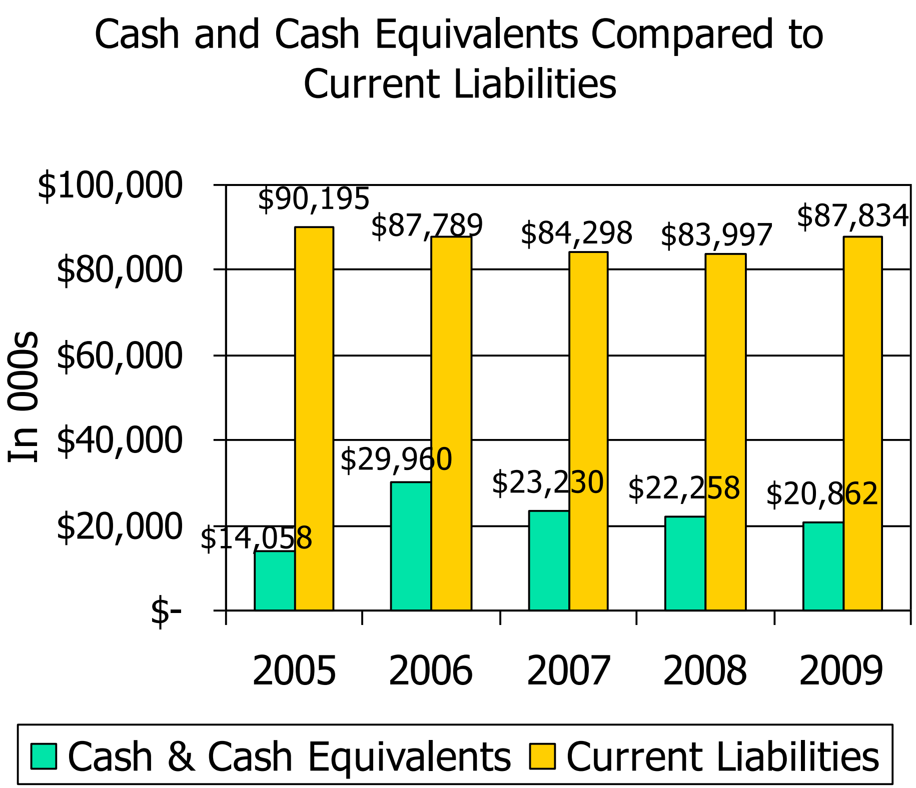
The current ratio is one measure of the CNMI's ability to pay its short-term obligations. The current ratio compares total current assets and liabilities. A current ratio of 2.00 to 1 indicates satisfactory current liquidity and an ability to meet the short-term obligations. This measure looks only at the CNMI General Fund, the main operating fund of the CNMI.

At September 30, 2009, the CNMI had a General Fund ratio of current assets to current liabilities of .57 to 1. This indicates that the CNMI General Fund has, for each dollar of current liabilities, 57 cents of current assets to fund them. This continues a decline from prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
0.90	0.87	1.07	0.83	0.82	0.78	0.76	0.57		

Quick Ratio

How is our short-term cash position?

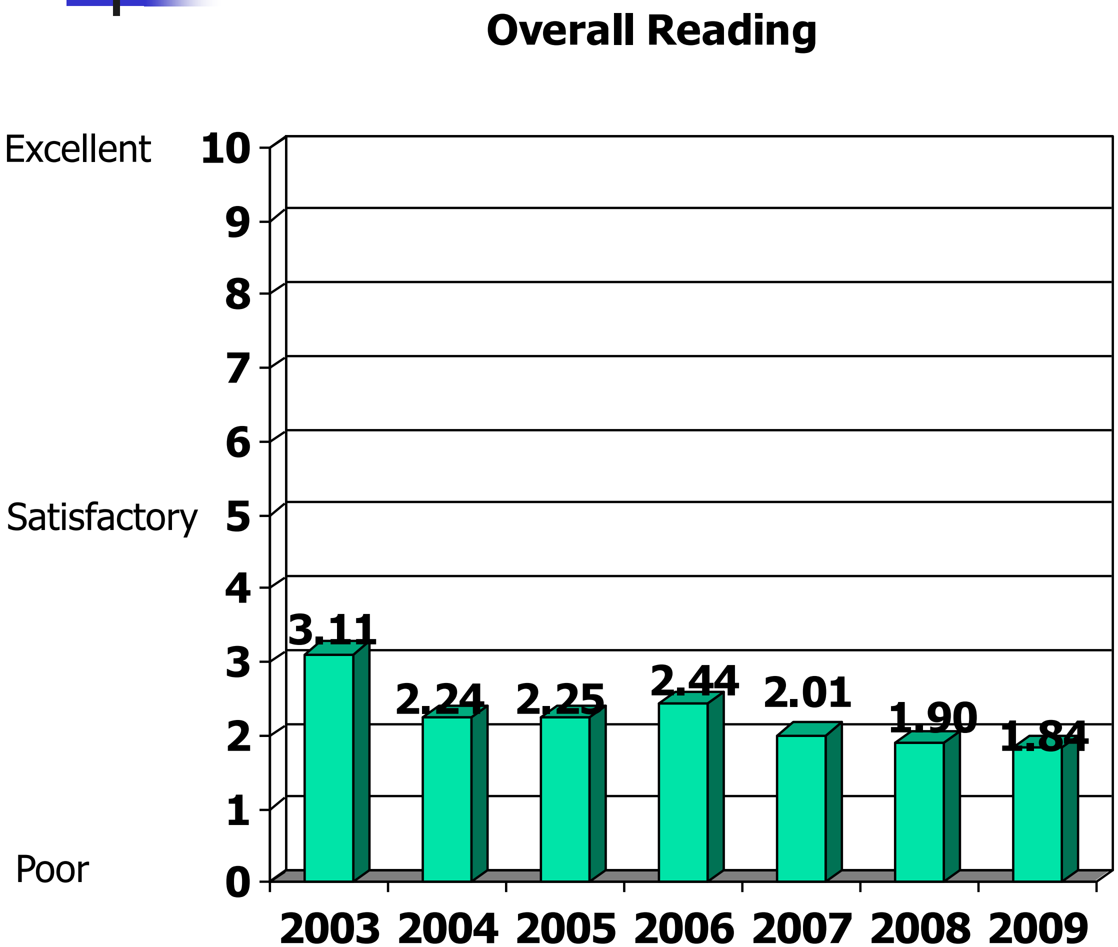


The quick ratio is another, more conservative, measure of the CNMI's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term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

At September 30, 2009, the CNMI had a General Fund ratio of cash and cash equivalents to current liabilities of 0.24 to 1. This indicates that the CNMI General Fund had, for every $1 of current liabilities (less deferred revenue), 24 cents of cash and cash equivalents to fund them. This ratio is a decline from that in the prior period.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
0.36	0.40	0.22	0.16	0.34	0.28	0.26	0.24		

Performeter® Reading



The 2009 reading of 1.84 indicates the evaluator's opinion that the CNMI's overall financial health and performance continued to be less than satisfactory as of and for the fiscal year ended September 30, 2009, with continued declines in the reading when compared with the prior periods.

In addition to a $20 increase in the amounts due to the employee benefit plans system, the current year increase in the in net assets deficit, the deficit unrestricted net assets, the General Fund's fund balance deficit, and its insufficient current and quick ratios are the primary contributing factors to the continued low readings.

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.

	2004	2005	2006	2007	2008	2009
Number of F.S. Opinion Qualifications/Exceptions	9	8	9	10	4	2
Number of Major Federal Program Qualifications/Exceptions	7	8	7	6	5	5
Number of F.S. Findings						
A. Internal Control and Compliance	-	-	2	-	0	0
B. Internal Control Only	10	10	14	10	15	18
C. Compliance Only	1	1	0	1	1	1
TOTAL	11	11	16	11	16	19
Percentage of Findings Repeated	72.7%	90.9%	75%	82%	62.5%	78.9%
Number of A-133 Findings						
A. Internal Control and Compliance	33	37	36	42	41	37
B. Internal Control Only	-	-	-	-	-	-
C. Compliance Only	-	-	-	-	-	-
TOTAL	33	37	36	42	41	37
Percentage of A-133 Findings Repeated	39.4%	64.9%	69.4%	46%	56%	75.7%
Number of months Y/E the F.S. were Released	18	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	2	2	3	8	4	2
$ of Questioned Costs-Current Year	$2,700,930	$718,786	$1,468,273	$2,213,809	$7,165,461	$4,817,031
$ of Questioned Costs- Cumulative	$2,848,446	$3,567,232	$5,035,505	$7,249,314	$7,249,314	$19,231,826
$ of Questioned Costs Resolved – Current Year	$145,572	$0	$0	$0	$0	$0

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.

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