



The Commonwealth of the Northern Marianas Islands

Fiscal Year 2022



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 Territory of The Commonwealth of the Northern Marianas Islands as of and for the Year Ended September 30, 2022



This presentation is available online at <http://www.pitiviti.org>

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 0-10
- The overall reading is a barometer of CNMI's financial health and performance
- Due to certain accounting principle changes that have occurred in the last few years, the scores from FY 2015 forward have been recalculated using additional ratio calculations and a revised weighting system

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 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 CNMI's performance and condition
- The analysis is an overall rating of 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

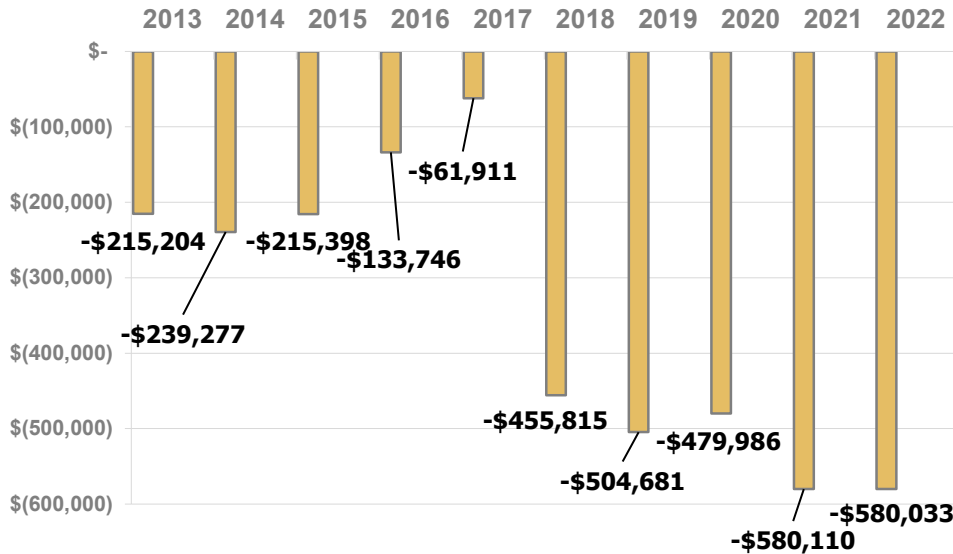
Change in Net Position

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

Net position includes all assets, deferred outflows, liabilities and deferred inflows 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, plus deferred outflows, and total liabilities, including long-term debt, plus deferred inflows.

For the year ended September 30, 2022, the CNMI's total net position (deficit) decreased, or improved, by \$81,299 or 0.01% from the prior year. The CNMI primary government's overall net position (deficit) remains at a net deficit of about \$580 million.

Net Position (Deficit) at Year End
(in thousands)



* Notes a year in which beginning net position was restated

2013 *	2014	2015	2016 *	2017	2018	2019 *	2020	2021	2022
+4.2%	-11.2%	+10.0%	+37.4%	+53.7%	+16.9%	-10.7%	4.9%	-20.9%	0.01%

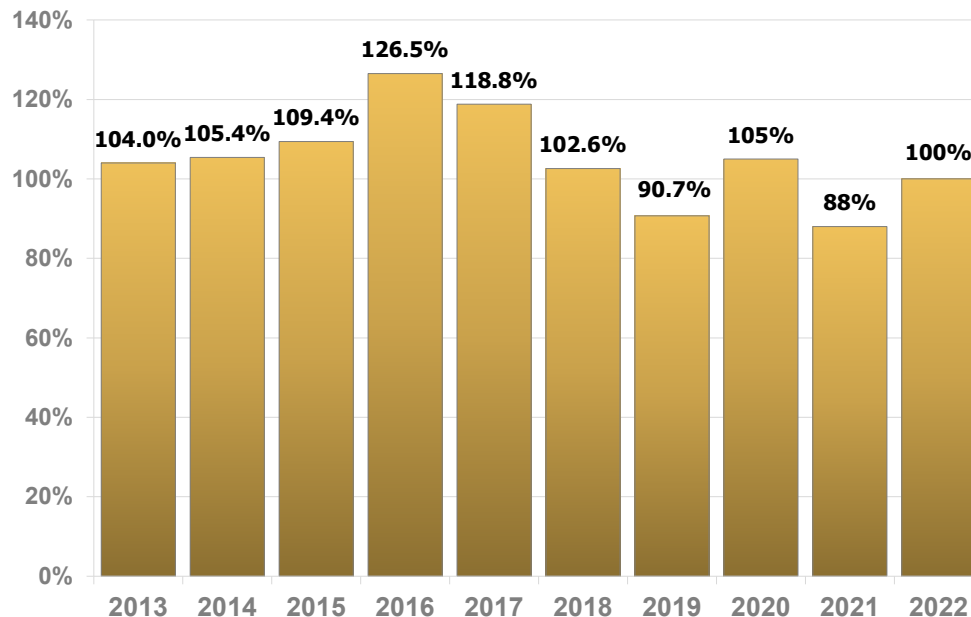
Performer®
Rating

5

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, 2022, the CNMI funded 100% of their expenses with current year revenues, which is considered an excellent ratio. It is also a significant increase in the ratio from the prior year.

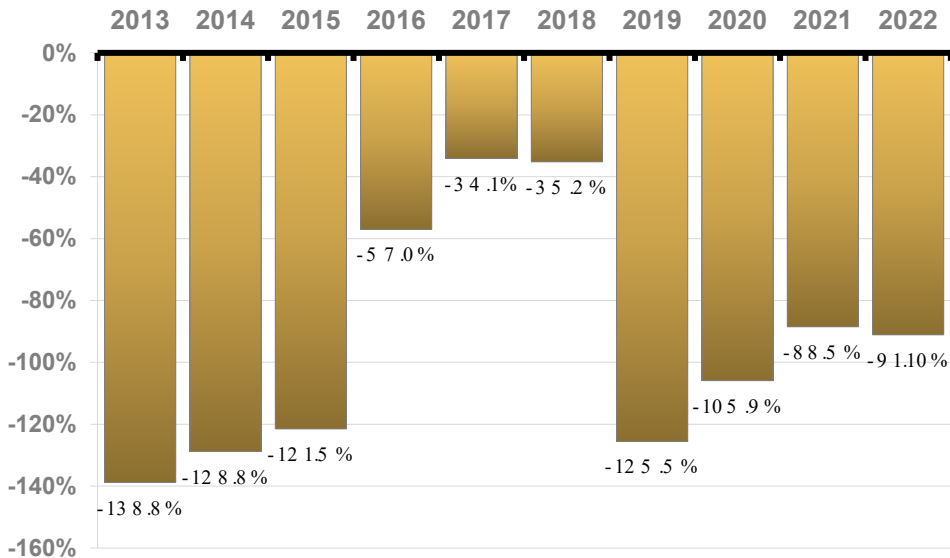
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Performer® Rating
104.0%	105.4%	109.4%	126.5%	118.8%	102.6%	90.7%	105%	88%	100%	10

10

Level of Unrestricted Net Position

How do our total rainy day funds look?

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



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

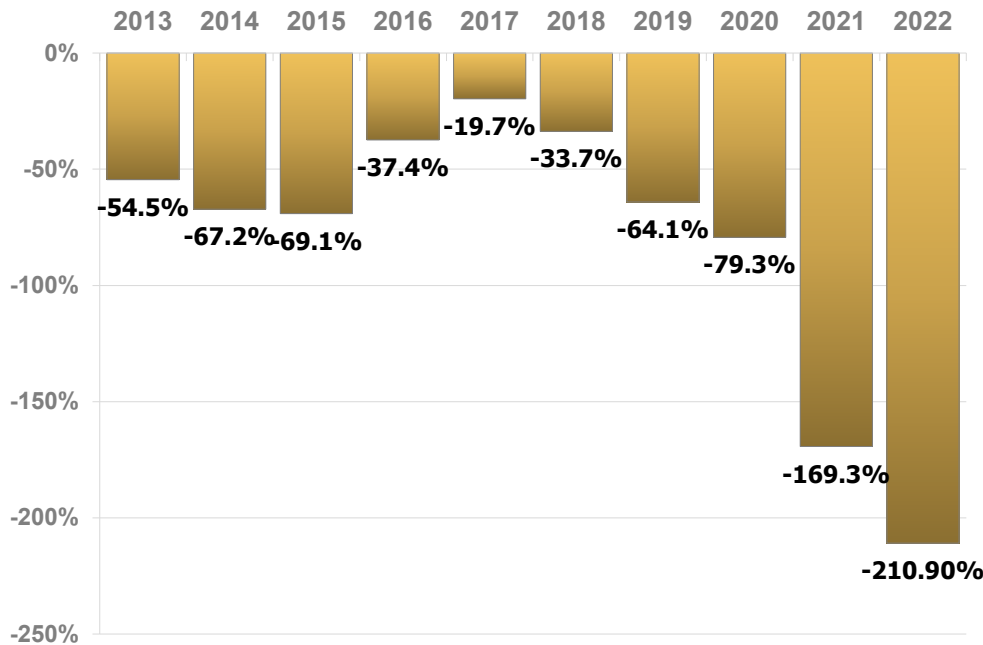
For the year ended September 30, 2022, the CNMI's total unrestricted net position was in a deficit position that approximated 91.1% of annual total revenues, which amounts to \$667 million. This represents an increase in the size of the deficit-to-revenue ratio from the prior year.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Performer® Rating
-138.8%	-128.8%	-121.5%	-57.0%	-34.1%	-35.2%	-125.5%	-105.9%	-88.5%	-91.1%	0

Level of Unassigned Fund Balance

How does our carryover look?

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.

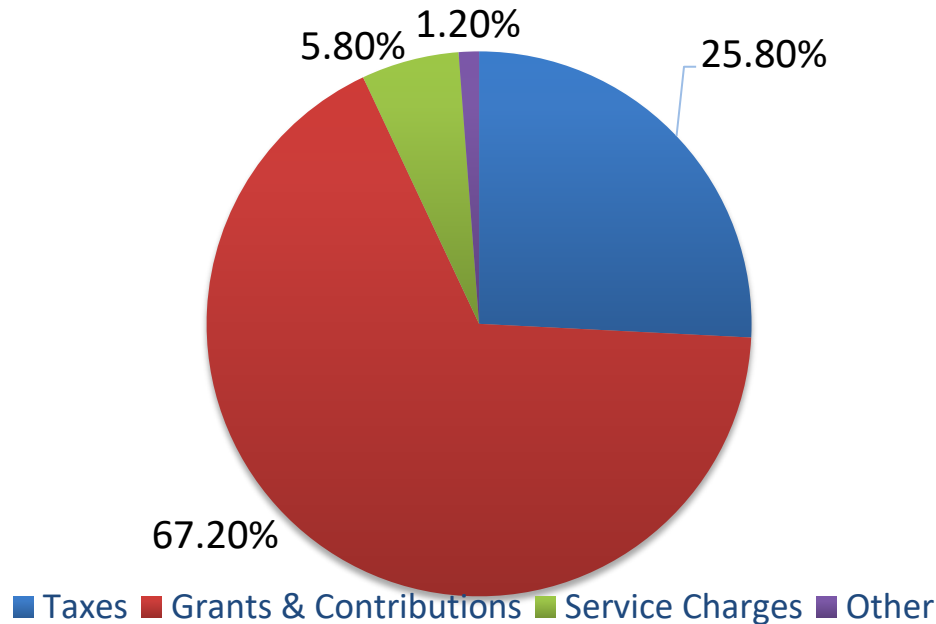
For the year ended September 30, 2022, the CNMI's unassigned fund balance (deficit) of the General Fund (plus any unassigned fund balance of other governmental funds that have an unassigned fund balance deficit) was a deficit of \$336 million, or the equivalent of 210.9% of General Fund revenues, which represents an increase in the size of the deficit-to-revenue ratio from the prior year.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Performer [®] Rating
-54.5%	-67.2%	-69.1%	-37.4%	-19.7%	-33.7%	-64.1%	-79.3%	-169.3%	-210.9%	0

Revenue Dispersion

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

2022 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.

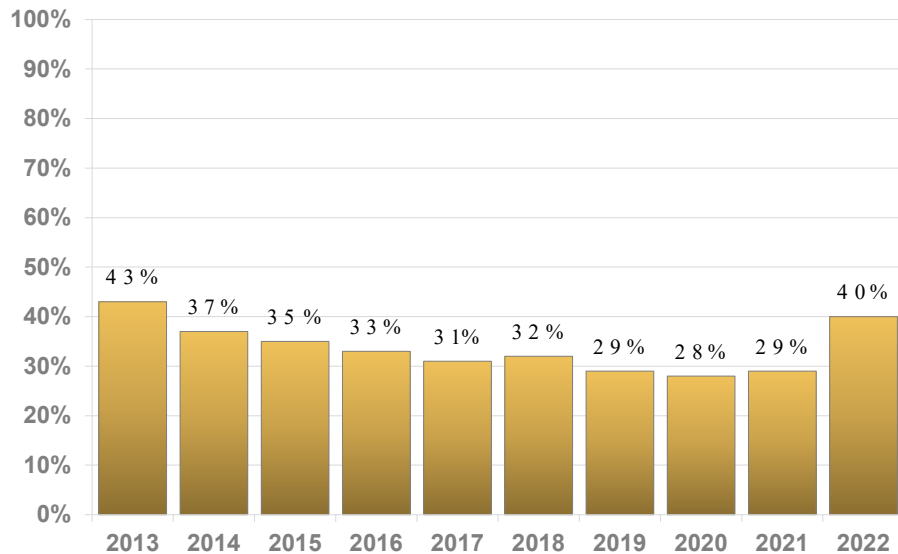
For the year ended September 30, 2022, the CNMI had direct control over 31.6% of its revenues (taxes and charges for services). This ratio indicates the CNMI has some limited exposure, as do most insular governments, to financial difficulties due to reliance on non-controlled revenue (68.4%).

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Performer [®] Rating
62.1%	72%	68.4%	70.5%	73.2%	73.3%	50.4%	40.8%	20.7%	31.6%	2.7

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 significant capital assets.

At September 30, 2022, the CNMI's depreciable capital assets amounted to \$294 million while accumulated depreciation totaled \$176 million. This indicates that, on average, the CNMI's capital assets have 40% of their useful lives remaining. This is considered a below satisfactory financial indicator. However, it represents a significant improvement from the ratios of the prior periods.

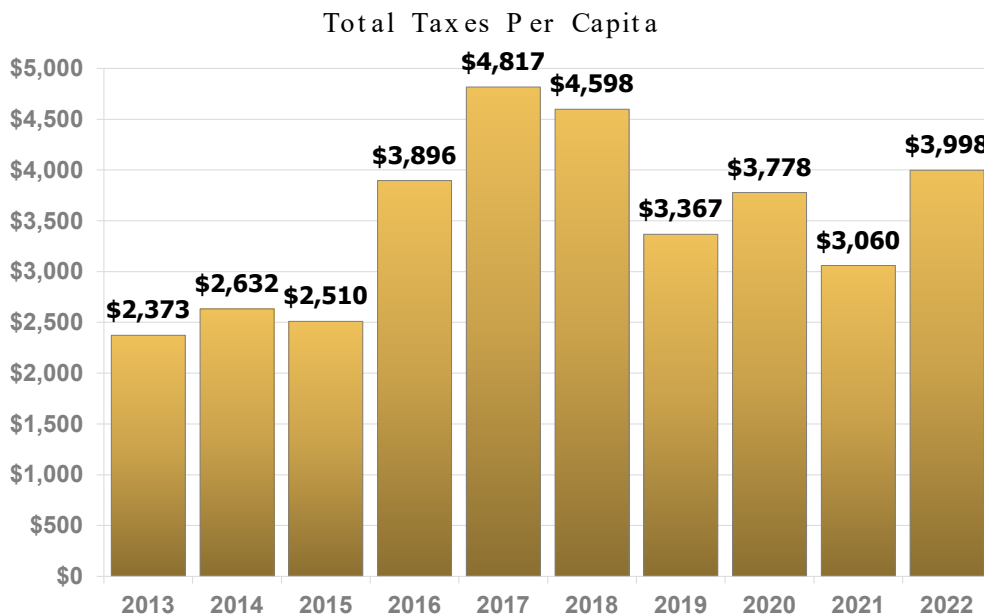
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
43%	37%	35%	33%	31%	32%	29%	28%	29%	40%

Performer[®]
Rating

3.0

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 business gross receipts and taxes.

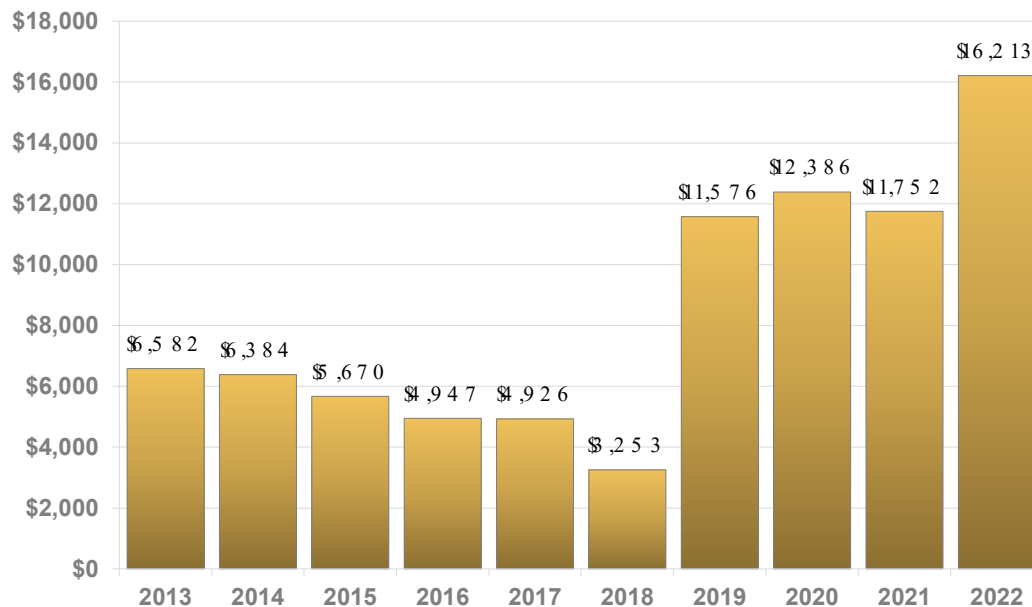
For the year ended September 30, 2022, total taxes referred to above amounted to \$189 million or \$3,998 per capita. This indicates a relatively high tax burden when compared to other insular governments and has increased when compared to the ratio of the prior period.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Performer [®] Rating
\$ 2,373	\$ 2,632	\$ 2,510	\$ 3,896	\$ 4,817	\$ 4,598	\$ 3,367	\$ 3,778	\$ 3,060	\$ 3,998	0.2

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, 2022, the CNMI had \$767 million of long-term debt, or \$16,213 per capita which is a significant debt burden on its citizens when compared to other insular governments and represents an increase in the ratio of debt per capita from the prior year.

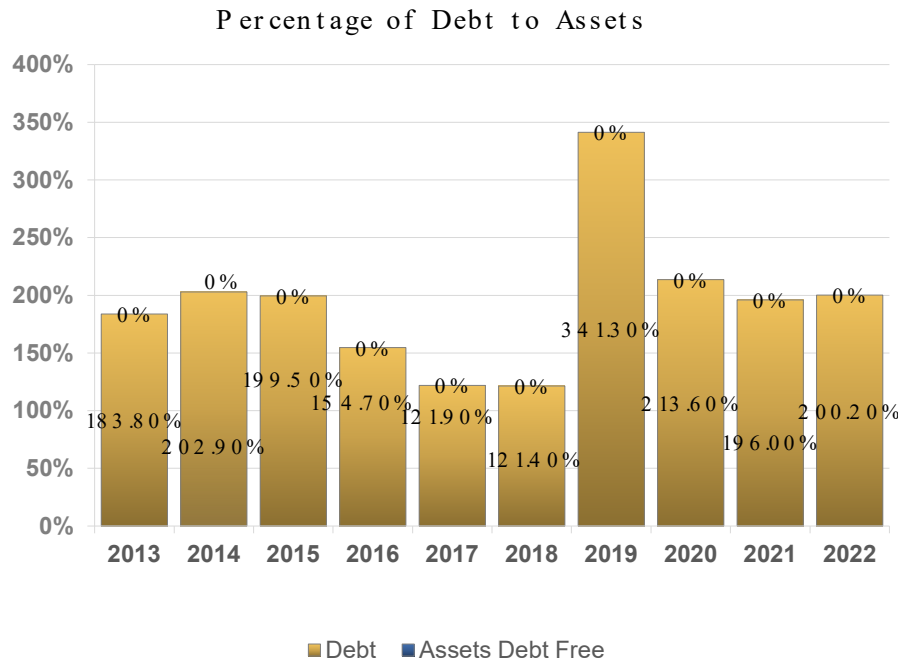
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Performer [®] Rating
\$5,582	\$3,384	\$6,670	\$9,447	\$9,226	\$2,553	\$15,776	\$23,886	\$17,552	\$62,213	0

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, 2022, approximately 200.2% of the CNMI's \$619 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 approximately \$2.00 to others. This ratio worsened from the debt-to-assets ratio of the prior period.



2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
183.8%	202.9%	199.5%	154.7%	121.9%	121.4%	341.3%	213.6%	195.7%	200.2%

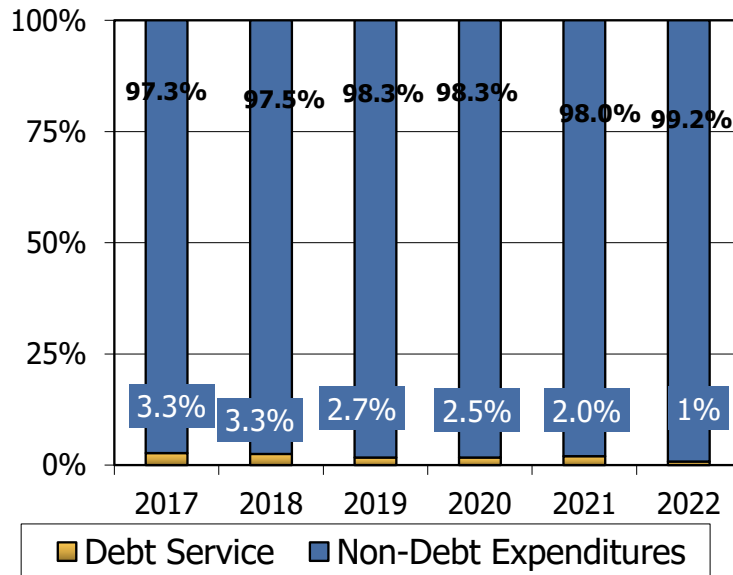
Performer®
Rating

0

Debt Service Load

How much of our annual non-capital budget is loaded with disbursements to pay off long-term debt

Percentage of Debt Service to Non-Debt Expenditures



The debt service load ratio measures the extent to which the CNMI's non-capital expenditures were comprised of debt service payments on long-term debt.

For the year ended September 30, 2022, the CNMI's total non-capital expenditures amounted to \$757 million, of which \$6 million (or 0.8%), were payments for principal and interest on long-term debt. In our model, this is considered an excellent ratio and indicates that for every dollar the CNMI spent on non-capital items, only about 1 cent of that dollar was used for debt service.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
n/a	n/a	3.3%	3.3%	2.7%	2.4%	1.7%	1.7%	2.0%	0.8%

Performer®
Rating

10

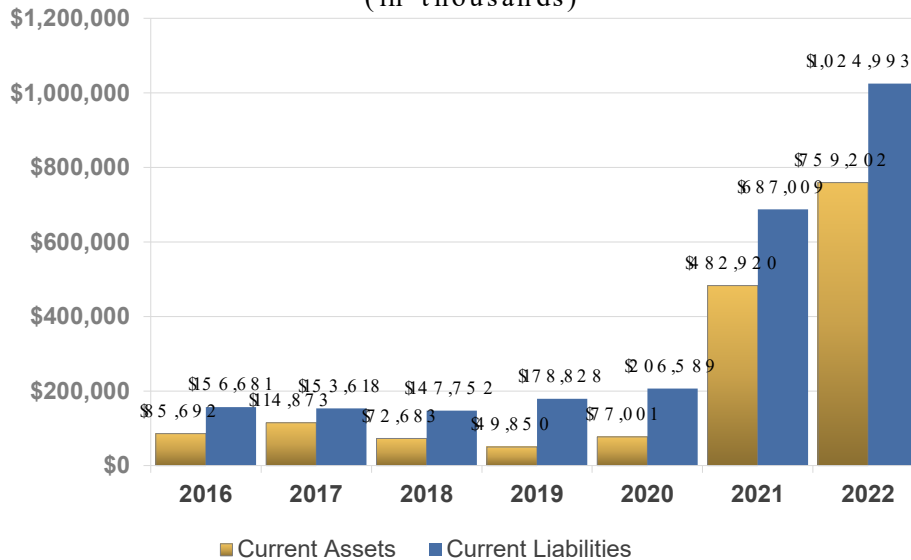
Current Ratio

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 good current liquidity and an ability to meet the short-term obligations. This ratio includes only the General Fund (CNMI's primary operating fund).

At September 30, 2022, the CNMI had a General Fund ratio of current assets to current liabilities of \$0.74 to 1. This indicates that the CNMI General Fund has, for each dollar of current liabilities, 74 cents of current assets to fund them. This ratio improved when compared to the ratio of the most recent past period but is still considered unfavorable.

Current Assets Compared to Current Liabilities
(in thousands)



2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
0.35	0.39	0.31	0.55	0.75	0.49	0.28	0.37	0.70	0.74

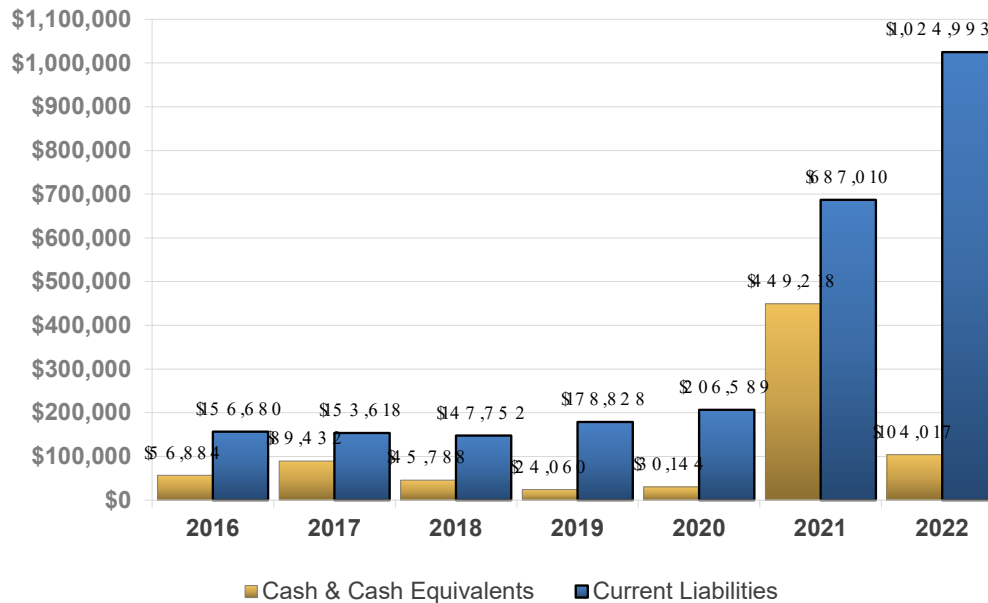
Performer®
Rating

0

Quick Ratio

How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities
(in thousands)



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, less deferred revenue. 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, 2022, the CNMI had a ratio of cash and cash equivalents to current liabilities of \$0.10 to 1. This indicates that the CNMI General Fund had, for every one dollar of current liabilities, 10 cents of cash and cash equivalents to fund them. This ratio represents a decline when compared with the ratio of the immediate past period.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
0.21	0.25	0.18	0.36	0.58	0.31	0.13	0.15	0.65	0.10

Performer[®]
Rating

0.5

Performer® Reading

How Was Our Overall Financial Performance?

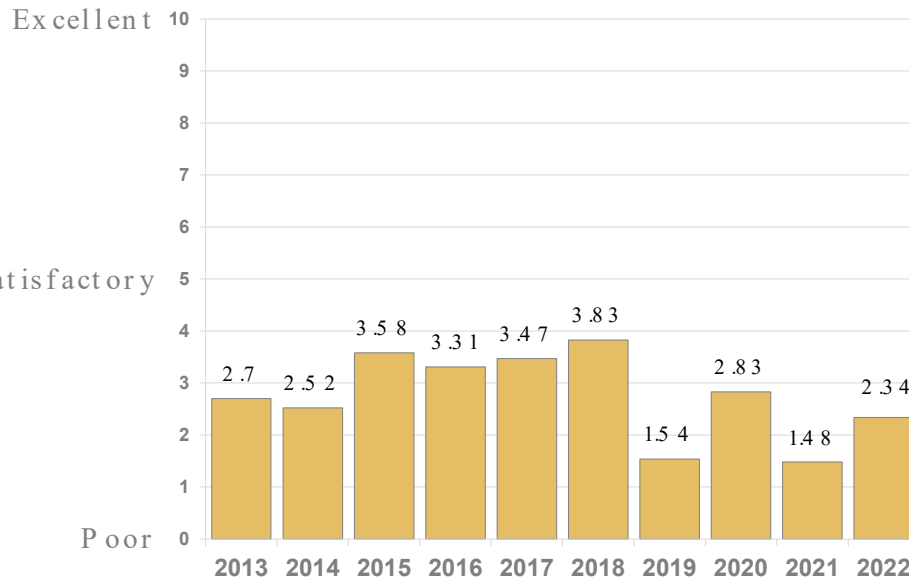
For the 2022 fiscal year, the readings by ratio category were as follows:

Financial Position	0.08
Financial Performance	7.00
Financial Capability	2.64

The 2022 reading of 2.34 indicates the evaluator’s opinion that the Commonwealth of the Northern Marianas Islands Government’s overall financial performance improved when compared to the prior period, due primarily to the higher score in the financial performance in the current year. This higher overall score was from the positive increases in the Change in Net Position and Intergenerational Equity ratios.

However, the Commonwealth’s financial position ratios had a slight decrease in score primarily due to a decline in the Quick Ratio in the current year, while the financial capability remained relatively steady.

Overall Reading



FY 22 Overall Performer® Reading: **2.34**

Ratio	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Change in Net Position	53.7%	16.9%	-10.7%	4.9%	-20.9%	0.01%
Intergenerational Equity	118.8%	102.6%	90.7%	105%	88.2%	100%
Level of Unrestricted Net Position	-34.1%	-35.2%	-125.5%	-105.9%	-88.5%	-91.1%
Level of Unassigned Fund Balance	-19.7%	-33.7%	-64.1%	-79.3%	-169.3%	-210.9%
Revenue Dispersion	73.2%	73.2%	50.4%	40.8%	20.7%	31.6%
Capital Asset Condition	31%	32%	29%	28%	29%	40%
Financing Margin – Taxes	\$4,817	\$4,598	\$3,667	\$778	\$,060	\$,998
Financing Margin – Debt	\$4,926	\$,253	\$1,576	\$2,386	\$1,752	\$16,213
Debt to Assets	121.9%	121.4%	341.3%	213.6%	195.7%	200.2%
Debt Service Load	2.7%	2.4%	1.7%	1.7%	2.0%	0.8%
Current Ratio	0.75	0.49	0.28	0.37	0.70	0.74
Quick Ratio	0.58	0.31	0.13	0.15	0.65	0.10
Performer Reading	3.47*	3.83	1.54*	2.83	1.48	2.34

*Notes years that the overall score has been restated for comparison purposes

Performer Individual Ratios - Summary and Comparison to Prior Years

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.

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of F.S. Opinion Qualifications/Exceptions	2	5	5	5	3	4	7	9	16
Number of Major Federal Program Qualifications/Exceptions	8	8	6	6	6	4	4	12	11
Number of F.S. Findings									
A. Internal Control and Compliance	2	1	0	0	0	0	1	2	1
B. Internal Control Only	13	12	12	14	14	14	21	10	8
C. Compliance Only	0	0	1	1	0	0	0	0	0
TOTAL	15	13	13	15	14	14	22	12	9
Percentage of Findings Repeated	60%	85%	92%	80%	93%	93%	64%	83%	%
Number of Single Audit Findings									
A. Internal Control and Compliance	2	22	18	9	10	11	40	31	38
B. Internal Control Only	36	0	0	0	0	0	0	0	0
C. Compliance Only	0	5	0	0	0	0	0	0	0
TOTAL	38	27	18	9	10	11	40	31	38
									257,466
Percentage of S.A. Findings Repeated	39.5%	59%	61%	56%	55%	55%	20%	35%	%
Number of months after Y/E the F.S. were Released	9	?	10	9	8	19	28	35.5	36.5
Number of Qualifications/Exceptions Related to C.U.	2	4	4	4	2	2	2	3	4
\$ of Questioned Costs-Current Year	\$3,754,204	\$3,200,953	\$16,067,272	\$1,393,892	\$369	\$3,739,720	\$47,874,171	\$51,962,626	\$163,084,625
\$ of Questioned Costs- Cumulative	\$26,187,584	\$17,114,454*	\$31,568,469	\$21,722,238	\$20,317,045	\$24,056,765	\$69,822,065	104,327,082	\$257,466,576
\$ of Questioned Costs Resolved – Current Year	\$23,414,727	\$55,526	\$1,613,257	\$11,240,123	\$1,405,562	\$0	\$2,108,871	\$17,457,609	\$9,945,131

Thank You!

- We would like to commend and thank the CNMI's management, the U.S. Department of the Interior and the Graduate School USA 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.
- This report is available online at <http://www.pitiviti.org>.
- Visit our website at <http://www.crawfordcpas.com> for other useful tools for governments.