

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

Years Ended September 30, 2020 and 2019



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Northern Marianas College

Report on the Financial Statements

We have audited the accompanying financial statements of the Northern Marianas College (the College), a component unit of the CNMI government, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 13, which discloses the economic uncertainties that have arisen as a result of the declared outbreak of a coronavirus (COVID-19) a pandemic by the World Health Organization. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2021, on our consideration of the College'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 the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bruce Comer Magliola". The signature is written in a cursive style with a large initial 'B'.

Saipan, Commonwealth of the Northern Mariana Islands
December 28, 2021

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Years Ended September 30, 2020 and 2019

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**Northern Marianas College Management’s Discussion and Analysis
Year Ended September 30, 2020**

This discussion and analysis of the Northern Marianas College’s (the College) financial performance provides an overview of the College's activities for the fiscal year ended September 30, 2020 with comparisons to prior fiscal years. We encourage readers to consider the information presented here in conjunction with the financial statements and related notes. Due to the Covid-19 Pandemic an extension up until December 31, 2021 was provided to the College to complete the Audit and Reporting.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this report presents the College's financial statements as two components: basic financial statements and notes to the financial statements. It also includes supplemental information.

Basic Financial Statements

The Statements of Net Position present information on assets, liabilities, and deferred outflows and inflows of resources, with the difference between these reported as net position. Changes in net position over time may provide an indicator as to whether the financial position of the College is improving or deteriorating.

Net position is divided into three major categories.

- The first category, investment in capital assets, indicates the College’s equity in property, plant and equipment.
- The second category is restricted, which is further divided into two additional classifications:
 - Nonexpendable
 - Expendable

The corpus of the nonexpendable restricted net assets is available only for investment purposes.

Expendable restricted net assets are available only for purposes defined by donors and/or other external entities that have placed time or purpose restrictions on the use of the assets.

- The third and final category is unrestricted. Unrestricted net position can be used for any lawful purpose of the College.

The *Statements of Activities, Expenses, and Changes in Net Position* report how net position has changed during the year. It compares related operating revenues and operating expenses connected with the College's principal business as the state agency for higher education and adult education programs. Operating expenses include the cost of instruction, administrative expenses, student expenses, student services, and operations and maintenance. All other revenues and expenses are reported as non-operating.

The *Statements of Cash Flows* reports inflows and outflows of cash, classified into four major categories:

- Cash flows from operating activities include transactions and events reported as components of operating income in the Statement of Revenues, Expenses, and Changes in Net Position.
- Cash flows from non-capital financing activities include operating grant proceeds.
- Cash flows from capital and related financing activities include the borrowing and repayment (principal and interest) of capital-related debt, the acquisition and construction of capital assets, and the proceeds of capital grants and contributions.
- Cash flows from investing activities include proceeds from sale of investments, receipt of interest, and changes in the fair value of investments subject to reporting as cash equivalents. Outflows in this category include the purchase of investments.

Notes to the Financial Statements

Various notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are found immediately following the financial statements to which they refer.

FINANCIAL HIGHLIGHTS AND ANALYSIS OF BASIC FINANCIAL STATEMENTS

Condensed Statements of Net Position

	2020	2019	Increase/ (Decrease) Amount	Percent
ASSETS				
Current Assets	\$ 21,200,331	14,545,279	6,655,052	45.75%
Capital Assets, Net	3,587,211	4,063,161	(475,950)	-11.71%
Other Assets	9,392,833	9,112,961	279,872	3.07%
Total Assets	34,180,375	27,721,401	6,458,974	23.30%
LIABILITIES				
Current Liabilities	6,374,551	3,337,786	3,036,765	90.98%
Noncurrent Liabilities	161,332	207,328	(45,996)	-22.19%
Total Liabilities	6,535,883	3,545,114	2,990,769	84.36%
DEFERRED INFLOWS OF RESOURCES				
Grant Receipts	439,617	441,448	(1,831)	-0.41%
Total Deferred Inflows	439,617	441,448	(1,831)	-0.41%
NET POSITION				
Investment in Capital Assets, Net	3,587,211	4,063,161	(475,950)	-11.71%
Restricted Net Assets	9,392,833	9,112,961	279,872	3.07%
Unrestricted	14,224,831	10,558,717	3,666,114	34.72%
Total Net Position	\$ 27,204,875	23,734,839	3,470,036	14.62%

	2019	2018	Increase/ (Decrease) Amount	Percent
ASSETS				
Current Assets	\$ 14,545,279	14,315,533	229,746	1.60%
Capital Assets, Net	4,063,161	3,683,703	379,458	10.30%
Other Assets	9,112,961	8,604,622	508,339	5.91%
Total Assets	27,721,401	26,603,858	1,117,543	4.20%
LIABILITIES				
Current Liabilities	3,337,786	3,311,107	26,679	0.81%
Noncurrent Liabilities	207,328	203,292	4,036	1.99%
Total Liabilities	3,545,114	3,514,399	30,715	0.87%
DEFERRED INFLOWS OF RESOURCES				
Grant Receipts	441,448	174,401	267,047	153.12%
Total Deferred Inflows	441,448	174,401	267,047	153.12%
NET POSITION				
Investment in Capital Assets, Net	4,063,161	3,683,703	379,458	10.30%
Restricted Net Assets	9,112,961	8,604,622	508,339	5.91%
Unrestricted	10,558,717	10,626,733	(68,016)	0.64%
Total Net Position	\$ 23,734,839	22,915,058	819,781	3.58%

- Total assets as of September 30, 2020 amounted to \$34,180,375, a \$6,458,974 or 23.30% increase from \$27,721,401 as of September 30, 2019.
 - Cash increased by \$8,153,691 in FY2020;
 - Amounts due from the CNMI Government amounted to \$2,262,777 in FY2020 a decrease of \$830,875 compared to FY2019's \$3,093,652;
 - Amounts due from Grantor Agencies decreased to \$582,635 in FY2020; and,
 - Investments grew by \$279,872 as domestic and international markets continued positive performances and strategic allocations between money managers.
- Total liabilities increased by \$2,990,769 or 84.36%. This was due to the increase mostly in unearned revenues such as pass-through funding intended directly for students though CARES fund and COVID-19 related grants from the federal government;
- NMC's net position increased by \$3,470,036 or 14.62% during FY2020.

Condensed Statements of Revenue, Expenses, and Changes in Net Position

	2020	2019	Increase/ (Decrease) Amount	Percent
Operating Revenue, Net	\$ 13,908,359	10,950,543	2,957,816	27.01%
Operating Expenses	15,014,109	15,634,732	(620,623)	3.97%
Operating Loss	(1,105,750)	(4,684,189)	(3,551,818)	75.83%
Nonoperating Revenues	4,575,786	5,503,970	(928,184)	16.86%
Change in Net Position	3,470,036	819,781	2,650,255	323.29%
Net Position, Beginning of Year	23,734,839	22,915,058	819,781	3.58%
Net Position, End of Year	\$ 27,204,875	23,734,839	3,470,036	14.62%

	2019	2018	Increase/ (Decrease) Amount	Percent
Operating Revenue, Net	\$ 10,950,543	11,429,945	(479,402)	4.19%
Operating Expenses	15,634,732	17,638,332	(2,003,600)	11.36%
Operating Loss	(4,684,189)	(6,208,387)	(1,524,198)	24.55%
Non-operating Revenues	5,503,970	6,272,209	(768,239)	12.25%
Change in Net Position	819,781	63,822	755,959	1184.48%
Net Position, Beginning of Year	\$ 22,915,058	22,851,236	63,822	0.28%
Net Position, End of Year	\$ 23,734,839	22,915,058	819,781	3.58%

NMC's operating revenue increased by \$2,957,816 and operating expenses decreased by \$620,623. This led to an operating loss of \$1,105,750 a decrease of \$3,551,818 over the operating loss of FY19. Factors include:

- Federal funds to combat COVID-19 as well as support from the Governor's Education Stabilization Fund (GESF) aimed at keeping the College in Operation helped to keep the College in operation during this time period.
- Due to the Covid-19 Pandemic and community shut down, etc. the College transitioned to online, virtual, or mixed platform teaching/learning which limited the use of resources on campus, as courses were held off-campus at alternative learning sites thus reducing operating expenses;
- Collection of Tuition and fees increased to \$2,171,558 in FY2020 from \$1,580,677 in FY2019 due to increased enrollments and student's choice to prioritize pass-through funds towards payment of Tuition and Fees;
- U.S. federal grants increased by \$2,536,112 mostly due to an increase in funding from CARES funds, the Governor's Educational Stabilization Fund (GESF) and Pass-through funding that went directly to students to assist with COVID-19 recovery and expenses;

Revenue by Source

Operating Revenue	2020	% of Total	2019	% of Total
U.S. Federal Grants	\$ 11,427,327	61.80%	8,891,215	51.64%
Tuition and Fees	2,171,558	11.74%	1,580,677	9.18%
Private Gifts, Grants, and Donations Restricted	11,400	0.06%	2,605	0.02%
Others	298,074	1.61%	476,046	2.77%
Total Operating Revenue	13,908,359	75.22%	10,950,543	63.61%
Non-Operating Revenue				
CNMI Appropriations	4,301,869	23.27%	6,057,595	35.18%
Realized & Unrealized Gain (Loss) on Investments	279,872	1.51%	208,339	1.21%
Total Non-Operating Revenue	4,581,741	24.78%	6,265,934	36.39%
Total Revenue	18,490,100	100.00%	17,216,477	100.00%

- Operating revenue of \$13,908,359 represents 75.22% of NMC’s total revenue. This is an increase from FY 2019 where operating revenue was 63.61% of NMC’s total revenue. Operating revenue represented 64.57% and 60.29% of total revenue in FY2018 and FY2017 respectively.
 - US Federal grant revenue represents 61.80% of NMC’s total revenue. This is up from 51.64% in FY2019, 47.56% in FY2018, and 48.83% in FY2017 as the College continued its aggressive approach in increasing enrollment, securing grants due to the need to rebuild its facilities, and recover from the challenges faced through the impact of the Covid-19 pandemic on the economy and in the community, as well as support from the Governor’s Education Stabilization Fund (GESF).
- Non-operating revenue of \$4,581,741 represents 24.78% of NMC’s total revenue. This is a \$1,684,193 decrease over FY2019.
 - CNMI appropriations represent 23.27% of NMC’s total revenue. Appropriations decreased by \$1,755,726 as a share of total revenue.

Expenses by Natural Classification

	2020	% of Total	2019	% of Total
Salaries	\$ 7,319,292	48.75%	7,483,765	47.87%
Services	3,944,081	26.27%	3,436,309	21.98%
Benefits	1,262,591	8.41%	1,397,671	8.94%
Insurance	332,432	2.21%	528,900	3.38%
Depreciation	525,536	3.50%	498,835	3.19%
Supplies	172,812	1.15%	217,473	1.39%
Miscellaneous	1,247,707	8.31%	1,792,600	11.47%
Bad Debt	209,658	1.40%	279,179	1.79%
Total	\$ 15,014,109	100.00%	15,634,732	100.00%

Highlights

- Salaries constituted 48.75% and 47.87% of the College’s total expenditures for fiscal years 2020 and 2019 respectively;
- The College implemented austerity measures for employees as a means to operate within its means and continue services to meet student’s educational goals;
- Expenses for services, which include professional service contracts, bookstore operating expenses, and student expenses, represented 26.27% of total expenditures. This is up from FY2019 when services represented 21.98% of total expenditures;
- Benefits expense decreased by \$135,080 in FY2020, with a slight difference compared to FY2019, this also correlated with the austerity measures;
- Miscellaneous expense is down by \$544,893 in FY2020; and,
- Bad debt decreased by \$69,521 for FY2020 as students prioritized their access to pass-through funding towards payments to tuition and fees.

Comparative Expenses

	2017	2018	2019	2020
Salaries	\$ 7,296,210	\$ 7,684,902	\$ 7,483,765	\$ 7,319,292
Services	\$ 2,417,599	\$ 3,297,642	\$ 3,436,309	\$ 3,944,081
Benefits	\$ 1,317,068	\$ 1,404,047	\$ 1,397,671	\$ 1,262,591
Insurance, Utilities, Rent	\$ 467,636	\$ 506,970	\$ 528,900	\$ 332,432
Depreciation	\$ 467,504	\$ 428,850	\$ 498,835	\$ 525,536
Supplies	\$ 262,625	\$ 299,423	\$ 217,473	\$ 172,812
Miscellaneous	\$ 2,056,613	\$ 2,111,585	\$ 1,792,600	\$ 1,247,707
Bad Debt	\$ -	\$ 1,904,814	\$ 279,179	\$ 209,658
	\$ 14,285,255	\$ 17,638,233	\$ 15,634,732	\$ 15,014,109

CAPITAL ASSETS

As of September 30, 2020, and 2019, the College had \$3,587,211 and \$4,063,161, respectively, invested in capital assets, net of accumulated depreciation, where applicable. After the end of FY2018, NMC experienced a great loss of capital assets as a result of Super Typhoon Yutu. Many buildings were destroyed and adjustments to depreciation and other assets were made accordingly. This continued into FY2019 and into FY2020.

LONG-TERM DEBT

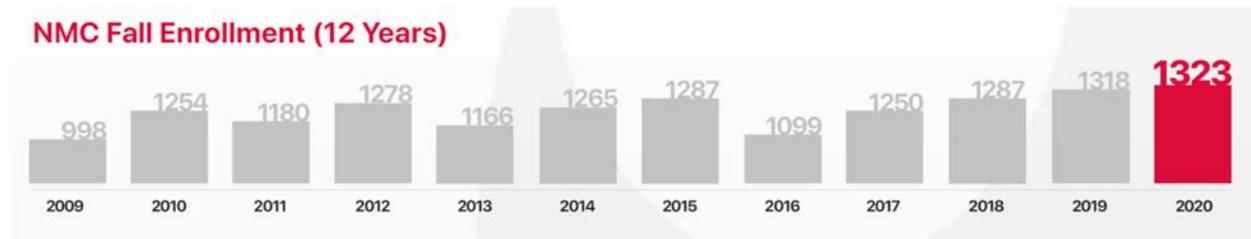
The College did not engage in long-term debt financing in fiscal year 2020.

CHALLENGES AND MAJOR ACCOMPLISHMENTS IN FISCAL YEAR 2020

COVID-19 Pandemic. The COVID-19 Pandemic severely interrupted the way of life of the CNMI and the World. The illness caused by a novel coronavirus called severe acute respiratory syndrome coronavirus 2, started its spread on December 31, 2019 and by January 30, 2020 the World Health Organization (WHO) declared the COVID-19 outbreak a global health emergency. The CNMI faced this challenge head on by shutting its borders and implementing CNMI wide stay-at-home measures. In efforts to continue its operations, NMC was fortunate to be the primary recipient of Governor Ralph DLG. Torres's allocation of the Governor's Education Stabilization Fund as well as receiving federal assistance to respond to COVID-19 and help students recover losses due to the effects of the COVID-19 Pandemic. These funds helped NMC to continue its operations for the remainder of the academic year and more importantly, helped students to continue pursuing their educational goals and contribute to the CNMI's workforce.

Ongoing recovery from Super Typhoon. The COVID-19 Pandemic was not the only challenge that the College faced, as NMC was still recovering from Super Typhoon Yutu which slammed into the CNMI on October 24, 2018 with windspeeds of up to 220mph. The storm was the strongest, most powerful to hit the CNMI in more than three decades. The damage to NMC was extensive. The College lost 37 out of 39 classrooms. Additionally, hundreds of computers, valuable lab equipment, vehicles, classroom furniture, and other equipment were destroyed by the typhoon. The total damage was estimated above \$20 million. Despite the extraordinary damage to the College, NMC staff, faculty, and administrators kept their focus on students and their path to their degrees. In anticipation of the eventual re-integration of students and employees back to face-to-face courses or in-person activities, the College prepared the Campus and its facilities to operate in the new norm. This included changing the spacing requirements for students to attend class in the 24 temporary classroom tents built by FEMA and the Army Corps on the As Terlaje campus, as well as on Rota and Tinian.

Although the COVID-19 Pandemic and Super Typhoon Yutu created severe challenges on the CNMI's economy and community and the College's facilities, the College is grateful that the faculty and staff continued to work to ensure that students were able to continue in their academic journey toward their college degrees. In fact, NMC's enrollment grew in the Fall 2019 and continued its growth in the Fall 2020 semester as shown below:



Meeting Workforce Needs

The College continues to face unprecedented challenges brought by the COVID-19 Pandemic and the lingering effects of Super Typhoon Yutu, however, NMC continued on with its mission and was able to continue providing services to students. In FY 2020, students were still able to earn degrees in business, nursing, natural resource management, education, and other areas critical to the CNMI's workforce capacity building efforts. The growing number of graduates is further evidence that more and more residents of the Northern Mariana Islands are looking to NMC for their professional advancement and personal growth as well as turning to the College to reskill or upskill themselves for the rapidly changing workforce. The effects of the COVID-19 Pandemic will forever change the workforce and economic environment of the CNMI. NMC must diversify and continue to be a flexible leader of higher education and workforce development not only in our region, but in the world.

NMC Degrees and Certificates Awarded (Academic Year 2010-11 to 2019-20)

Degrees and Certificates ²	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	Total
BS in Education	14	14	29	36	30	40	22	14	24	18	241
<i>Early Childhood Education Concentration</i>			4	3	3	5	5	1	2	2	25
<i>Elementary Childhood Education</i>	14	14	16	25	14	14	12	6	11	9	135
<i>Rehabilitation & Human Services Concentration</i>			9	7	11	17	5	7	7	5	68
<i>Special Education Concentration</i>				3	4	5	2		5	3	22
BS in Business Management						10	9	33	20	26	98
<i>Accounting Concentration</i>								8	8	8	24
AA in Business	6	8	6	4	11	8	10	11	13	15	92
AA in Liberal Arts¹	53	49	53	64	78	57	57	73	75	79	638
<i>Education Emphasis</i>					25	13	19	26	23	29	135
<i>Health and Physical Education Emphasis</i>						1			3	3	7
<i>Social Work Emphasis</i>									2	2	4
AAS in Business Administration¹	19	20	20	13	8	19	30	39	32	49	249
<i>Accounting Emphasis</i>	10	7	6	4	5	10	14	18	14	14	102
<i>Business Management Emphasis</i>	10	10	7	7	5	10	9	18	17	29	122
<i>Computer Applications Emphasis</i>	3	4	9	5	0	2	11	11	8	16	69
AAS in Criminal Justice	5	8	6	8	12	9	17	23	21	20	129
AAS in Hospitality Management	2	2	9	4	13	6	9	16	10	11	82
AS in Fire Science Technology									1		1
AS in Natural Resources Management	1	4	2	6	7	9	11	16	7	6	69
AS in Nursing	12	16	35	22		15	18	17	6	13	154
CC in Basic Law Enforcement									30	47	91
CC in Fire Science Technology								38	31		69
CC in Hospitality Management		1									1
CC in Nursing Assistant							10		10	11	31
Total Degrees and Certificates Awarded	112	122	160	157	159	173	231	303	266	262	1945

The College was able to increase its online learning and education capabilities to continue providing students with the needed resources and learning platforms needed during the height of the COVID-19 Pandemic. This also gave students on Rota and Tinian increased access to most classes offered by NMC as the College was allowed to exceed the online learning caps for the year. Due to COVID-19, graduation for students were held virtually as well, however, students were also allowed to participate in upcoming in-person graduations once such opportunities became available.

The institution continued to offer cohorts of cadets for the Department of Public Safety and the Department of Fire and Emergency Management Services academies, as well as Nursing Assistant courses to help with the shortage of nurses during the COVID-19 Pandemic.

Recovery and the Road Ahead

Although the COVID-19 Pandemic pushed the reset button on the world, the Northern Marianas College is continuing on its path to disaster recovery and is working to turn what was the most disastrous storm and the rate COVID-19 Pandemic in both the College and the CNMI's history into one that will fuel unprecedented institutional growth. The institution has re-focused its efforts on building new, state-of-the-art buildings that will be highly resilient to typhoons, other disasters, and now pandemics. These new facilities are even more necessary now as NMC's continued student population growth is now seeing a growth in competition with online learning education. The need and demand for improved modern facilities that will provide modern, updated, and safe learning spaces for students and the community are seen as key to NMC's continued success. The College is in its final stages of a new facilities master plan that will take into account the College's new strategic plan, the future of learning spaces, and the Commonwealth's needs in the long term. Funds from FEMA, the Economic Development Administration, the US Department of Education, and other federal and local sources have been secured and/or continue to be actively pursued.

Accreditation Reaffirmation

Due to the lingering effects of COVID-19 Pandemic, NMC is currently preparing for an online-site review by Senior College and University Commission of the Western Association for Schools and Colleges. The online-site review is a comprehensive process that involves all stakeholders, including all staff, faculty, administrators, and board members.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the College's finances and to demonstrate the College's accountability for the funds it receives. The Management's Discussion and Analysis for the year ended September 30, 2020 is set forth in the report on the audit of the College's financial statements which is dated December 28, 2021. The Management's Discussion and Analysis explains the major factors impacting the 2020 financial statements. If you have questions about the 2020 or 2019 reports, or need additional information, please contact David Attao, Chief Financial Officer at the Northern Marianas College, P.O. Box 501250, Saipan, MP 96950, or email david.attao@marianas.edu.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Net Position
September 30, 2020 and 2019

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	\$ 15,676,805	7,523,114
Time certificate of deposit	699,169	698,914
Accounts receivable and unbilled charges, net	913,206	913,724
Due from grantor agencies	1,220,650	1,803,285
Due from CNMI	2,262,777	3,093,652
Inventories	423,508	508,374
Prepayments	4,216	4,216
Total current assets	21,200,331	14,545,279
Noncurrent assets:		
Investments	9,392,833	9,112,961
Capital assets, net	3,587,211	4,063,161
Total noncurrent assets	12,980,044	13,176,122
Total assets	34,180,375	27,721,401
Liabilities:		
Current liabilities:		
Accounts payable	461,167	994,171
Accrued salaries and benefits payable	335,155	279,566
Current portion of compensated absences	499,973	385,038
Unearned revenues	5,078,256	1,679,011
Total current liabilities	6,374,551	3,337,786
Noncurrent liabilities:		
Compensated absences, net of current portion	161,332	207,328
Total liabilities	6,535,883	3,545,114
Deferred inflows of resources:		
Grant receipts	439,617	441,448
Net position:		
Investment in capital assets, net	3,587,211	4,063,161
Restricted net assets:		
Nonexpendable	3,200,000	3,200,000
Expendable	6,192,833	5,912,961
Unrestricted	14,224,831	10,558,717
Net position	\$ 27,204,875	23,734,839

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
U.S. Federal grants	\$ 11,427,327	8,891,215
Tuition and fees (net of scholarship discounts and allowances of \$2,989,684.	2,171,558	1,580,677
Private gifts, grants and donations - restricted	11,400	2,605
Others (net of bookstore cost of sales of \$122,832 in 2020 and \$245,189 in 2019)	<u>298,074</u>	<u>476,046</u>
Net operating revenues	<u>13,908,359</u>	<u>10,950,543</u>
Operating expenses:		
Salaries	7,319,292	7,483,765
Services	3,944,081	3,436,309
Miscellaneous	1,247,707	1,792,600
Benefits	1,262,591	1,397,671
Depreciation	525,536	498,835
Insurance, utilities and rents	332,432	528,900
Bad debts	209,658	279,179
Supplies	<u>172,812</u>	<u>217,473</u>
Total operating expenses	<u>15,014,109</u>	<u>15,634,732</u>
Operating loss	<u>(1,105,750)</u>	<u>(4,684,189)</u>
Nonoperating revenues (expenses):		
CNMI appropriations	4,301,869	6,057,595
Realized and unrealized gain on investments	279,872	208,339
Typhoon damages	<u>(5,955)</u>	<u>(761,964)</u>
Total nonoperating revenues	<u>4,575,786</u>	<u>5,503,970</u>
Change in net position	3,470,036	819,781
Net position, beginning of the year	<u>23,734,839</u>	<u>22,915,058</u>
Net position, end of the year	<u>\$ 27,204,875</u>	<u>23,734,839</u>

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Tuition and fees collected	\$ 5,570,285	1,767,936
U.S Federal grants	12,009,962	8,652,729
Other receipts	309,474	478,651
Payments to employees	(8,581,883)	(8,881,436)
Payments to suppliers	<u>(5,400,220)</u>	<u>(9,069,734)</u>
Net cash provided by (used for) operating activities	<u>3,907,618</u>	<u>(7,051,854)</u>
Cash flows from investing activities:		
Increase in time certificate of deposit	(255)	(989)
Proceeds from sales of investments	3,931,643	-
Purchases of investments	<u>(3,931,643)</u>	<u>(300,000)</u>
Net cash used for investing activities	<u>(255)</u>	<u>(300,989)</u>
Cash flows from noncapital financing activities:		
CNMI appropriations	<u>4,301,869</u>	<u>6,057,595</u>
Net cash provided by noncapital financing activities	<u>4,301,869</u>	<u>6,057,595</u>
Cash flows capital and related financing activities:		
Purchases of capital assets	<u>(55,541)</u>	<u>(1,640,257)</u>
Net cash used for capital and related financing activities	<u>(55,541)</u>	<u>(1,640,257)</u>
Net change in cash and cash equivalents	8,153,691	(2,935,505)
Cash and cash equivalents, beginning of year	<u>7,523,114</u>	<u>10,458,619</u>
Cash and cash equivalents, end of year	<u>\$ 15,676,805</u>	<u>7,523,114</u>

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Cash Flows, continued
For the Years Ended September 30, 2020 and 2019

	2020	2019
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (1,105,750)	(4,684,189)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	525,536	498,835
Provision for bad debts	209,658	279,179
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(209,140)	(226,065)
Due from grantor agencies	582,635	(238,486)
Inventories	84,866	(63,741)
Prepayments	-	(258)
Accounts payable	(533,004)	(289,259)
Accrued salaries and benefits payable	55,589	71,477
Compensated absences	68,939	8,124
Unearned revenues	3,399,245	240,373
Due from CNMI	830,875	(2,914,891)
Deferred inflows of resources	(1,831)	267,047
Net cash provided by (used for) operating activities	\$ 3,907,618	(7,051,854)

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization

The Northern Marianas College (the College), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), was formally established as a nonprofit public corporation by CNMI Public Law 3-43 on January 19, 1983 to serve as the state agency for higher education and adult education programs. Autonomy was later granted by CNMI Public Law 4-34 (Post-Secondary Education Act of 1984) effective October 1, 1985.

The College is governed by a seven-member Board of Regents appointed by the Governor of the CNMI with the advice and consent of the Senate. Executive powers are vested in the College President who is appointed by the Board.

The College has been granted initial accreditation by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges (WASC), at its meeting on June 11, 1985. The College undergoes periodic re-evaluations and approval of its accreditation. The College was re-evaluated and approved most recently in 2009.

In July 2014 the College was granted initial accreditation for a period of 6 years through June 2020 by the WASC Senior College and University Commission.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Operating revenues are those revenues that are generated from the primary operations of the College. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the College. All other expenses are reported as nonoperating expenses.

Basis of Accounting

For financial statement purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting, Continued

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized if probable of collection, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents

For the purpose of the statements of net position and cash flows, cash and cash equivalents is defined as cash on hand and cash held in demand accounts as well as short-term investments with a maturity date within ninety days of the date acquired. Time certificates of deposit with maturities of greater than three months are separately classified.

At September 30, 2020 and 2019, the carrying amount of the College's cash and cash equivalents and time certificates of deposit were \$16,375,974 and \$8,222,028, respectively, and the corresponding bank balances were \$16,665,586 and \$8,631,408, respectively. Of the bank balance amounts, \$16,665,586 and \$8,631,408, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2020 and 2019, bank deposits in the amount of \$750,000 were FDIC insured. The College does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government and the CNMI government, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated allowances for uncollectible amounts.

The allowance for doubtful accounts is stated at an amount that management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a charge to bad debt expense.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Inventories

Bookstore inventories are valued at retail less gross profit percentages sufficient to reduce inventories to the lower of first-in, first-out (FIFO) cost or net realizable value. All other inventories are valued at the lower of FIFO cost or net realizable value.

Capital Assets

Buildings and improvements, furniture and equipment, vehicles and computers are recorded at cost in instances where cost is determinable or estimated cost where cost is not determinable. Land, which was donated, is recorded at fair market value at September 30, 2020 and 2019. The College capitalizes property and equipment that equals or exceeds \$5,000. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets.

The College has elected to present as capital assets those items acquired subsequent to 1994, except for land and buildings and improvements. Accordingly, capital asset records consist of additions commencing in fiscal year 1994 since any earlier acquired fixed assets have been fully depreciated or disposed.

Investments

Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments.

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 College. As of September 30, 2020 and 2019, there were no investments in any one issuer that exceeded five percent (5%) of total investments.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

Custodial credit risk is the risk that in the event of failure of the counterparty, the College will not be able to recover the value of its investments or collateral security that are in the possession of outside parties. Investment securities are exposed to custodial risk if the security is uninsured, is not registered in the name of the College and is held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the name of the College.

The following investment policy governs the investment of assets of the College:

General:

- Any pertinent restrictions existing under the laws of the CNMI with respect to the College, that may exist now or in the future, will be the governing restriction.
- U.S. and non-U.S. equities, ADRs (American Depository Receipts), convertible bonds, preferred stocks, fixed-income securities, mutual funds and short-term securities are permissible investments.
- No individual security of any issuer, other than that of the United States Government, shall constitute more than 5% (at cost) of the Total Fund or 10% (at cost) of any Investment Manager's portfolio.
- No investment may be made in the securities of a single corporate entity in excess of 15% (at market) of any individual Investment Manager's portfolio, without prior approval.
- Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.
- Investments in a registered mutual fund managed by the Investment Manager are subject to prior approval.
- The following securities and transactions are not authorized without prior written approval: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and margin transactions.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

General, Continued:

- An Investment Manager's portfolio shall not be excessively over weighted in any one industry (as compared to respective benchmark index) without prior approval by timely reporting and advice to the Board of Regents and Directors.

U.S. Fixed Income:

- All fixed income securities held in the portfolio shall have a Standard & Poor's credit quality rating of no less than "BBB", or an equivalent credit quality rating from Moody's (Baa) or Fitch (BBB). U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.
- No more than 20% of the market value of the portfolio shall be rated less than single "A" quality, unless the Investment Manager has specific prior written authorization from the Board of Regents and Directors.
- Total portfolio quality (capitalization weighted) shall maintain a credit quality rating of no less than "A".

Equities:

- Consistent with the desire to maintain broad diversification, allocations to any economic or industry sector should not be excessive.
- Equity holdings shall be restricted to readily marketable securities of corporations that are actively traded on the major exchanges and over the counter.
- The Investment Managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, as per the Investment Policy Statement, they will be evaluated against their peers on the performance of the total funds under their direct management.
- Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any other country are permissible investments.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

Cash and Cash Equivalents:

- Cash equivalent reserves shall consist of cash instruments having a quality rating of Standard & Poor's A-1, Moody's P-1, or their equivalent. U.S. Treasury and Agency securities, Bankers Acceptances, Certificates of Deposit, and Collateralized Repurchase Agreements are also acceptable investment vehicles. Custodial Sweep Accounts must be, in the judgment of the Investment Managers, of credit quality equal or superior to the standards described above.
- In the case of Certificates of Deposit, they must be issued by FDIC insured institutions. Deposits in institutions with less than \$10,000,000 in assets may not be made in excess of \$100,000 (or prevailing FDIC insurance limit), unless the Deposit is fully collateralized by U.S. Treasury Securities.
- No single issue shall have a maturity of greater than two (2) years.
- Custodial Sweep Account portfolios must have an average maturity of less than one (1) year.

GASB Statement No. 40 requires entities to provide information about the credit risk associated with their investments by disclosing the credit quality ratings.

Endowment Fund

The College administers an endowment fund through the NMC Foundation Board of Directors, a separate legal entity. The investments are held in the name of the College; however, they are administered by a separate legal entity. The fund was established through an initial contribution of \$3,000,000, with additional contributions of \$100,000 from the NMC Foundation during the year ended September 30, 2010 and \$100,000 from a private donation during the year ended September 30, 2008. Principal of this fund is nonexpendable while investment income is available for operations subject to approval by the Foundation Board. Investment income is accounted for as expendable restricted revenues of the College. Fundraising activity of the Foundation Board is accounted for as unrestricted revenue of the College. All activities of the Foundation Board are accounted for within the College's financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences

The College recognizes cost for accrued annual leave at the time such leave is earned. As of September 30, 2020 and 2019, the College recorded accrued annual leave in the amount of \$661,305 and \$592,366, respectively, which is included within the statements of net position as compensated absences.

Net Position

The College's net position is classified as follows:

Investment in Capital Assets - This represents the College's total investment in capital assets.

Restricted Expendable - Restricted expendable includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties and the Board of Regents.

Restricted - Nonexpendable - Nonexpendable restricted consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted - Unrestricted represents resources derived from student tuition and fees, CNMI appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The College does not have any deferred outflows of resources as of September 30, 2020 and 2019.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2020, the College only has one type of deferred inflows of resources arising from grants received with restrictions.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees; (2) sales and services of auxiliary enterprises; and (3) most federal, state and local grants.

Nonoperating Revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and CNMI appropriations, and other revenue sources such as investment income that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Scholarship Discounts and Allowances - Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan

The College contributed to the Northern Mariana Islands Retirement Fund's (the Fund) defined benefit plan (DB Plan), a cost sharing, multiple-employer plan established and administered by the Fund. On September 30, 2013, the DB Plan was transferred to Northern Mariana Islands Settlement Fund (NMISF) and the College now contributes to NMISF.

GASB Statement No. 45, which has been superseded by GASB Statement No. 75, required employers to record other postemployment benefits (OPEB) expense for their contractually required contributions to the OPEB plan. Except as described in the paragraphs below, the College has complied with GASB Statement No. 45 by recording OPEB expense based on the statutorily determined contribution rate of the Fund. It is the understanding of the management of the College that the statutorily determined contribution rate of the Fund incorporates both the pension liability and OPEB liability. GASB Statement No. 45 also requires detailed disclosure of information related to the OPEB plan and the management of the College was unable to obtain this information from the Fund financial report. The management of the College is unable to obtain the required disclosures and is of the opinion that such information must be obtained from the Fund. It is the position of the management of the College that the Fund 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 (NMIRF) 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, 16-36, 17-82 and 18-02.

DB Plan members are required to contribute 10.5% for Class I members and 11% for Class II members. The actuarially determined contribution rate for the fiscal year ended September 30, 2010 is 72.7215% of covered payroll based on an actuarial valuation as of October 1, 2010 issued in October 2012. The established statutory rate at September 30, 2013 is 72.7215%, of covered payroll.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

The College's contribution to the Fund is at 20% of covered payroll. This is based on the Court Order requiring the CNMI and Autonomous Agencies to remit contributions to the Fund.

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 College is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. The DC Plan by its nature is fully funded on a current basis from employer and member contributions. 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. With the passage of Public Law 17-82 in September 11, 2012, membership in the DC Plan became voluntary.

The College's total contributions to the Settlement and Retirement Fund for the years ended September 30, 2020, 2019 and 2018 were \$32,361, \$189,491 and \$205,012, respectively.

On June 24, 2008, the Office of the CNMI Governor confirmed that the CNMI central government will be responsible for the College's deficient retirement contribution beginning October 1, 2005. The College's deficient retirement contributions to the Retirement Fund, including penalties and interest, amounted to \$9,116,781 as of September 30, 2013. Such deficient retirement contribution and related penalties and interest are not reflected in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 and expenses during the reporting period. Actual results could differ from those estimates.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Recently Issued Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. GASB Statement No. 83 became effective for the fiscal year ending September 30, 2019. Management does not believe that the implementation of this Statement had a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 was to be effective for reporting periods beginning after December 15, 2018, but was delayed by GASB Statement No. 95 as described below. The effective date is now reporting periods beginning after December 15, 2019. Management does not believe that the implementation of this Statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 was to be effective for the College for the fiscal year ending September 30, 2021, but was delayed by GASB Statement No. 95 to fiscal years beginning after June 15, 2021. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement also requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance related consequences, termination events, and significant subjective acceleration clauses.

This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This Statement was to be effective for reporting periods beginning after June 15, 2018 but was delayed by GASB Statement No. 95 to reporting periods beginning after June 15, 2019. Management does not believe that implementation of this statement had a material effect on the financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Recently Issued Accounting Pronouncements, Continued

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement was to be effective for reporting periods beginning after December 15, 2018 but was delayed by GASB Statement No. 95 to reporting periods beginning after December 15, 2020. Management does not believe that implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB Statement No. 90, *Majority Equity Interest, an Amendment of GASB Statements No. 16 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Pronouncements, Continued

Transactions presented in cash flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. This Statement was to be effective for reporting periods beginning after December 15, 2018 but was delayed by GASB Statement No. 95 to reporting periods beginning after December 15, 2019. Management does not believe that implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosure. GASB Statement No. 91 will be effective for the fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements.

This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other than postemployment benefit (OPEB) plan; applicability of Statement No. 73 and 84 to postemployment benefits, measurements of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 will be effective for the fiscal year ending September 30, 2022.

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Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Pronouncements, Continued

In April 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The primary objective of the Statement is to address those and other accounting and financial reporting implications of the replacement of IBOR. GASB Statement No. 93 will be effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-private and Public-public Partnership Arrangements (PPPs)*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). GASB Statement No. 94 will be effective for the fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No.2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- *Statement No. 87, Leases*
- *Implementation Guide No. 2019-3, Leases*.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Pronouncements, Continued

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements* (SBITAs). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal years beginning after June 15, 2021.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. This Statement is effective for fiscal years ending after December 15, 2021.

NMC is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact on its financial statements.

NORTHERN MARIANAS COLLEGE
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Notes to Financial Statements
September 30, 2020 and 2019

(3) Accounts Receivable and Unbilled Charges

Summarized below is the College's accounts receivable and unbilled charges as of September 30, 2020 and 2019:

	2020	2019
Student tuition and fees	\$ 1,076,935	1,208,624
Auxiliary enterprises	20,886	271,252
Other activities	363,626	161,270
 Total	 1,461,447	 1,641,146
Allowance for doubtful accounts	(548,241)	(727,422)
 Net receivable and unbilled charges	 \$ 913,206	 913,724

(4) Investments

GASB Statement No. 72 requires all investments to be categorized under a fair value hierarchy. The College determines fair value of its investments based upon both observable and unobservable inputs. The College categorizes its fair value measurements within the fair value hierarchy established by GAAP. Levels within the hierarchy are as follows:

- Level 1- quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – inputs (other than quoted prices included within level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.
- Level 3 – unobservable inputs for an asset or liability, which generally results in a government using the best information available and may include the government's own data.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value (NAV). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

NORTHERN MARIANAS COLLEGE
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Notes to Financial Statements
September 30, 2020 and 2019

(4) Investments, Continued

The following table presents a summary of the College's investments by type as of September 30, 2020 and 2019, at fair value:

Investments by Fair Value Level	Fair Value September 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)
Equity Securities				
Domestic equity	\$ 2,747,587	2,747,587	-	-
International equity	<u>2,039,291</u>	<u>2,039,291</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>4,786,878</u>	<u>4,786,878</u>	<u>-</u>	<u>-</u>
Debt Securities				
Government Sponsored Enterprise	905,268	-	905,268	-
Real Estate and Tangibles	572,161	-	-	572,161
Cash and cash equivalents	405,764	-	-	405,764
Asset-Backed, Mortgage-Backed, Collateralized Mortgage Obligation	98,797	-	98,797	-
US Treasury	521,906	-	521,906	-
Corporate bonds	<u>2,102,059</u>	<u>-</u>	<u>2,102,059</u>	<u>-</u>
Total Investments By Fair Value Level	\$ 9,392,833	4,786,878	3,628,030	977,925
Investments by Fair Value Level	Fair Value September 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)
Equity Securities				
Domestic equity	\$ 2,403,808	2,403,808	-	-
International equity	<u>2,032,211</u>	<u>2,032,211</u>	<u>-</u>	<u>-</u>
Total equity securities	4,436,019	4,436,019	-	-
Debt Securities				
Government Sponsored Enterprise	531,383	-	531,383	-
Real Estate and Tangibles	797,957	-	-	797,957
Cash and cash equivalents	527,669	-	-	527,669
Asset-Backed, Mortgage-Backed, Collateralized Mortgage Obligatic	154,867	-	154,867	-
US Treasury	763,264	-	763,264	-
Corporate bonds	1,901,802	-	1,901,802	-
Mutual funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments By Fair Value Level	\$ 9,112,961	4,436,019	3,351,316	1,325,626

NORTHERN MARIANAS COLLEGE
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Notes to Financial Statements
September 30, 2020 and 2019

(4) Investments, Continued

As of September 30, 2020 and 2019, the College's fixed income securities had the following maturities:

Investment type	2020					Rating
	Fair Value	Investment Maturities (In Years)			More than 10	
		Less than 1	1-5	6-10		
Government and GSE bonds	\$ 521,906	-	85,143	361,407	75,356	AAA
Government and GSE bonds	705,321	434,957	270,364	-	-	AA+
Government and GSE bonds	199,947	-	199,947	-	-	No rating
Corporate bonds	19,871	-	-	-	19,871	AAA
Corporate bonds	-	-	-	-	-	AA
Corporate bonds	-	-	-	-	-	A+
Corporate bonds	818,542	-	40,278	649,704	128,560	A-
Corporate bonds	262,390	-	156,941	105,449	-	A
Corporate bonds	585,384	-	-	564,616	20,768	BBB+
Corporate bonds	144,587	-	-	124,145	20,442	BBB+
Corporate bonds	370,082	-	-	-	370,082	No rating
	<u>\$ 3,628,030</u>	<u>434,957</u>	<u>752,673</u>	<u>1,805,321</u>	<u>635,079</u>	
Percentage of Portfolio	100%	12%	21%	50%	17%	

Investment type	2019					Rating
	Fair Value	Investment Maturities (In Years)			More than 10	
		Less than 1	1-5	6-10		
Government and GSE bonds	\$ 763,264	-	105,593	89,063	568,608	AAA
Government and GSE bonds	531,383	-	531,383	-	-	AA+
Corporate bonds	90,118	90,118	-	-	-	AA
Corporate bonds	155,845	-	155,845	-	-	A+
Corporate bonds	524,664	-	322,458	183,075	19,131	A-
Corporate bonds	386,168	-	347,640	38,528	-	A
Corporate bonds	481,088	-	329,074	138,788	13,226	BBB+
Corporate bonds	56,490	-	18,026	38,464	-	BBB
Corporate bonds	362,296	-	-	11,634	350,662	No rating
	<u>\$ 3,351,316</u>	<u>90,118</u>	<u>1,810,019</u>	<u>499,552</u>	<u>951,627</u>	
Percentage of Portfolio	100%	3%	54%	15%	28%	

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Notes to Financial Statements
September 30, 2020 and 2019

(5) Capital Assets, Net

Summarized below is the College's investment in capital assets and changes for the years ended September 30, 2020 and 2019:

	Estimated Useful Lives	Balance October 1 , 2019	Additions	Deletions	Balance September 30, 2020
Buildings and improvements	5 - 30 years	\$ 5,883,368	513,215	(8,661)	6,387,922
Furniture and equipment	2 - 5 years	1,583,706	27,316	(223,542)	1,387,480
Vehicles	5 years	881,316	92,485	(128,160)	845,641
Computers	3 - 5 years	1,225,445	-	(464,887)	760,558
Total depreciable assets		9,573,835	633,016	(825,250)	9,381,601
Accumulated depreciation		(6,624,050)	(679,265)	395,549	(6,907,766)
Depreciable assets, net		2,949,785	(46,249)	(429,701)	2,473,835
Land		1,113,376	-	-	1,113,376
Capital assets, net		<u>\$ 4,063,161</u>	<u>(46,249)</u>	<u>(429,701)</u>	<u>3,587,211</u>

	Estimated Useful Lives	Balance October 1 , 2018	Additions	Deletions	Balance September 30, 2019
Buildings and improvements	5 - 30 years	\$ 7,706,467	843,211	(2,666,310)	5,883,368
Furniture and equipment	2 - 5 years	1,901,567	219,913	(537,774)	1,583,706
Vehicles	5 years	931,767	195,237	(245,688)	881,316
Computers	3 - 5 years	1,449,889	14,251	(238,695)	1,225,445
Total depreciable assets		11,989,690	1,272,612	(3,688,467)	9,573,835
Accumulated depreciation		(9,419,363)	(498,835)	3,294,148	(6,624,050)
Depreciable assets, net		2,570,327	773,777	(394,319)	2,949,785
Land		1,113,376	-	-	1,113,376
Capital assets, net		<u>\$ 3,683,703</u>	<u>773,777</u>	<u>(394,319)</u>	<u>4,063,161</u>

NORTHERN MARIANAS COLLEGE
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Notes to Financial Statements
September 30, 2020 and 2019

(6) Long-Term Obligation

Changes in long-term obligations for the years ended September 30, 2020 and 2019, are as follows:

	2020	2019
Compensated absences		
Balance, beginning	\$ 592,366	203,292
Additions	461,312	389,074
Reductions	(392,373)	-
Balance, end	661,305	592,366
Due within one year	(499,973)	(385,038)
Noncurrent	\$ 161,332	207,328

(7) Related Party Transactions

To ensure that the College carries out its mission and meets the educational and vocational needs of the community, the College receives annual appropriations from the CNMI Government. During the years ended September 30, 2020 and 2019, the College recognized \$4,301,869 and \$6,057,595, respectively, in appropriations from the CNMI Government. The amounts due from CNMI Government for appropriations as of September 30, 2020 and 2019 amounted to \$2,262,777 and \$3,093,652, respectively, and the amount due from CNMI Government for retirement contributions paid for retired employees amounted to \$177,561 and \$177,561, respectively, as of September 30, 2020 and 2019.

At September 30, 2020 and 2019, amounts payable for utility expense to the Commonwealth Utilities Corporation (CUC), a component unit of the CNMI Government, amounted to \$13,133 and \$30,571, respectively, and are included in accounts payable in the accompanying statements of net position. During the years ended September 30, 2020 and 2019, total utilities purchased from CUC amounted to \$236,972 and \$246,863, respectively.

In the ordinary course of business, the College has and expects to continue to have transactions with its employees and officials. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time for comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the College.

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Notes to Financial Statements
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(8) Natural Classifications with Functional Classification

In order to be consistent with the CNMI Government's reporting method, operating expenses are displayed in their natural classifications for fiscal years 2020 and 2019. The following table shows natural classifications with functional classifications:

	2020								
	Salaries	Services	Benefits	Insurance Utilities and Rent	Depreciation	Supplies	Bad debts	Miscellaneous	Total
Instruction	\$ 3,046,606	85,321	582,810	-	-	43,368	-	9,711	3,767,816
Academic Support	428,186	5,570	47,923	-	-	3,545	-	32,385	517,609
Institutional Support	1,674,470	1,166,785	231,581	-	-	61,449	-	43,728	3,178,013
Student Services	982,616	43,282	219,813	-	-	6,058	-	49,474	1,301,243
Community Services	990,103	-	180,464	-	-	30,585	-	13,707	1,214,859
Scholarships	-	2,102,723	-	-	-	-	-	-	2,102,723
Auxiliary	66,069	-	-	-	-	1,561	-	3,496	71,126
Operation and Maintenance	131,242	540,400	-	332,432	525,536	26,246	209,658	1,095,206	2,860,720
	<u>\$ 7,319,292</u>	<u>\$ 3,944,081</u>	<u>\$ 1,262,591</u>	<u>\$ 332,432</u>	<u>\$ 525,536</u>	<u>\$ 172,812</u>	<u>\$ 209,658</u>	<u>\$ 1,247,707</u>	<u>\$ 15,014,109</u>

	2019								
	Salaries	Services	Benefits	Insurance Utilities and Rent	Depreciation	Supplies	Bad debts	Miscellaneous	Total
Instruction	\$ 1,941,231	103,470	330,551	-	-	24,135	-	67,346	2,466,733
Academic Support	225,064	35,439	39,447	-	-	8,856	-	34,098	342,904
Institutional Support	2,230,625	953,031	534,147	-	-	29,531	-	109,376	3,856,710
Student Services	1,446,560	167,661	273,201	-	-	11,619	-	137,757	2,036,798
Community Services	1,422,302	55,332	167,344	-	-	114,827	-	23,611	1,783,416
Scholarships	-	1,619,936	-	-	-	-	-	-	1,619,936
Auxiliary	61,688	-	15,714	-	-	2,093	-	1,234	80,729
Operation and Maintenance	156,295	501,440	37,267	528,900	498,835	26,412	279,179	1,419,178	3,447,506
	<u>\$ 7,483,765</u>	<u>\$ 3,436,309</u>	<u>\$ 1,397,671</u>	<u>\$ 528,900</u>	<u>\$ 498,835</u>	<u>\$ 217,473</u>	<u>\$ 279,179</u>	<u>\$ 1,792,600</u>	<u>\$ 15,634,732</u>

(9) Commitments

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Outstanding purchase orders and purchase commitments are not reported in the financial statements for the years ended September 30, 2020 and 2019.

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Notes to Financial Statements
September 30, 2020 and 2019

(10) Contingencies

Financial and Compliance Audits

The College participates in a number of U.S. Department of Education assisted grant programs and various other federally assisted grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Substantially all grants are subject to either the Uniform Guidance or to financial and compliance audits by the grantor agencies of the Federal Government or their designees.

Lawsuits and Claims

On September 30, 2013, the U.S District Court approved the Final Settlement Agreement for Case No. 09-000023, to which the College is a party. Beginning in fiscal year 2014, the College and employees who are members of the Retirement Fund, who did not opt out of the Settlement, contribute to the Settlement Fund. The College contributes at 20% of covered payroll. The Settlement Fund asserts that the College should contribute at 30% of covered payroll.

On March 10, 2016, the U.S. District Court for the Northern Mariana Islands issued an order on the Settlement Fund's motion, and found that the College has not been underpaying into the Settlement Fund, and has been meeting its obligations under the Settlement Agreement. The College will have no further liability beyond what it normally pays to the Settlement Fund.

Sick Leave

It is the policy of the College to record expenditures for sick leave when the leave is actually taken. Employees are credited with sick leave at the rate of 4 hours per pay period. Unused sick leave hours may be accumulated without limit but cannot be converted to cash upon termination of employment and are convertible to service upon retirement for employees covered by the defined benefit plan. Sick leave is compensated time for absence during working hours arising from employee illness or injury. The estimated accumulated sick leave at September 30, 2020 and 2019 is \$2,075,490 and \$1,856,662, respectively. These amounts are not accrued in the accompanying financial statements.

Insurance

The College does not maintain comprehensive general liability insurance coverage for its facilities. Also, the College does not have insurance for its building and improvements, equipment, and furniture and fixtures. In the event of a loss, the College is self-insured to a material extent.

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Notes to Financial Statements
September 30, 2020 and 2019

(11) Risk Management

The College 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.

The College has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed with respect to workers' compensation, general liability, and the use of motor vehicles. Settled claims have not exceeded this commercial coverage in any of the past three years.

For other risks of loss to which it is exposed, the College has elected not to purchase commercial insurance. Instead, the College's management believes it is more economical to manage its risks internally. The College will report all of its risk management activities, if and when such occurs. Claims expenditures and liabilities will be reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Losses, if reported, would include an estimate of claims that have been incurred but not reported.

(12) Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net position.

(13) Coronavirus pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S and throughout Micronesia. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. As a result of the spread of the coronavirus pandemic, economic uncertainties have arisen which are likely to impact the day to day administration of the College. While this matter is expected to negatively impact the College's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

(14) Subsequent events

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through December 28, 2021, which is the date the financial statements were available to be issued.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Regents
Northern Marianas College:

We have audited, in accordance with the 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, the financial statements of the Northern Marianas College (the College) as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003, 2020-004 and 2020-005 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Northern Marianas College's Response to Findings

Northern Marianas College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Northern Marianas College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Saipan, Commonwealth of the Northern Mariana Islands
December 28, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents
Northern Marianas College:

Report on Compliance for Each Major Federal Program

We have audited the Northern Marianas College's (the College's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2020. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-005 that we consider to be significant deficiencies.

Northern Marianas College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Northern Marianas College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bryan Conner Magliani

Saipan, Commonwealth of the Northern Mariana Islands
December 28, 2021

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
Direct from U.S. Department of Agriculture:				
10.203	Hatch Act		\$ 677,305	\$ 677,305
	Distance Education Grant		14,704	-
10.500	Cooperative Extension Service		<u>658,941</u>	<u>-</u>
	Subtotal Direct Programs		<u>1,350,950</u>	<u>677,305</u>
10.303	Islands of Opportunity Alliance	none identified	22,313	-
47.076	Advance Marine and Env Science (NSF)		12,042	-
	Pass-through			
	Children's Healthy Living Program		93,337	-
	Pass-through			
	Western SARE		305	-
	Pass-through			
	Copepods to Improve Rabbitfish Survival		10,000	-
	Pass-through			
	Building Faculty Capacity		<u>580</u>	<u>-</u>
	Subtotal Pass-Through Programs		<u>138,577</u>	<u>-</u>
	Total U.S. Department of Agriculture		<u>\$ 1,489,527</u>	<u>\$ -</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
Direct from U.S. Department of Education:				
Student Financial Aid Cluster:				
84.007	Federal Supplemental Educational Opportunity Grants		\$ 66,413	-
84.033	Federal Work-Study Program		62,660	-
84.063	Federal Pell Grant Program		4,971,497	-
84.379	Teacher Education Assistance for College and Higher Education Grants		<u>66,341</u>	-
	Subtotal Student Financial Aid Cluster		<u>5,166,911</u>	-
84.002	Adult Education - Basic Grants to States		313,214	-
	Governor Education Stabilization Fund		1,361,406	-
	CARES Act Higher Education Emergency Relief Fund		627,678	-
	NMC COVID-19 Emergency Relief Fund		86,064	-
	Emergency Assistance to Higher Education Program		<u>6,270</u>	-
	Subtotal Direct Programs		<u>7,561,543</u>	-
Pass-through from Asian & Pacific Islander American Scholarship Fund:				
84.031	Enhancing Tech	none identified	<u>318,677</u>	-
Pass-through				
	Pass-through from University of Hawaii:	none identified	<u>6,927</u>	-
	Subtotal Pass-Through Programs		<u>325,604</u>	-
	Total U.S. Department of Education		<u>\$ 7,887,147</u>	-
Direct from U.S. Department of Justice:				
16.525	Office on Violence Against Women		\$ 59,211	-
	Total U.S. Department of Justice		<u>\$ 59,211</u>	-

See accompanying notes to Schedule of Expenditures of Federal Awards.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
U.S. Department of Health and Human Services:				
Pass-through from University of Hawaii:				
93.107	Model State-Supported Area Health Education Center	5U77HP08404-09-00	\$ 73,654	\$ 73,654
Pass-through from Portland State University:				
93.310	Enhance Cross Discipline and Infrastructure and Training	205CRE491	44,509	44,509
Pass-through from Portland State University:				
93.632	Pacific Basin University Centers for Excellence in Developmental Disabilities Education, Research, and Service (B)	MA120060	<u>117,000</u>	<u>117,000</u>
	Total Pass-Through Programs		<u>235,163</u>	<u>235,163</u>
	Total U.S. Department of Health and Human Services		<u>\$ 235,163</u>	<u>\$ 235,163</u>
U.S. Department of Homeland Security:				
Pass-through from CNMI Government:				
97.unknown	Commonwealth Worker Fund	none identified	<u>\$ 1,000,000</u>	
	Total Pass-Through Programs		<u>1,000,000</u>	
	Total U.S. Department of Homeland Security		<u>\$ 1,000,000</u>	
U.S. Department of the Interior:				
Pass-through from CNMI Government:				
15.875	Economic, Social, and Political Development of the Territories - Compact Impact	none identified	<u>\$ 750,000</u>	
	Total Pass-Through Programs		<u>750,000</u>	
	Total U.S. Department of the Interior		<u>\$ 750,000</u>	
	Grand Total		<u>\$ 11,421,049</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

(1) Scope of Audit

The Northern Marianas College (the College) was created as an autonomous public agency of the Commonwealth of the Northern Mariana Islands (CNMI) pursuant to Title 3, Division 1, Chapter 3, Article 1 of the Commonwealth Code. The College's existence is to be perpetual and it shall have all the rights and privileges of a corporation. The purpose of the College is to provide secondary educational opportunities to the people of the CNMI. Only the financial statements of the College are included within the scope of the Uniform Guidance audit (the "Single Audit").

Programs Subject to Single Audit

The Schedule of Expenditures of Federal Awards presents each Federal program related to the following agencies:

- U.S. Department of Agriculture
- U.S. Department of the Interior
- U.S. Department of Education
- U.S. Department of Health and Human Services
- U.S. Department of Homeland Security
- U.S. Department of Justice

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the College and is presented on the accrual basis of accounting, consistent with the manner in which the College maintains its accounting records. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. All program award amounts represent the total allotment or grant award received. All expenses and capital outlays are reported as expenditures.

Cost Allocation

The College is currently allocating administrative costs to program awards based upon criteria prescribed in those program awards.

(3) Indirect Cost Allocation

For fiscal year 2020, the College has an approved indirect cost rate of 21% for all grant programs, except for U.S. Department of Education programs, for which the rate is 8%.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

SECTION I – SUMMARY OF INDEPENDENT AUDITORS’ RESULTS, Continued

Federal Awards

Identification of major programs:

<u>CFDA Number</u>	<u>Description</u>	<u>Federal Expenditures</u>
	Student Financial Assistance Cluster:	
84.063	Federal Pell Grant Program	\$ 4,971,497
84.379	Teacher Education Assistance for College and Higher Education (TEACH) Grant Program	66,413
84.007	Federal Supplemental Educational Opportunity Grants	66,341
84.033	Federal Work-Study Program	<u>62,660</u>
	Student Financial Assistance Cluster	5,166,911
84.425	Governor Education Stabilization Fund	1,361,406
97.unknown	Commonwealth Worker Fund	<u>1,000,000</u>
Total Federal Expenditures-Major Programs		<u>\$ 7,528,318</u>
Percentage of total federal awards tested		<u>66%</u>
Dollar threshold used to distinguish between Type A and Type B programs		<u>\$ 750,000</u>

Auditee qualified as low-risk auditee X yes no

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2020-001, Payroll

Finding type: Significant deficiency in internal control

Criteria:

There must be an employment contract prior to renewal of employment.

Condition:

For 6 of 90 items tested, or 7% of the samples selected for testing, the renewed employment contract was not in the personnel file.

Cause:

The renewal of the employment contract was not updated by NMC staff preparing the payroll.

Effect:

NMC did not comply with their payroll policies requirements in which there should be an employment contract renewal executed prior to renewal of employment. With this situation, the employee is working without a valid employment contract in place.

Recommendation:

Human resources staff should monitor contract expiration dates and should begin the renewal process at least 90 days before the expiration of the existing contracts.

Views of Responsible Officials:

See corrective action plan immediately following this schedule of findings and questioned costs.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2020-002, Payroll

Finding type: Significant deficiency in internal control

Criteria:

There must be a personnel action completed prior to renewal of employment.

Condition:

For 3 of 90 items tested, or 3% of the samples selected for testing, a personnel action form covering the current period was not in the personnel file.

Cause:

The renewal of the personnel action was not updated by NMC staff preparing the payroll.

Effect:

NMC did not comply with their payroll policies requirements in which there should be a personnel action form completed prior to renewal of employment. With this situation, the employee is working without a valid personnel action form in place.

Recommendation:

Human resources staff should monitor personnel action form expiration dates and should begin the renewal process at least 90 days before the expiration of the existing contracts.

Views of Responsible Officials:

See corrective action plan immediately following this schedule of findings and questioned costs.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2020-003, Payroll

Finding type: Significant deficiency in internal control

Criteria:

Employment contracts must be reviewed and approved prior to renewal of employment.

Condition:

For 49 of 90 items tested, or 54% of the sample, we noted that the renewed employment contract was signed after the effective date of the employment.

Cause:

NMC staff who are responsible for monitoring employment contract renewals did not review these personnel files in a timely manner.

Effect:

NMC did not comply with their payroll internal control requirements in which employment contracts should be signed prior to renewal of employment. With this situation, the employee was working without properly documented approval from authorized personnel.

Recommendation:

Ample time to process employment documents should be given to achieve proper documentation and approvals.

Views of Responsible Officials:

See corrective action plan immediately following this schedule of findings and questioned costs.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2020-004, Payroll

Finding type: Significant deficiency in internal control

Criteria:

Personnel action forms must be reviewed and approved prior to renewal of employment.

Condition:

For 50 of 90 items tested, or 55% of the sample, we noted that the personnel action form was signed after the effective date of the renewal of employment.

Cause:

NMC staff who are responsible for monitoring personnel action form renewals did not review these personnel files in a timely manner.

Effect:

NMC did not comply with their payroll internal control requirements in which personnel action form should be signed prior to renewal of employment. With this situation, the employee is working without properly documented approval from authorized personnel.

Recommendation:

Ample time to process employment documents should be given to achieve proper documentation and approvals.

Views of Responsible Officials

See corrective action plan immediately following this schedule of findings and questioned costs.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

SECTION III – FEDERAL AWARDS FINDINGS

Finding No. 2020-005, Payroll

Federal Agencies	US Department of Homeland Security
Program Name	Commonwealth Worker Fund
CFDA No.	97.unknown
Repeat Finding from Prior Audit?	No
Finding Type	Significant deficiency

Criteria:

Personnel action forms must be reviewed and approved prior to renewal of employment.

Condition:

For 39 of 90 items tested, or 43% of the sample, we noted that the personnel action form was signed after the effective date of the renewal of employment.

Cause:

NMC staff who are responsible for monitoring personnel action form renewals did not review these personnel files in a timely manner.

Effect:

NMC did not comply with their payroll internal control requirements in which personnel action forms should be signed prior to renewal of employment. With this situation, the employee is working without properly documented approval from authorized personnel.

Recommendation:

Ample time to process employment documents should be given to achieve proper documentation and approvals.

Views of Responsible Officials

See corrective action plan immediately following this schedule of findings and questioned costs.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2020

There were no unresolved audit findings and questioned costs from the prior year audits of the College.



Finding No. 2020 – 001, Payroll

Auditee Response:

Contact Person: David J. Attao, CFO

Contact Information: david.attao@marianas.edu

Completion Date: Completed (December 2020 through first two quarters of FY2021)

This finding was similar to the payroll findings in FY2019, of which the College has taken the appropriate steps to resolve this matter. As the College was making improvements to ensure that contracts and personnel actions were executed in advance, the COVID-19 Pandemic reached the CNMI and caused adverse impacts throughout the Marianas and at NMC. One of these impacts was the delay of as efforts that were focused on creating new procedures to operate while still trying to correct past practices. The College partially agrees with this finding, however, to it is important to clarify that 6 of 90 payroll items tested revealed that only 3 employees were found to not have contracts. Of the 3 employees, 1 was undergoing a contract renewal and the other two were considered emergency short-term hires who were renewed 2 and 3 times respectively, bringing the total to 6 items found. For emergency hires, the College used personnel actions as the primary document that enabled the pay process. All three employees had timesheets which were used to document, verify, and enable their pay process. The College created the contracts needed to resolve this matter, as well as reinstated the process of obtaining the necessary signatures from the authorized personnel in a planned and timely manner for all contracts.

Finding No. 2020 – 002, Payroll

Auditee Response:

Contact Person: David J. Attao, CFO

Contact Information: david.attao@marianas.edu

Completion Date: Completed (December 2020 through first two quarters of FY2021)

This finding is related to Finding No. 2020 – 001, of which the College has taken the appropriate steps to resolve this matter. The College partially agrees with this finding as the same employee who was undergoing a contract renewal in Finding No. 2020 – 001 also did not have a personnel action processed on time due to the impact of COVID-19. The employee had timesheets which were used to document, verify, and enable their pay process. The College created the Personnel Action needed to resolve this matter as well as reinstated the process of obtaining the necessary signatures from the authorized personnel in a planned and timely manner for all personnel actions.



Finding No. 2020 – 003, Payroll

Auditee Response:

Contact Person: David J. Attao, CFO

Contact Information: david.attao@marianas.edu

Completion Date: Completed (December 2020 through first two quarters of FY2021)

The College has taken the appropriate steps to resolve this matter. As the College was making improvements to ensure that contracts and personnel actions were executed in advance, the COVID-19 Pandemic reached the CNMI and caused adverse impacts throughout the Marianas and at NMC. One of these impacts was the delay of as efforts that were focused on creating new procedures to operate while still trying to correct past practices. The College partially agrees with this finding, however, to clarify, the 49 of 90 payroll items tested revealed that it involved up to 17 employees who were undergoing the contract renewal process. The 17 employees were found to have contracts signed after the effective date but were paid two to three times while the College was processing their contract renewals. All of the 17 employees had timesheets which were used to document, verify, and enable their pay process. The College created the Contracts needed to resolve this matter, as well as reinstated the process of obtaining the necessary signatures from the authorized personnel in a planned and timely manner for all contracts.

Finding No. 2020 – 004, Payroll

Auditee Response:

Contact Person: David J. Attao, CFO

Contact Information: david.attao@marianas.edu

Completion Date: Completed (December 2020 through first two quarters of FY2021)

The College has taken the appropriate steps to resolve this matter. As the College was making improvements to ensure that contracts and personnel actions were executed in advance, the COVID-19 Pandemic reached the CNMI and caused adverse impacts throughout the Marianas and at NMC. One of these impacts was the delay of as efforts that were focused on creating new procedures to operate while still trying to correct past practices. The College partially agrees with this finding, however, to clarify, the 50 of 90 payroll items tested revealed that it involved up to 17 employees who were undergoing the contract and personnel action renewal process. The 17 employees were found to have their personnel actions signed after the effective date but were paid two to three times while the personnel actions were being processed for renewal. All 17 employees had timesheets which were used to document, verify, and enable their pay process. The College created the Personnel Actions needed to resolve this matter as well as reinstated the process of obtaining the necessary signatures from the authorized personnel in a planned and timely manner for all personnel actions.



Northern Marianas College

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Finding No. 2020 – 005, Payroll

Auditee Response:

Contact Person: David J. Attao, CFO

Contact Information: david.attao@marianas.edu

Completion Date: Completed (December 2020 through first two quarters of FY2021)

This finding was similar to the payroll findings in FY2019, of which the College has taken the appropriate steps to resolve this matter. As the College was making improvements to ensure that contracts and personnel actions were executed in advance, the COVID-19 Pandemic reached the CNMI and caused adverse impacts throughout the Marianas and at NMC. One of these impacts was the delay of as efforts that were focused on creating new procedures to operate while still trying to correct past practices. The College partially agrees with this finding, however, to clarify, the 39 of 90 payroll items tested revealed that it involved only 3 employees who were undergoing the contract and personnel action renewal process. The 3 employees were found to have their personnel actions signed after the effective date but were paid 12, 9, and 18 times respectively while their personnel actions were being processed for renewal. All 3 of the employees had timesheets for each pay period which were used to document, verify, and enable their pay process. The College created the Personnel Actions needed to resolve this matter as well as reinstated the process of obtaining the necessary signatures from the authorized personnel in a planned and timely manner for all personnel actions.