Deloitte.

COMMONWEALTH DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS)

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

Deloitte & Touche LLC
Isa Drive, Capitol Hill
P.O. Box 500308
Saipan, MP 96950-0308
CNMI

Tel: (670) 322-7337/8
Fax: (670) 322-7340
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Commonwealth Development Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Commonwealth Development Authority (CDA), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), which comprise the statements of net position as of September 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements.

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 an opinion 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.

Deloitte.

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

Basis for Qualified Opinion

Management has not adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was effective October 1, 2014. As discussed in note 2 to the financial statements, CDA has not recorded pension expense and related revenue for the years ended September 30, 2016 and 2015. GASB Statement No. 68 requires an employer that has a special funding situation to recognize its proportionate share of the collective pension expense, as well as additional pension expense and revenue for the pension support of the CNMI primary government as a non-employer contributing entity. The effects of this departure from accounting principles generally accepted in the United States of America on the financial statements have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth Development Authority as of September 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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. As a result of these limited procedures, we believe that the Management's Discussion and Analysis is not in conformity with guidelines established by GASB because it refers to components of CDA and not the basic financial statements and therefore, is insufficient analysis of the basic financial statements.

Deloitte.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise CDA's basic financial statements. The Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows as of and for the year ended September 30, 2016 (pages 41 through 43) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 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 Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows are 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 March 13, 2018 on our consideration of CDA'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 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 CDA's internal control over financial reporting and compliance.

Deloitte & Touche LLC

March 13, 2018

COMMONWEALTH DEVELOPMENT AUTHORITY
P.O. BOX 502149, SAIPAN MP 96950
Tel.: (670) 234-6245/6293/7145/7146 • Fax: (670) 234-7144 or 235-7147
Email: administration@cda.gov.mp • Website: www.cda.gov.mp

Management's Discussion and Analysis
Year Ended September 30, 2016

The Management's Discussion and Analysis of the Commonwealth Development Authority's (CDA) financial performance provides an overview of CDA's financial activity for the fiscal year ended September 30, 2016, with selected comparative information for the fiscal years ended September 30, 2015 and 2014. Please read it in conjunction with the more detailed information contained within the accompanying financial statements.

CDA, formerly known as the Economic Development Loan Fund, was established as an autonomous public agency in 1985 through Public Law 4-49. Its overall purpose is to stimulate economic development in the Commonwealth of the Northern Mariana Islands (CNMI). Its mission statement is to provide appropriate financial and technical assistance to facilitate the start-up or expansion of private and public enterprises for their success, the benefit of the CNMI's economic welfare and the long-term sustainability of CDA. CDA's functions are carried out through the Development Banking Division (DBD) and the Development Corporation Division (DCD). Additionally, in 1994, the Northern Marianas Housing Corporation (NMHC) was included in CDA. CDA, as the financing arm of the CNMI, successfully continues its role to stimulate the CNMI's economy by financing major capital improvements and investing in its people. CDA has a Board of Directors composed of seven individuals appointed for staggered four-year terms by the Governor of the CNMI. CDA maintains its main office in Saipan and a branch office in Rota. The Tinian branch office is temporarily closed.

DBD AND DCD

DBD generally engages in government and public sector activities while DCD engages in private sector activities. Additionally, on December 1, 2000, CDA was given administrative authority over the Qualifying Certificate Program (QC). The QC is a tax incentive program to encourage new investment in the CNMI.

DCD's mission is to initiate, stimulate and facilitate development of the economy in the CNMI for the economic and social advancement of the people of the CNMI by granting loans, loan guarantees and providing financial, technical and advisory assistance to the private sector in the CNMI.

DCD's primary activity relates to the servicing of its direct loan portfolio. As of September 30, 2016, DCD's net loans receivable was $13,012,019, which was an increase of $2,160,762 or 20% compared to 2015. As of September 30, 2015, DCD's net loans receivable was $10,851,257, which was an increase of $484,929 or 5% compared to 2014. The cause of the net increase in fiscal year 2016 and the decrease in the allowance account can be attributed largely to repayment and pay-off of various large delinquent loans, the lifting of the loan moratorium by the CDA Board of Directors, the write-off of several delinquent loan accounts due to court judgment, several loan revisions due to loan judgments, a 2% debt relief program, asset foreclosures and CDA's aggressive collection efforts.

DBD AND DCD, CONTINUED

DBD maintains a portfolio consisting of loans to various governmental and quasi-governmental agencies of the CNMI government. In fiscal year 2010, CDA's Board of Directors approved the restructuring of the loan to the Commonwealth Ports Authority (CPA). The restructured loan lowered the interest rate to 2.5% and extended the repayment term to 20 years, giving CPA a more manageable monthly payment. Since the restructuring, CPA has been timely on all payments.

In February 2016, CDA and the Commonwealth Utilities Corporation (CUC) entered into a Settlement Agreement directing CUC to assign the payment it receives from the Public School System (PSS) Settlement Agreement and to pay the remaining difference of $478,798 to CDA. CUC further agrees to make the annual dividend payments of $270,000 to CDA beginning on October 1, 2016. DBD continues to hold preferred stock in CUC based on the conversion of debt dated September 30, 2009. See note 6 to the financial statements for more detailed information. The conversion has permitted CUC to move ahead with greater flexibility in obtaining financing and has given CDA the opportunity to receive funds loaned to CUC through dividends on the preferred stock, which will be recorded in the Revolving Fund for CIP projects.

As stated earlier, the net value of DCD's loan portfolio after recoveries was $13,012,019 in 2016 and $10,851,257 in 2015. Total recoveries were $4,836,876 and $969,552 in 2016 and 2015, respectively. These figures represent the estimated potential recovery of value of the loans and accrued interest for the respective fiscal years. The recovery in fiscal year 2016 was due to repayment of various large delinquent loans, the restructuring of some loans to a 2% interest rate, extended repayment terms and capitalization of accrued interest.

The CDA Board of Directors has given management greater flexibility in pursuing solutions to the high delinquency rate among CDA borrowers and continues to emphasize the need to work with clients, or within the judicial system when necessary, to resolve delinquent loans.

In response to the difficulties experienced by virtually all of DCD's borrowers, management has been working on solutions that can benefit both CDA and the borrowers. One such solution is the Debt-Relief Program. Qualifying borrowers are encouraged to restructure their delinquent loans at new, less-burdensome interest rates (typically 2%) and the accrued interest is set aside so that the new loan has a chance of being fully amortized if the new payment schedule is adhered to. This gives borrowers who were previously in seemingly hopeless situations new hope for paying off their loans and retaining possession of their collateral. While CDA may potentially lose some of the accrued interest that has been set aside, the reality is that this accrued interest would likely have never been recovered if the original loan terms had not been modified.

In cases where borrowers are in default and there is no workable solution for repayment of the loan, CDA has been forced to foreclose on properties collateralizing the loans or accept properties through deed in lieu of foreclosure. CDA then attempts to sell or lease properties to recover as much of the loan principal as possible. The value realized on foreclosed property sales is often significantly less than the balance of the loan. In cases where CDA is unable to obtain a reasonable value for a foreclosed property, management may decide to defer disposal of the property until market conditions improve.

NMHC

Major Programs of NMHC

NMHC operates the following programs:

- *Housing Choice Voucher Program (HCVP):*

  Under this Program, the U.S. Department of Housing and Urban Development (HUD) provides rental supplements to the owners of existing private housing who rent to qualifying individuals. NMHC processes all applicants for the Section 8 Housing Assistance Payments (HAP) Program, places approved applicants in housing and pays the owner of the private housing a monthly rental supplement. Under the conditions of an annual contributions contract, HUD reimburses NMHC for the rental supplements and the administrative cost of managing the program, up to a per unit limit established in the annual contributions contract.

- *Section 8 HAP Program:*

  The HAP Program is HUD-funded under which NMHC receives rental subsidies pursuant to a HAP contract to provide housing for very low-income families, low-income families, elderly and non-elderly disabled individuals. Under NMHC's HAP contract, NMHC provides 118 housing rental units for which Section 8 assistance will be provided. The Program restricts eligible families to citizens of the United States and noncitizens of the United States who have achieved certain eligible immigration status. In fiscal years 2016, 2015 and 2014, NMHC received $1,305,473, $1,346,858 and $1,394,877, respectively, under this Program.

- *HOME Investment Partnerships Program (HOME)*

  Under this Program, NMHC provides single-family housing loans and grants to eligible low-income families to construct new homes, acquire and rehabilitate homes or rehabilitate existing homes.

- *Community Development Block Grant (CDBG)*

  CDBG is a HUD-funded program provided to the Commonwealth of the Northern Mariana Islands (CNMI) as a U.S territory, to fund CNMI community projects that benefit low and moderate-income people, to prevent or eliminate slums or blight and to address the threat to health or safety. Community projects may include acquisition, relocation, demolition and rehabilitation of housing and commercial buildings, construction of public facilities and capital improvements, construction and maintenance of neighborhood centers, conversion of school buildings, public services, economic development and job creation/retention activities. CDBG funds can also be used for preservation and restoration of historic properties in low-income neighborhoods.

- *Neighborhood Stabilization Program (NSP)*

  NSP is a HUD-funded program established by the U.S. Congress to stabilize communities that have suffered from housing loan foreclosures and abandonment through the purchase and redevelopment of foreclosed and abandoned homes and residential properties.

NMHC, CONTINUED

- *Emergency Solutions Grant (ESG)*

  HUD provides funds to NMHC under this Program to rehabilitate and operate emergency shelters and transitional shelters, provide essential social services and prevent homelessness.

- *Low-Income Housing Projects in Lieu of Tax Credits (LIHTC) Program*

  NMHC is the government agency authorized to administer the LIHTC Program in the CNMI. The LIHTC Program is available to owners/developers of qualifying buildings and projects that meet certain low-income occupancy and rent restrictions. Section 42 of the Internal Revenue Code provides that the CNMI prepare a Qualified Allocation Plan (QAP) to determine housing priorities and to give preference to projects serving the lowest income tenants and projects obligated to serve qualified tenants for the longest periods.

  NMHC has developed a QAP for 2016 which describes the basis NMHC will use to allocate LIHTCs among qualified owners/developers. The tax credit allocated to the CNMI for 2016 was $2,690,000. As of September 30, 2016, there was one new applicant; however, the applicant was awarded after the end of the fiscal year.

Asset Management Division

The Asset Management Division handles NMHC's assets and provides technical and maintenance assistance to the HAP, HOME and CDBG programs. The goals of the Asset Management Division are to maximize resources for the continuity of NMHC programs, expedite the process of turnaround time for vacant units, maintain full occupancy of Mihaville and Koblerville projects, ensuring units are safe, decent and sanitary, obtain high scores in Real Estate Assessment Center (REAC) inspections, develop systemic quarterly inspections minimizing maintenance costs, improve collection of tenant damage costs and provide home care counseling to tenants and consistent program requirements training to personnel.

FINANCIAL HIGHLIGHTS

Combined Statements of Net Position
As of September 30, 2016, 2015 and 2014

	2016	2015	$ Change	% Change	2014
Current assets	$ 15,400,311	$ 8,912,466	$ 6,487,845	73%	$ 7,301,825
Other assets	11,950,852	10,679,345	1,271,507	12%	10,032,219
Capital assets, net	9,030,776	9,132,694	(101,918)	-1%	9,294,850
Foreclosed real estate, net	1,877,591	2,354,655	(477,064)	-20%	2,324,705
Noncurrent assets	20,919,713	15,568,963	5,350,750	34%	16,250,842
Total assets	$ 59,179,243	$ 46,648,123	$ 12,531,120	27%	$ 45,204,441
Current liabilities	$ 8,657,466	$ 7,423,294	$ 1,234,172	17%	$ 6,485,918
Noncurrent liabilities	9,731,430	9,341,293	390,137	4%	8,866,159
Total liabilities	18,388,896	16,764,587	1,624,309	10%	15,352,077
Net investment in capital assets	9,030,776	9,132,694	(101,918)	-1%	9,294,850
Restricted	31,759,571	20,750,842	11,008,729	53%	20,557,514
Total net position	40,790,347	29,883,536	10,906,811	36%	29,852,364
Total liabilities and net position	$ 59,179,243	$ 46,648,123	$ 12,531,120	27%	$ 45,204,441

FINANCIAL HIGHLIGHTS, CONTINUED

Combined Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2016, 2015 and 2014

	2016	2015	$ Change	% Change	2014
Operating revenues	$ 9,959,822	$ 8,488,002	$ 1,471,820	17%	$ 8,569,689
Recoveries	6,545,122	807,265	5,737,857	771%	965,539
Net operating revenues	16,504,944	9,295,267	7,209,677	78%	9,535,228
Operating expenses	8,656,874	8,660,535	(3,661)	-0%	9,860,923
Operating income (loss)	7,848,070	634,732	7,213,338	1136%	(325,695)
Total nonoperating revenues, net	4,507,303	276,498	4,230,805	1530%	607,112
Income before transfers	12,355,373	911,230	11,444,143	1256%	281,417
Contributions for capital development grants	(1,448,562)	(880,058)	(568,504)	65%	-
Change in net position	10,906,811	31,172	10,875,639	34889%	281,417
Net position - beginning	29,883,536	29,852,364	31,172	0%	29,570,947
Net position - ending	$ 40,790,347	$ 29,883,536	$ 10,906,811	36%	$ 29,852,364

Combined Statements of Cash Flows
Years Ended September 30, 2016, 2015 and 2014

	2016	2015	$ Change	% Change	2014
Cash flows from operating activities	$ 3,042,489	$ 984,321	$ 2,058,168	209%	$ 326,100
Cash flows from capital and related financing activities	(1,277,042)	(167,405)	(1,109,637)	663%	1,403,943
Cash flows from investing activities	2,295,188	(596,539)	2,891,727	-485%	(2,617,034)
Net increase (decrease) in cash and cash equivalents	4,060,635	220,377	3,840,258	1743%	(886,991)
Cash and cash equivalents at beginning of year	2,414,217	2,193,840	220,377	10%	3,080,831
Cash and cash equivalents at end of year	$ 6,474,852	$ 2,414,217	$ 4,060,635	168%	$ 2,193,840

Condensed Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows by division for the year ended September 30, 2016 follows, with comparative information for the years ended September 30, 2015 and 2014:

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2016, 2015 and 2014

Development Banking Division

	2016	2015	$ Change	% Change	2014
Operating revenues:					
Interest and fees on loans	$ 109,481	$ 115,600	$ (6,119)	-5%	$ 121,954
Interest and dividends on investments	14,410	16,996	(2,586)	-15%	6,997
Other	72	81	(9)	-11%	130,135
	123,963	132,677	(8,714)	-7%	259,086
Recoveries	2,249,781	128,939	2,120,842	1645%	124,843
Net operating revenues	2,373,744	261,616	2,112,128	807%	383,929

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2016, 2015 and 2014, Continued

Development Banking Division, Continued

	2016	2015	$ Change	% Change	2014
Operating expenses:					
Professional fees	-	1,875	(1,875)	-100%	543
Other	25,075	26,436	(1,361)	-5%	25,790
Total operating expenses	25,075	28,311	(3,236)	-11%	26,333
Operating income	2,348,669	233,305	2,115,364	907%	357,596
Nonoperating revenues (expenses):					
Dividend income	4,320,000	-	4,320,000	100%	-
Other income	137,583	224,944	(87,361)	-39%	143,411
Interest expense	(31,581)	(42,549)	10,968	-26%	(49,195)
Total nonoperating revenues, net	4,426,002	182,395	4,243,607	2327%	94,216
Income before transfers	6,774,671	415,700	6,358,971	1530%	451,812
Transfers out for capital development grants	(1,448,562)	(880,058)	(568,504)	65%	-
Change in net position	$ 5,326,109	$ (464,358)	$ 5,790,467	-1247%	$ 451,812

Development Corporation Division

	2016	2015	$ Change	% Change	2014
Operating revenues:					
Interest and fees on loans	$ 554,839	$ 624,122	$ (69,283)	-11%	$ 511,305
Interest and dividends on investments	20,196	12,582	7,614	61%	54,090
Other	393,252	247,475	145,777	59%	483,526
	968,287	884,179	84,108	10%	1,048,921
Recoveries	4,898,705	1,088,902	3,809,803	350%	1,029,663
Net operating revenues	5,866,992	1,973,081	3,893,911	197%	2,078,584
Operating expenses:					
Salaries and wages	496,062	478,085	17,977	4%	511,794
Employee benefits	252,952	218,080	34,872	16%	247,188
Professional fees	69,283	85,456	(16,173)	-19%	121,690
Office rent	7,811	5,868	1,943	33%	6,593
Travel	61,017	56,603	4,414	8%	33,945
Depreciation	47,307	42,322	4,985	12%	41,044
Other	165,019	153,627	11,392	7%	123,320
Total operating expenses	1,099,451	1,040,041	59,410	6%	1,085,574
Operating income (loss)	4,767,541	933,040	3,834,501	411%	993,010
Nonoperating revenues (expenses):					
Other income	1,475	5,122	(3,647)	-71%	5,586
Gain on sale of foreclosed real estate	14,500	53,300	(38,800)	-73%	70,800
Gain on sale of capital assets	10,144	-	10,144	100%	-
Other expense	(11,398)	(7,987)	(3,411)	43%	(12,000)
Total nonoperating revenues (expenses), net	14,721	50,435	(35,714)	-71%	64,386
Change in net position	$ 4,782,262	$ 983,475	$ 3,798,787	386%	$ 1,057,396

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2016, 2015 and 2014, Continued

Northern Marianas Housing Corporation

	2016	2015	$ Change	% Change	2014
Operating revenues	$ 8,892,647	$ 7,496,936	$ 1,395,711	19%	$ 7,287,472
Bad debts	(603,364)	(410,576)	(192,788)	47%	(188,967)
Net operating revenues	8,289,283	7,086,360	1,202,923	17%	7,098,505
Operating expenses	7,557,423	7,617,973	(60,550)	-1%	8,774,806
Operating income (loss)	731,860	(531,613)	1,263,473	-238%	(1,676,301)
Nonoperating revenues, net	66,580	43,668	22,912	52%	448,510
Change in net position	$ 798,440	$ (487,945)	$ 1,286,385	-264%	$ (1,227,791)

Condensed Comparative Statements of Cash Flows
Years Ended September 30, 2016, 2015 and 2014

Development Banking Division

	2016	2015	$ Change	% Change	2014
Cash flows from operating activities	$ 133,978	$ 122,257	$ 11,721	10%	$ 256,832
Cash flows from capital and related financing activities	(1,241,220)	(620,305)	(620,915)	100%	198,316
Cash flows from investing activities	1,107,242	498,048	609,194	122%	(455,148)
Net change in cash and cash equivalents	-	-	-	0%	-
Cash and cash equivalents at beginning of year	-	-	-	0%	-
Cash and cash equivalents at end of year	$ -	$ -	$ -	0%	$ -

Development Corporation Division

	2016	2015	$ Change	% Change	2014
Cash flows from operating activities	$ 2,638,170	$ 712,966	$ 1,925,204	270%	$ (196,669)
Cash flows from capital and related financing activities	(76,640)	365,788	(442,428)	-121%	883,003
Cash flows from investing activities	1,250,000	(750,000)	2,000,000	-267%	(2,000,000)
Net increase (decrease) in cash and cash equivalents	3,811,530	328,754	3,482,776	1059%	(1,313,666)
Cash and cash equivalents at beginning of year	1,989,684	1,660,930	328,754	20%	2,974,596
Cash and cash equivalents at end of year	$ 5,801,214	$ 1,989,684	$ 3,811,530	192%	$ 1,660,930

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Cash Flows
Years Ended September 30, 2016, 2015 and 2014, Continued

Northern Marianas Housing Corporation

	2016	2015	$ Change	% Change	2014
Cash flows from operating activities	$ 270,341	$ 149,098	$ 121,243	81%	$ 265,937
Cash flows from capital and related financing activities	40,818	87,112	(46,294)	-53%	322,624
Cash flows from investing activities	(62,054)	(344,587)	282,533	-82%	(161,886)
Net increase (decrease) in cash and cash equivalents	249,105	(108,377)	357,482	-330%	426,675
Cash and cash equivalents at beginning of year	424,533	532,910	(108,377)	-20%	106,235
Cash and cash equivalents at end of year	$ 673,638	$ 424,533	$ 249,105	59%	$ 532,910

DCD and DBD

- In 2016, DCD had net operating revenues of $5,866,992 while DBD had revenues of $2,373,744. A significant part of the change in net operating revenues is due to loan and foreclosed real estate recoveries. DCD recorded recoveries of $4,898,705 in 2016 compared with recoveries of $1,088,902 in 2015. DBD recorded recoveries of $2,249,781 and $128,939 in 2016 and 2015, respectively, which brought the allowance for its loans to 0% and 50% in 2016 and 2015, respectively. Interest and fees earned on loans for DCD decreased by $69,283 or 11% in fiscal year 2016 which is significantly attributed to payments received being applied to loan principal. Interest and fees earned on loans for DCD in fiscal year 2015 increased by $112,817 or 22%. DBD had a decrease of $6,119 or 5% in fiscal year 2016 compared to a decrease of $6,354 or 5% in fiscal year 2015.

- DCD invested surplus funds in time certificates of deposit (TCDs) to take advantage of better interest rates. Related earnings on investments increased from $12,582 for the year ended September 30, 2015 to $20,196 for the year ended September 30, 2016, which is an increase of $7,614 or 61%. DBD also invested in TCDs due to the continued decline of interest earned on savings deposits. Earnings on interest and dividends on investments decreased from $16,996 for the year ended September 30, 2015 to $14,410 for the year ended September 30, 2016, which is a decrease of $2,586 or 15%. The decrease in DBD's investments earnings was due to non-reinvestment of matured TCDs as a result of an increase in capital improvement project drawdowns in fiscal year 2016.

- In fiscal year 2016, operating expenses for DCD increased by $59,410 or 6% from fiscal year 2015 while DBD's operating expenses decreased by $3,236 or 11% from fiscal year 2015. Efforts by management and staff are ongoing to reduce DCD's expenses. DBD's expenses were due to reimbursements paid to DCD to cover shared costs.

- As reflected above, DCD's bad debts and foreclosed real estate losses continue to reflect a highly volatile trend. CDA management and staff renewed efforts to reverse this trend by working with loan clients, finding innovative ways to restore their loans to "performing" status and pursuing realization of value from collateralizing assets for loans that have no hope of recovery.

FINANCIAL HIGHLIGHTS, CONTINUED

DCD and DBD, Continued

- DBD and DCD's combined change in net position increased by $9,589,254 or 1847% from 2015 to 2016 which was due to repayment and pay-off of several large loans, several deficiency judgments and foreclosures on previously non-performing loans and the resulting change in the valuation allowance.

- In fiscal year 2015, DCD reserved $750,000 for a micro loan program with a maximum loan amount of $25,000. Further, the Board of Directors changed its three bank denial letter requirement to one for loans greater than $3,000 but not to exceed $25,000.

NMHC

- Total assets increased by 1% from $19,349,479 in 2015 to $19,564,761 in 2016 and from $19,176,018 in 2014 to $19,349,479 in 2015. Current assets of $2,038,994 and $1,868,269 as of September 30, 2016 and 2015, respectively, are primarily comprised of cash, current portion of loans receivable, finance lease receivables, receivables from tenants and receivables from a court-ordered settlement award from a contractor.

- Total other assets as of September 30, 2016 and 2015 was $5,071,176 and $4,988,680, respectively, which is an increase of 2%.

- Foreclosed real estate decreased by 36% from $687,212 in 2015 to $441,648 in 2016. This shrinkage was due to NMHC's auction of foreclosed properties during fiscal year 2016.

- NMHC's total net position increased by 15% from $5,368,195 in 2015 to $6,166,635 in 2016. This increase is a result of an increase in total assets and a decrease in total liabilities. Total net position decreased by 8% from $5,856,140 in 2014 to $5,368,195 in 2015. Net position represents NMHC's equity after liabilities are subtracted from assets. Net position is divided into two major categories. The first category, net investment in capital assets, indicates NMHC's equity in land, buildings and improvement and machinery and equipment, net of related outstanding debt. The second category, restricted net position, has external limitations on the way in which these assets can be used.

- As of September 30, 2016, NMHC's current liabilities of $4,412,989 exceed current assets of $2,038,994 by $2,373,995. This unfavorable financial condition was caused by NMHC's policy to place all Direct Family Home Loan collections in restricted reserve (in local bank accounts) over and above the escrow reserve and loan guaranty reserve required by the lender. The total amount of this reserve as of September 30, 2016 was approximately $3.3 million.

- NMHC's operating income during fiscal year 2016 was $731,860 and operating loss during fiscal year 2015 was $531,613. The operating income in 2016 is primarily attributable to the recovery of a loan guaranty settlement of $2,226,340.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2016 and 2015, CDA had $9,030,776 and $9,132,694, respectively, net investment in capital assets, net of accumulated depreciation where applicable. This represents a net decrease of $101,918 or 1% during fiscal year 2016.

	2016	2015	2014
Depreciable capital assets, net of accumulated depreciation	$ 1,558,246	$ 1,660,164	$ 1,822,320
Nondepreciable capital assets	7,472,530	7,472,530	7,472,530
	$ 9,030,776	$ 9,132,694	$ 9,294,850

See note 7 to the financial statements for more detailed information on CDA's capital assets and changes therein.

Long-Term Debt

At September 30, 2016 and 2015, CDA had $449,330 and $555,332, respectively, in long-term debt outstanding. See note 9 to the financial statements for more detailed information on CDA's long-term debt and changes therein.

ECONOMIC OUTLOOK

DCD and DBD

CDA is affected by economic forces at play globally as well as locally. The CNMI's economic resiliency was recently tested when it was able to recover quickly from a major natural disaster. The ongoing increase in tourist arrivals confirms that tourism activity in the CNMI is improving faster than anticipated, which indicates that the worst may be over and, while the future remains uncertain, there is some reason for optimism. The approval of $13.2 million in funding by the U.S. Department of Treasury to the CNMI through State Small Business Credit Initiative (SSBCI) has helped spur economic growth in the CNMI. CDA continues to administer the SSBCI program and to date, close to forty businesses have been assisted through two participating banks with either collateral support or a loan purchase participation program. A total of $10.5 million was processed and close to $9.0 million have been approved. The CNMI Department of Commerce has designated CDA as the implementing agency for the CNMI SSBCI program and CDA will continue to administer the program until 2017.

CDA's biggest challenge in the past was funding its operations from earnings generated its loan portfolio and investments. Management addressed this problem through a combination of revenue enhancement and expenditure reduction. CDA is currently working to settle several large accounts of over $5 million through a deed in lieu of foreclosure. CDA also offers finance leases with an option to purchase on some of its properties in a move not only to recover the principal balance but also to offload its property inventory acquired from foreclosures. CDA also offers a debt-relief program to bring qualified borrowers to a performing and paying status. The "price" to CDA of this program is to reduce the interest rate on these loans to 2%, which does not go far in generating income for CDA. However, management believes that if enough of the delinquent borrowers see hope of paying-off their loans and preserving their collateral, they will begin to make regular payments. Once these payments are added back to the loan fund and re-lent to qualified borrowers, the interest earned will increase to a point where CDA can operate "in the black."

ECONOMIC OUTLOOK, CONTINUED

NMHC

NMHC's program and operating revenues are primarily provided by the U.S federal government through operating subsidies, Section 8 HAP payments and other minor grants. The operating subsidy for 2016 was $1,305,473. Based on the CNMI's annual awards and the contract with HUD, NMHC anticipates that HUD assistance programs will continue into the foreseeable future.

Nevertheless, U.S. Congress continues to reduce Section 8 housing assistance funding. The reduction in funding adversely impacts NMHC's operating capabilities and financial position. During 2016, NMHC received $1,346,858 in federal funds for its housing and community development programs. Such assistance has typically come with use restrictions and generally limits NMHC's ability to encumber or leverage debt financing against HUD properties in its asset portfolio.

Management's Discussion and Analysis for the year ended September 30, 2015 is set forth in CDA's report on the audit of financial statements, which is dated November 8, 2016. That Discussion and Analysis explains the major factors impacting the 2015 financial statements and can be viewed at the Office of the Public Auditor's website at www.opacnmi.com.

CONTACTING CDA AND NMHC'S MANAGEMENT

This financial report is designed to provide a general overview of CDA's financial condition and to demonstrate its accountability for monies received. If you have questions about this report or need additional financial information, contact Mr. Donnie James Militante, CDA Comptroller, P.O. Box 502149, Saipan, MP 96950-2149, or call (670) 234-7145/6293 or email to executive@cda.gov.mp or Mr. Jesse S. Palacios, NMHC Corporate Director, P.O. Box 500514, Saipan, MP 96950-0514 or call (670) 234-6866/9447 or email to jspalacios@nmhcgov.net.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Net Position
September 30, 2016 and 2015

ASSETS	2016	2015
Current assets:		
Cash and cash equivalents	$ 6,474,852	$ 2,414,217
Time certificates of deposit	1,500,000	2,750,000
Receivables:		
Current portion of loans receivable, net	2,516,240	3,010,797
Current portion of finance lease receivable, net	101,826	80,001
Rent, net	130,151	59,219
Accrued interest, net of allowance for doubtful accounts of $1,777,185 and $1,754,152 as of September 30, 2016 and 2015, respectively	217,907	445,507
Dividend	4,320,000	-
Other, net	134,262	149,725
Prepaid expenses	5,073	3,000
Total current assets	15,400,311	8,912,466
Other assets:		
Cash and cash equivalents, restricted	11,950,852	6,679,345
Time certificates of deposit, restricted	-	4,000,000
	11,950,852	10,679,345
Noncurrent assets:		
Loans receivable, net of current portion	19,059,198	14,026,697
Finance lease receivable, net of current portion	1,860,515	1,542,266
Depreciable capital assets, net of accumulated depreciation	1,558,246	1,660,164
Nondepreciable capital assets	7,472,530	7,472,530
Foreclosed real estate, net	1,877,591	2,354,655
Total noncurrent assets	31,828,080	27,056,312
	$ 59,179,243	$ 46,648,123
LIABILITIES AND NET POSITION		
Current liabilities:		
Current installments of note payable to related party	$ 262,588	$ 186,289
Accounts payable and accrued expenses	963,642	874,963
Unearned revenues	13,530	15,212
Due to grantor agency	800,784	799,010
Loan commitment	3,279,280	983,027
Reserve for loan guaranty	3,337,642	4,564,793
Total current liabilities	8,657,466	7,423,294
Note payable to related party, net of current installments	186,742	369,043
Unearned revenues, net of current portion	9,544,688	8,972,250
Total liabilities	18,388,896	16,764,587
Commitments and contingencies		
Net position:		
Net investment in capital assets	9,030,776	9,132,694
Restricted	31,759,571	20,750,842
Total net position	40,790,347	29,883,536
	$ 59,179,243	$ 46,648,123

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2016 and 2015

	2016	2015
Operating revenues:		
Section 8 income:		
Federal housing assistance rentals	$ 4,479,954	$ 4,788,251
Tenant share	155,837	30,933
Recovery from loan guaranty settlement	2,226,340	-
Interest and fees on loans	1,010,325	1,019,457
HOME Investment Partnership Program Grant	660,042	803,016
Community Development Block Grants (CDBG) Program	328,368	1,069,977
Low Income Housing Tax Credit	312,045	168,338
HOME Investment Partnership Grant program income	204,929	225,796
Emergency Shelter Grants (ESG) Program	46,776	55,914
Interest and dividends on investments	34,606	29,578
Neighborhood Stabilization Program (NSP) Grant	30,433	3,865
Housing rental	21,358	22,166
Economic Development Initiative (EDI) Program	-	17,104
Other	448,809	253,607
	9,959,822	8,488,002
Recovery of loan impairment	6,056,708	744,493
Recovery of interest impairment	426,585	-
Recovery of foreclosed real estate	61,829	62,772
Net operating revenues	16,504,944	9,295,267
Operating expenses:		
Section 8 rental	2,655,611	2,829,346
HOME Investment Partnership Program Grant	660,042	803,016
CDBG Program	328,368	1,069,977
HOME Investment Partnership Grant program income	204,929	225,796
ESG Program	46,776	55,914
NSP Grant	30,433	3,865
EDI Program	-	17,104
Operations:		
Salaries and wages	1,592,817	1,232,087
Provision for loan guaranty	999,189	282,826
Employee benefits	421,296	363,750
Utilities	350,003	467,874
Repairs and maintenance	297,898	414,149
Professional fees	202,500	199,073
Depreciation	188,045	192,696
Travel	185,257	172,236
Supplies	97,640	70,488
Reimbursement from grantor	69,575	-
Rent	21,736	20,781
Other	304,759	239,557
Total operating expenses	8,656,874	8,660,535
Operating income	7,848,070	634,732
Nonoperating revenues (expenses):		
Dividend income	4,320,000	-
Other income	139,058	230,066
Litigation judgment	46,138	55,923
Interest income	20,442	24,191
Gain on sale of foreclosed real estate	14,500	16,854
Gain on sale of capital assets	10,144	-
Interest expense	(31,581)	(42,549)
Other expense	(11,398)	(7,987)
Total nonoperating revenues, net	4,507,303	276,498
Income before transfers	12,355,373	911,230
Contributions for capital development grants	(1,448,562)	(880,058)
Change in net position	10,906,811	31,172
Net position - beginning	29,883,536	29,852,364
Net position - ending	$ 40,790,347	$ 29,883,536

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from interest and fees on loans receivable	$ 1,631,728	$ 918,799
Interest and dividends on investments	34,606	28,996
Cash payments to suppliers for goods and services	(760,575)	(389,705)
Cash received from customers	720,583	546,118
Cash payments to employees for services	(1,845,769)	(1,450,167)
Cash payments for federal grant reimbursement	(69,575)	-
Cash received from federal grant awards	5,752,276	6,846,243
Cash payments from federal grant awards	(4,717,038)	(6,304,941)
Cash received for loan commitment	2,296,253	776,396
Cash received from interest on notes receivable	-	12,582
Net cash provided by operating activities	3,042,489	984,321
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(86,127)	(30,540)
Proceeds from sale of capital assets	10,144	-
Proceeds from sale of foreclosed real estate	69,859	337,300
Net receipts of loans receivable	2,213,100	754,252
Net receipts of notes receivable	-	275,769
Net receipts of finance lease receivable	237,400	85,712
Gain on sale of foreclosed real estate	14,500	53,300
Interest received from litigation judgment	8,897	13,256
Transfers for capital development grants	(1,448,562)	(880,058)
Transfers for loan commitment	(2,296,253)	(776,396)
Net cash used for capital and related financing activities	(1,277,042)	(167,405)
Cash flows from investing activities:		
Proceeds from (purchase of) restricted cash and cash equivalents and time certificates of deposit	2,274,746	(620,730)
Interest received	20,442	24,191
Net cash provided by (used for) investing activities	2,295,188	(596,539)
Net increase in cash and cash equivalents	4,060,635	220,377
Cash and cash equivalents at beginning of year	2,414,217	2,193,840
Cash and cash equivalents at end of year	$ 6,474,852	$ 2,414,217
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 7,848,070	$ 634,732
Adjustments to reconcile operating income to net cash provided by operating activities:		
Recovery of loan impairment	(6,056,708)	(744,493)
Recovery from loan guaranty settlement	(2,226,340)	-
Provision for loan guaranty	999,189	282,826
Recovery of foreclosed real estate	(79,315)	(62,772)
Depreciation	188,045	192,696
Finance lease revenue	(56,700)	(48,342)
Other	5,764	12,822
(Increase) decrease in assets:		
Receivables:		
Rent	(80,039)	65,686
Finance lease	(10,483)	9,813
Employees	2,013	888
Other	36,787	31,698
Accrued interest	194,818	(88,658)
Prepaid expenses	(2,073)	9,612
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	72,992	22,242
Unearned revenues	(91,558)	6,855
Loan commitment	2,296,253	776,396
Due to grantor agency	1,774	(117,680)
Net cash provided by operating activities	$ 3,042,489	$ 984,321

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Cash Flows, Continued
Years Ended September 30, 2016 and 2015

	2016	2015
Supplemental disclosure of noncash capital and related financing activities:		
Recognition of loans receivable:		
Noncash increase in loans receivable	$ 699,556	$ 651,246
Noncash increase in unearned revenue	(699,556)	(651,246)
	$ -	$ -
Recognition of foreclosed properties:		
Noncash increase in foreclosed real estate	$ (486,520)	$ 340,924
Noncash decrease in loans receivable	(64,436)	(382,424)
Noncash increase in finance lease receivable	550,956	41,500
	$ -	$ -
Loan payable to Marianas Public Land Trust (MPLT):		
Noncash decrease in note payable to related party	$ (106,002)	$ 166,708
Noncash interest expense	(31,581)	42,549
Noncash other income	137,583	(224,944)
Noncash decrease (increase) in interest payable	-	15,687
	$ -	$ -

See accompanying notes to financial statements.

(1) Reporting Entity

The Commonwealth Development Authority (CDA), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), was created as an autonomous public agency of the CNMI pursuant to Public Law 4-49 as amended by Public Laws 4-63 and 5-27. CDA is affiliated with all other component units of the CNMI Government. CDA's existence is to be perpetual and it shall have all the rights and privileges of a corporation. The purpose of CDA is to stimulate the economic development of the CNMI.

The functions of CDA are carried out through a Development Banking Division (DBD, government and public sector activities), a Development Corporation Division (DCD, private sector activities), and the Northern Marianas Housing Corporation (NMHC). NMHC, formerly the Mariana Islands Housing Authority (MIHA), was established to assist in the development and administration of low cost residential housing in the Northern Mariana Islands. MIHA was empowered to provide low cost residential housing and employment through the construction, maintenance, and repair of such housing. On October 20, 1994, Executive Order 94-3 became effective which abolished MIHA and all of its functions, assets and liabilities were transferred to CDA. CDA established NMHC as a division to account for the operations, assets and liabilities of MIHA. NMHC is governed by a seven-member Board of Directors appointed by the Board of Directors of CDA. The purpose and functions of the two divisions and NMHC are as follows:

DBD:

- To receive and hold United States economic assistance for economic development loans provided under Section 702(c) of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (the Covenant);
- To aid in the financing of capital improvement projects and other projects undertaken by the CNMI and its autonomous public agencies;
- To achieve the greatest possible return, in terms of economic development, on the funds made available to the CNMI by the United States in accordance with the Covenant; and on such other funds as may be made available to CDA as capital contributions;
- To disseminate modern practices and techniques of financing, management and business administration in order to raise the levels of efficiency and productivity in all sectors; and
- To serve as the Northern Marianas development bank identified in Article IX, Section 6(c) of the Constitution.

As such, DBD considers all its net position restricted for such purposes.

DCD:

- To identify, formulate, initiate, stimulate and facilitate business and commercial enterprises, with special emphasis on agricultural and marine resources, manufacturing and processing activities, import substitution, export development and responsible use of indigenous raw materials;

(1) Reporting Entity, Continued

DCD, Continued:

- To identify, formulate, initiate, stimulate and facilitate business and commercial enterprises where a service necessary and vital to economic development is required, or where profit incentives are not sufficient to attract private sector investors; and

- To serve as the economic development loan fund agency for qualified private sector enterprises.

As such, DCD considers all its net position, except net investment in capital assets, to be restricted for such purposes. DCD also administers the State Small Business Credit Initiative (SSBCI) loan program funded by the U.S. Department of Treasury through the CNMI and CDA serves as the disbursing agent as well as performs loan documentation preparation. The loans are not reflected in the accompanying financial statements.

NMHC:

- To administer direct loans to qualified individuals for housing construction;

- To participate as guarantor or trustee in housing loan programs;

- To develop and construct rental housing;

- To construct and/or administer various other Federal and local residential and housing projects;

- To participate in projects subsidized by the U.S. Department of Housing and Urban Development (HUD). Upon completion of the projects, the residential units are rented to qualifying families and individuals; and

- To provide grant funding through the Community Development Block Grants/Special Purpose Grants/Insular Area program for community planning and development projects that will benefit low-moderate income communities.

As such, NMHC considers all its net position, except net investment in capital assets, to be restricted for such purposes.

(2) Summary of Significant Accounting Policies

The accounting policies of CDA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. CDA utilizes the flow of economic resources measurement focus. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the statements of net position. Proprietary fund operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgets

In accordance with Public Law 3-68, the Planning and Budgeting Act of 1983, CDA submits an annual budget to the CNMI Office of the Governor.

Cash and Cash Equivalents and Time Certificates of Deposit

For purposes of the statements of net position and of cash flows, cash and cash equivalents is defined as cash held in demand deposits, savings and unrestricted time certificates of deposit with a maturity date within three months of the date acquired. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified. At September 30, 2016 and 2015, total cash and cash equivalents and time certificates of deposit were $19,925,704 and $15,843,562, respectively, and the corresponding bank balances were $18,425,192 and $9,140,586, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. Bank deposits in the amount of $500,000 were FDIC insured as of September 30, 2016 and 2015. CNMI law does not require component units to collateralize their bank accounts and thus CDA's deposits in excess of FDIC insurance are uncollateralized.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses.

Capital Assets

Capital assets are recorded at cost. Depreciation is provided by using the straight-line method over the estimated useful lives of the assets. Current policy is to capitalize items in excess of $500.

Long-lived assets for which management has committed to a plan to dispose of the assets, whether by sale or abandonment, are reported at the lower of carrying amount or fair value less costs to sell.

Land

Land is recorded at fair market value at the date of acquisition. Valuations are periodically performed by management and adjustments are made to reflect the land at the lower of the carrying amount or fair market value. The carrying amount of the land is evaluated on an annual basis to determine impairment by estimating the recoverable value. Recoverable value is based on management's historical knowledge and changes in market conditions from the time of valuation. An impairment loss is recognized in the period in which it arises.

(2) Summary of Significant Accounting Policies, Continued

Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value at the date of foreclosure less estimated selling costs establishing a new cost basis. Valuations are periodically performed by management and adjustments are made to reflect the real estate at the lower of the carrying amount or fair value less estimated costs to sell. Operating expenses or income, reductions in estimated values, and gains or losses on disposition of such properties are charged to current operations.

Loans Receivable, Interest Receivable and Allowance for Loan Losses

Loans and interest receivable are stated at the amount of unpaid principal and interest, reduced by an allowance for loan losses. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. The allowance for loan losses is established through a provision for doubtful accounts charged to expense. Loans are charged against the allowance for loan losses when management believes that the collection of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may be uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay.

Finance Lease Receivables

Finance lease receivables are carried at the aggregate of lease rental receivable less unearned finance lease income. Unearned finance lease income is amortized on a straight line basis over the lease term.

Restricted Cash and Cash Equivalents and Time Certificates of Deposit

As described in note 1, DBD receives and holds United States economic assistance for economic development loans provided under Section 702(c) of the Covenant. The *Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands* requires that a revolving fund be established into which repayments of principal and interest from revenue-producing projects shall be deposited for financing of additional revenue-producing capital development projects. From its inception on October 1, 1985, DBD has exclusively accounted for Covenant 702(c) funding and thus represents the required revolving fund.

As described in note 1, DCD serves as the economic development loan fund agency for qualified private sector enterprises. DCD accounts for all funds received by the former Northern Mariana Islands Economic Development Loan Fund pursuant to Article VII, Section 702(c) of the Covenant from February 15, 1975 through September 30, 1985. In addition to the aforementioned financial resources, DCD has been designated as the administrative agency for economic development loans transferred from the Trust Territory of the Pacific Islands government to the CNMI. DCD represents a revolving fund to account for economic development loans to qualified private sector enterprises.

(2) Summary of Significant Accounting Policies, Continued

Restricted Cash and Cash Equivalents and Time Certificates of Deposit, Continued

As described in note 1, NMHC administers various Federal and local residential and housing projects. In administering these programs, NMHC is required to maintain certain funds as collateral or in accounts which are restricted for specific purposes.

Revenue Recognition

Operating revenues include all direct revenues such as interest and fees on loans, administrative fee, federal grants and interest on investments.

Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Interest on loans is accrued and credited to income based on the principal amount outstanding for performing loans. DCD recognizes interest income on nonperforming loans based on management's assessment of collectability. Due to current confines of NMHC's system, interest on nonperforming loans is accrued and credited to income; however, a bad debt expense is recognized for the amount of interest deemed uncollectible. NMHC are currently working to be able to prospectively cease recognition of interest income on nonperforming loans.

Administrative fee revenue represents 75% of the 5% tax credit reserved for approved applicants of the Low Income Housing Tax Credit (LIHTC). NMHC is the government agency authorized to administer the LIHTC Program in the CNMI. The LIHTC program is available to owners/developers of qualifying buildings and projects that meet certain low-income occupancy and rent restrictions. NMHC recorded LIHTC administrative fee revenue of $312,045 and $168,338 as of September 30, 2016 and 2015, respectively.

Federal grant revenues are recognized when allowable expenses are incurred.

Non-operating revenues primarily result from capital and financing activities and from forgiveness of debt.

Unearned Revenues

Unearned revenue is recognized when cash, receivables or other assets are recorded prior to being earned. Unearned revenue of DCD represents prepaid lease income on foreclosed real estate held for lease of $573,081 and $664,639 as of September 30, 2016 and 2015, respectively. Amounts to be recognized over the terms of the leases are as follows:

Year ending September 30,	Lease Recognition
2017	$ 13,530
2018	13,530
2019	13,530
2020	13,530
2021	13,530
2022 - 2026	66,050
2027 - 2031	67,650
2032 - 2036	67,650
2037 - 2041	67,650
2042 - 2046	67,650
2047 - 2051	67,650
2052 - 2056	57,010
2057 - 2061	43,220
2062	901
	$ 573,081

(2) Summary of Significant Accounting Policies, Continued

Unearned Revenues, Continued

Unearned revenues of NMHC represent recorded loans receivable from individuals eligible under the HOME Investment Partnership and Neighborhood Stabilization programs administered by NMHC. NMHC recorded unearned revenue of $8,985,137 and $8,322,823 for the years ended September 30, 2016 and 2015, respectively, which have been presented as long-term in the accompanying financial statements.

Loan Commitments

Loan commitments are funds received from the CNMI for the SSBCI cash collateral support program deposited in a financial institution subject to FDIC and funds for loans approved and not yet disbursed at year end. Loan commitment funds as of September 30, 2016 and 2015 were $3,279,280 and $983,027, respectively.

Compensated Absences

Vested or accumulated vacation leave is recorded as benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Accumulated sick pay benefits as of September 30, 2016 and 2015 approximated $434,296 and $400,591, respectively.

Litigation Judgment

On November 24, 2012, a binding and unappealable judgment was issued on a lawsuit filed against the architects, the construction manager and the contractor for deficiencies in the design and construction of homes in the Tottotville Subdivision, which awarded NMHC $694,851 in damages. NMHC recorded litigation judgment revenue of $46,138 and $55,923 during the years ended September 30, 2016 and 2015, respectively, and recorded receivables of $78,015 and $114,802 (inclusive of interest of nine percent (9%) per annum) as of September 30, 2016 and 2015, respectively, included in other receivables in the accompanying financial statements.

Retirement Plan

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

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

On August 30, 2012, Public Law 17-79 was enacted to amend Title I of the Commonwealth Code to include the intent of the CNMI to participate in the retirement insurance system established by Title II of the U.S. Federal Insurance Contributions Act (FICA) and for participation to be extended to elected officials, employees, political subdivisions and instrumentalities of the CNMI. On September 11, 2012, Public Law 17-82 *CNMI Pension Reform Recovery Act of 2012* was enacted. Unless specifically exempted or authorized by federal law, Public Law 17-82 provides for mandatory membership of CNMI Government employees and elected officials in the U.S. Social Security system and authorizes employees, who elect to, to buy quarters of service in the U.S. Social Security system from contributions made to the DB plan. In addition, Public Law 17-82 provides active and inactive DB Plan members the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the DC Plan and to participate in the U.S. Social Security system without termination of employment or penalty. Further, Public Law 17-82 allows the CNMI Government to continue remitting its 4% employer contribution to the DC Plan unless the employee ceases to contribute its employee share.

On March 11, 2013, Public Law 18-02 was enacted to amend Public Law 17-82 to clarify those provisions necessary to expedite the refunds and to prevent any further frustration of the process. Included in the public law is the amendment of Section 203(a) of Title 1, Division 8, Part 3, which states that the government obligation to withhold and remit the employee's portion to the employee's defined account shall continue with respect to employees who do not terminate membership in the DB Plan. All but four active CDA employees voluntarily terminated membership in the DB Plan and CDA and NMHC contributed $155,328, $153,991 and $162,338 to the DB Plan during the years ended September 30, 2016, 2015 and 2014, respectively.

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. CDA and NMHC are required to contribute to each member's individual account an amount equal to 4% of the member's compensation. CDA and NMHC's recorded DC contributions for the years ended September 30, 2016, 2015 and 2014 were $19,173, $19,622 and $24,409, respectively, equal to the required contributions for each year.

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.

(2) Summary of Significant Accounting Policies, Continued

Net Position

CDA's net position is classified as follows:

- Net investment in capital assets; capital assets, net of accumulated depreciation.

- Restricted:

  Nonexpendable - Net position subject to externally imposed stipulations that CDA maintain them permanently. At September 30, 2016 and 2015, CDA does not have nonexpendable net position.

  Expendable - Net position whose use by CDA is subject to externally imposed stipulations that can be fulfilled by actions of CDA pursuant to those stipulations or that expire by the passage of time. As described in note 1, CDA considers all assets, except net investments in capital assets, to be restricted for economic development.

- Unrestricted; Net position that is not subject to externally imposed stipulations. As CDA considers all assets, except net investments in capital assets, to be restricted for economic development, CDA does not have unrestricted net position of September 30, 2016 and 2015.

GASB Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* and in November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68,* which revised and established new financial reporting requirements for most governments that provided their employees with pension benefits through plans that are administered through trusts. Management has determined that the CNMI is legally responsible for making contributions to NMISF as a non-employer entity and that net pension obligations are allocated in total to the CNMI. Management acknowledges the requirement to recognize revenue in an amount equal to the non-employer contributing entities' (CNMI) total proportionate share of the collective pension expense that is associated with CDA. CDA has not recorded related revenues and pension expense for the years ended September 30, 2016 and 2015 as amounts were not available.

New Accounting Standards

During the year ended September 30, 2016, CDA implemented the following pronouncements:

- GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The implementation of this statement did not have a material effect on the accompanying financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which addresses for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2a7. Rule 2a7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions in Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions in Statement No. 80 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, CDA has entered into off-balance sheet financial instruments consisting of commitments to extend credit and loan guarantees. Such financial instruments are recorded in the financial statements when they become payable.

(2) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Reclassifications

Certain 2015 balances in the accompanying financial statements have been reclassified to conform to the 2016 presentation.

(3) Restricted Cash and Cash Equivalents and Time Certificates of Deposit

DBD

Restricted cash and cash equivalents and time certificates of deposit represent the proceeds of Covenant funding and liquidated revenue bonds derived from pledged Covenant funding, and are restricted for capital development purposes. Proceeds are deposited with commercial lending institutions and the securities are held in the name of CDA.

At September 30, 2016 and 2015, restricted cash and cash equivalents and time certificates of deposit amounting to $3,600,396 and $4,707,638, respectively, consist of amounts held in demand deposit accounts. These amounts are presented at fair value in the accompanying financial statements, in accordance with GASB Statement No. 31.

DCD

Restricted cash and cash equivalents represent funds for the SSBCI loan program maintained by CDA as the disbursing agent deposited with commercial lending institutions held in the name of CDA. At September 30, 2016 and 2015, restricted cash and cash equivalents for the SSBCI loan program were $3,279,280 and $983,027, respectively, maintained in financial institutions subject to FDIC.

NMHC

NMHC maintains depository accounts with financial institutions in the CNMI which are restricted for various purposes, as detailed below. At September 30, 2016 and 2015, restricted cash and cash equivalents consist of amounts held in demand deposit accounts which are maintained in financial institutions subject to FDIC. CNMI law does not require component units to collateralize their bank accounts and thus NMHC’s deposits in excess of FDIC insurance are uncollateralized. Accordingly, the deposits are exposed to custodial credit risk.

(3) Restricted Cash and Cash Equivalents and Time Certificates of Deposit, Continued

NMHC, Continued

Restricted cash and cash equivalents:

	2016	2015
Escrow and savings accounts maintained as a guarantee for any deficiency in foreclosure proceeds related to USDA Rural Development loans	$ 3,315,917	$ 3,541,127
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development	199,633	200,588
Savings account maintained as a guarantee of housing loans made by a CNMI savings and loan	61	61
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	994,476	979,235
Other depository accounts reserved for various purposes	561,089	267,669
	$ 5,071,176	$ 4,988,680

(4) Loans Receivable

DBD

As described in note 2, DBD is required to establish a revolving fund into which repayments of principal and interest from revenue-producing projects shall be deposited. At September 30, 2016 and 2015, the revolving fund consists of one note receivable from the Commonwealth Ports Authority (CPA), bearing interest at 2.5% per annum, with monthly principal and interest payments in the amount of $31,000, with a maturity date of June 15, 2030. Proceeds were used for the Saipan Harbor Project.

DCD

As described in note 1, DCD was established to serve as the economic development loan fund agency for qualified private sector enterprises pursuant to Public Law 4-49. In this capacity all functions, powers, duties, funds, contracts, obligations and liabilities managed and administered by the Northern Mariana Islands Economic Development Loan Fund (EDLF) were transferred to DCD. EDLF was established pursuant to Article VII, Section 702(c) of the Covenant, dated February 15, 1975, to administer financial resources received under the Covenant which were specifically set aside for a loan program to assist the general economic development of the Northern Mariana Islands. Additionally, the Trust Territory of the Pacific Islands Government contributed to the economic development loan portfolio.

(4) Loans Receivable, Continued

DCD, Continued

Outstanding loans are due within various periods not to exceed thirty (30) years. The interest rates charged are based on the economic purpose of the loan. Production development loans bear interest at 7% to 9%, marine and agriculture loans bear interest at 4.5%, commercial development loans bear interest at 7% to 9%, and microloans bear interest at 7% to 12%. In October 2007, CDA initiated a "Debt Relief Program" (the Program) to address increasing delinquent loans. The Program provides for reduction of interest to two percent and extension of term up to thirty years with a mandated three-year callable provision where warranted and justified.

NMHC

NMHC makes loans for the specific purpose of providing residents of the Northern Mariana Islands with approved low-cost housing. The loans have terms from ten to thirty-three years in duration at interest rates of 4.5% to 12%. Loans are restricted to ninety percent (90%) of the appraised value of the property or the purchase price, whichever is lower. For construction loans, the purchase price of the property is defined as the value of the land plus the estimated cost of construction.

Major classifications of economic development loans as of September 30, 2016 and 2015 (with combining information as of September 30, 2016), are as follows:

	DBD	DCD	NMHC	2016	2015
General	$ -	$ 30,153,897	$ 413,275	$ 30,567,172	$ 32,305,279
HOME Investment Partnerships Act grant	-	-	7,943,466	7,943,466	6,994,992
Marine	-	5,395,909	-	5,395,909	5,852,768
Capital development loan receivable from related party	4,240,426	-	-	4,240,426	4,499,562
Direct family home loans	-	-	2,492,580	2,492,580	2,628,212
Agriculture	-	1,252,344	-	1,252,344	1,464,911
Neighborhood Stabilization Program (NSP) grant	-	-	1,078,914	1,078,914	972,329
Housing construction	-	-	498,024	498,024	451,188
Tinian turnkey	-	-	471,983	471,983	450,564
Section 8	-	-	387,973	387,973	378,427
Home revenue bond	-	-	61,247	61,247	64,424
Housing preservation grant	-	-	13,773	13,773	16,687
Loan principal receivable	4,240,426	36,802,150	13,361,235	54,403,811	56,079,343
Less allowance for loan losses	-	(23,790,131)	(9,038,242)	(32,828,373)	(39,041,849)
Net loans receivable	$ 4,240,426	$ 13,012,019	$ 4,322,993	$ 21,575,438	$ 17,037,494

Maturities of the above principal balances subsequent to September 30, 2016 will be as follows:

	DBD	DCD	NMHC	Total
Fully matured and others	$ -	$ 23,925,553	$ 1,547,948	$ 25,473,501
1 - 6 months	134,110	731,416	529,920	1,395,446
7 - 18 months	272,419	1,083,107	933,142	2,288,668
19 months - 3 years	421,255	1,031,673	1,238,005	2,690,933
After 3 years	3,412,642	10,030,401	9,112,220	22,555,263
	$ 4,240,426	$ 36,802,150	$ 13,361,235	$ 54,403,811

(4) Loans Receivable, Continued

Allowance for Loan Losses

An analysis of the change in the allowance for loan losses is as follows:

	DBD	DCD	NMHC	2016	2015
Balance - beginning of year	$ 2,249,781	$ 28,297,974	$ 8,494,094	$ 39,041,849	$ 38,247,192
(Recovery of) provision for loan losses	(2,249,781)	(4,410,291)	544,148	(6,115,924)	(689,316)
Effect of summary judgments	-	13,160	-	13,160	1,487,871
Write-off of loans	-	(110,712)	-	(110,712)	(3,898)
Balance - end of year	$ -	$ 23,790,131	$ 9,038,242	$ 32,828,373	$ 39,041,849

During the years ended September 30, 2016 and 2015, CDA increased loans receivable and the allowance for loan losses by $13,160 and $1,487,871, respectively, based on summary judgments issued by the courts.

(5) Finance Leases

DCD

CDA leases certain foreclosed real estate properties for periods ranging from ten to twenty-five years under direct finance leases. The leases bear interest at fixed rates ranging from 4.5% to 5.0% and provide options to purchase at $1 and $100 plus the outstanding lease receivable and related accrued interest. Finance lease income for the years ended September 30, 2016 and 2015 amounted to $56,700 and $48,342, respectively. Future minimum lease rentals and future minimum lease income under these arrangements as of September 30, 2016, are as follows:

Year ending September 30,	Minimum Lease Rentals	Minimum Lease Income	Net 2016	Net 2015
2016	$ -	$ -	$ -	$ 63,979
2017	151,991	60,988	91,003	63,979
2018	151,991	60,988	91,003	63,979
2019	156,153	60,916	95,237	68,214
2020	153,918	60,115	93,803	66,780
2021	178,683	58,325	120,358	-
Thereafter	2,031,570	1,091,273	940,297	734,514
	$ 2,824,306	$ 1,392,605	1,431,701	1,061,445
	Less current portion		91,003	63,979
	Noncurrent portion		$ 1,340,698	$ 997,466

NMHC

NMHC leases certain foreclosed real estate properties for periods ranging from fifteen to thirty years bearing interest at fixed rates ranging from 2% to 6% and with options to purchase at $100 plus the outstanding lease receivable and related accrued interest. Finance lease income for the years ended September 30, 2016 and 2015 amounted to $21,358 and $22,166, respectively. Future minimum lease rentals under these arrangements as of September 30, 2016 and 2015, are as follows:

(5) Finance Leases, Continued

NMHC, Continued

Year ending September 30,	Minimum Lease Rentals	Minimum Lease Income	Net 2016	Net 2015
2016	$ -	$ -	$ -	$ 16,021
2017	38,228	27,405	10,823	14,385
2018	39,875	27,117	12,758	15,078
2019	39,875	26,520	13,355	15,810
2020	39,875	25,929	13,946	16,582
2021	39,875	25,215	14,660	-
Thereafter	764,339	279,900	484,439	482,946
	$ 962,067	$ 412,086	549,981	560,822
Less current portion			(10,823)	(16,021)
Less allowance for doubtful accounts			(19,341)	-
Noncurrent portion			$ 519,817	$ 544,801

(6) Investments

A Memorandum of Agreement (MOA) was established between CDA and the Commonwealth Utilities Corporation (CUC) on November 21, 2002, as amended in January 2004, to waive a portion of the capital development loans receivable and to provide for the conversion into equity ownership of the balance. Public Laws 13-35, 13-36 and 16-17 were enacted to effectuate the settlement of disputes between CDA and CUC as required by the MOA.

On May 7, 2009, CUC and CDA, entered into a Preferred Stock Agreement (the Agreement) to effectuate the terms and conditions of the MOA by requiring CUC to issue shares of cumulative, non-convertible and non-transferrable preferred stock of $45,000,000 to CDA and yielding annual dividends of two percent. The Commonwealth Public Utilities Commission approved the Agreement on September 3, 2009. The Agreement provides CUC the right to purchase from CDA up to $16,200,000 of the $45,000,000 preferred stock through offset against CUC's future, internally-funded capital improvement projects. Subject to CUC purchase exception, CDA shall not transfer any of its rights, title or interest to such preferred stock. Further, the Agreement provides for deferral of the dividend payments for the first three years after issuance, with such deferred dividend payments being amortized, interest free, over a fifteen-year period. Dividends were to be paid to CDA beginning October 1, 2012 but were not received. The Agreement cancels and discharges the indebtedness of CUC to CDA of $61,568,750 in principal and $138,670,797 in accrued interest, including related late charges and any other charges owed by CUC on the capital development loans.

(6) Investments, Continued

CUC issued to CDA forty-five shares of preferred stock with a par value of $1,000,000 per share for a total aggregate value of $45,000,000 dated September 28, 2009. The preferred stock yields guaranteed dividends at two percent per annum payable quarterly in advance. The dividends of the preferred stock are cumulative from and after October 1, 2009 and bear no interest. CDA has taken the position that the value of the preferred stock represents the net present value of the future stream of dividend payments required by CUC and not the face value of the stock itself. At September 30, 2016 and 2015, CDA has recorded an investment of $11,309,651, with a corresponding 100% valuation allowance, based on the discounted cash flows of the future dividend payments at 6.27% per annum.

Minimum receipts (which do not factor in CUC's right to purchase up to $16,200,000 of preferred stock through offset against CUC's future, internally-funded capital improvement projects) under the original agreement are as follows:

Year ending September 30,	Principal Amount	Interest	Total
2013	$ 875,589	$ 204,411	$ 1,080,000
2014	822,775	257,225	1,080,000
2015	773,147	306,853	1,080,000
2016	726,512	353,488	1,080,000
2017	682,691	397,309	1,080,000
2018 - 2022	2,843,258	2,556,742	5,400,000
2023 - 2027	2,083,152	3,316,848	5,400,000
2028 - 2032	1,271,875	3,228,125	4,500,000
2033 - 2037	931,857	3,568,143	4,500,000
2038 - 2039	298,795	1,501,205	1,800,000
	$ 11,309,651	$ 15,690,349	$ 27,000,000

On August 17, 2016, CDA entered into an agreement with CUC for the total amount of unpaid dividend payments owed by CUC to CDA and agreed to a dividend of $4,320,000 for the year ended September 30, 2016. The agreement states that CUC will make quarterly dividend payments beginning October 1, 2016, as required by the preferred stock agreement, with a payment to CDA of $270,000 which represents the full amount of the quarterly dividend due. CDA has determined that, prospectively, dividend income will be recognized upon collection.

(7) Capital Assets

Capital assets consist of the following at September 30, 2016 and 2015:

DCD

	Estimated Useful Lives	Balance at October 1, 2015	Additions	Deletions	Balance at September 30, 2016
Capital assets not being depreciated:					
Land, net		$ 184,348	$ -	$ -	$ 184,348
Capital assets being depreciated:					
Structure and improvements	7 years	702,213	4,250	-	706,463
Vehicles/office equipment	3 - 5 years	120,738	76,302	(1,885)	195,155
Computer equipment	3 - 5 years	49,103	725	-	49,828
Furniture and fixtures	7 years	99,805	4,850	-	104,655
		971,859	86,127	(1,885)	1,056,101
Less accumulated depreciation		(308,589)	(47,307)	1,885	(354,011)
Total capital assets being depreciated		663,270	38,820	-	702,090
Total capital assets, net		$ 847,618	$ 38,820	$ -	$ 886,438

(7) Capital Assets, Continued

DCD, Continued

	Estimated Useful Lives	Balance at October 1, 2014	Additions	Deletions	Balance at September 30, 2015
Capital assets not being depreciated:					
Land, net		$ 184,348	$ -	$ -	$ 184,348
Capital assets being depreciated:					
Structure and improvements	7 years	702,213	-	-	702,213
Vehicles/office equipment	3 - 5 years	118,242	2,496	-	120,738
Computer equipment	3 - 5 years	48,054	1,049	-	49,103
Furniture and fixtures	7 years	99,805	-	-	99,805
		968,314	3,545	-	971,859
Less accumulated depreciation		(266,267)	(42,322)	-	(308,589)
Total capital assets being depreciated		702,047	(38,777)	-	663,270
Total capital assets, net		$ 886,395	$ (38,777)	$ -	$ 847,618

NMHC

	Estimated Useful Lives	Balance at October 1, 2015	Additions	Deletions	Balance at September 30, 2016
Residential Housing Development Projects:					
Section 8 Mihaville Housing	30 years	$ 2,500,086	$ -	$ -	$ 2,500,086
Section 8 Koblerville Housing	30 years	1,954,050	-	-	1,954,050
Section 8 Rota Housing	30 years	1,200,484	-	-	1,200,484
Section 8 Tinian Housing	30 years	1,084,553	-	-	1,084,553
Section 8 Housing Phase II	30 years	637,704	-	-	637,704
Section 8 Housing Phase I	30 years	600,515	-	-	600,515
		7,977,392	-	-	7,977,392
Other:					
Koblerville infrastructure	30 years	2,214,991	-	-	2,214,991
Tinian infrastructure	30 years	608,500	-	-	608,500
Building and improvements	20 years	858,231	-	-	858,231
Equipment and computers	3 - 8 years	550,079	-	-	550,079
Vehicles	3 years	215,830	-	-	215,830
		4,447,631	-	-	4,447,631
		12,425,023	-	-	12,425,023
Less accumulated depreciation		(11,428,129)	(140,738)	-	(11,568,867)
		$ 996,894	$ (140,738)	$ -	$ 856,156

	Estimated Useful Lives	Balance at October 1, 2014	Additions	Deletions	Balance at September 30, 2015
Residential Housing Development Projects:					
Section 8 Mihaville Housing	30 years	$ 2,500,086	$ -	$ -	$ 2,500,086
Section 8 Koblerville Housing	30 years	1,954,050	-	-	1,954,050
Section 8 Rota Housing	30 years	1,200,484	-	-	1,200,484
Section 8 Tinian Housing	30 years	1,084,553	-	-	1,084,553
Section 8 Housing Phase II	30 years	637,704	-	-	637,704
Section 8 Housing Phase I	30 years	600,515	-	-	600,515
		7,977,392	-	-	7,977,392
Other:					
Koblerville infrastructure	30 years	2,214,991	-	-	2,214,991
Tinian infrastructure	30 years	608,500	-	-	608,500
Building and improvements	20 years	858,231	-	-	858,231
Equipment and computers	3 - 8 years	550,079	-	-	550,079
Vehicles	3 years	188,835	26,995	-	215,830
		4,420,636	26,995	-	4,447,631
		12,398,028	26,995	-	12,425,023
Less accumulated depreciation		(11,277,755)	(150,374)	-	(11,428,129)
		$ 1,120,273	$ (123,379)	$ -	$ 996,894

(7) Capital Assets, Continued

NMHC, Continued

NMHC's nondepreciable capital assets consist of the following titles to approximately 335,542 square meters of land:

1. Lot 014 R 01, containing an area of 31,407 square meters, more or less, and the improvements thereon, located at As Liyo, Rota, CNMI.
2. Lot 021 T 03, containing an area of 143,623 square meters, more or less, located at San Jose, Tinian, CNMI.
3. Lot 021 T 01, containing an area of 26,250 square meters, more or less, and the improvements thereon, located at San Jose, Tinian, CNMI.
4. Lot 005 I 001, containing an area of 40,554 square meters, more or less, and the improvements thereon, located at Koblerville, Saipan, CNMI.
5. Lot 014 D 75, containing an area of 10,923 square meters, more or less, located at Garapan, Saipan, CNMI.
6. Lot 003 D 27, and a portion of Lot 014 D 75, collectively containing an area of 5,824 square meters, more or less, located at Garapan, Saipan, CNMI.
7. Lot 071 D 01, containing an area of 37,145 square meters, more or less, and the improvements thereon, located at Garapan, Saipan, CNMI.
8. Lot 014 D 01, containing an area of 39,816 square meters, more or less, and the improvements thereon, located at Garapan, Saipan, CNMI.

The above land was acquired at no cost and was originally held for development of low income rental housing or resale to low income families for construction of housing. The land is recorded on NMHC's financial statements at estimated fair value of $7,288,182 at September 30, 2016 and 2015. NMHC recorded an impairment loss on land of $2,262,131 based on broker's opinions obtained during the year ended September 30, 2011. Public Law 6-34 provides NMHC, subject to certain terms and conditions, the authority to lease for commercial development certain land situated in the North Garapan Subdivision Annex No. 2. NMHC is currently in the process of promoting the development of the abovementioned land to allow NMHC to meet its future commitments.

(8) Foreclosed Real Estate

A summary of the changes in foreclosed real estate and the related valuation allowance as of September 30, 2016 and 2015 is as follows:

	DCD		NMHC	2016	2015
	For Sale	For Lease			
Foreclosed Real Estate:					
Balance at beginning of year	$ 1,305,460	$ 2,009,876	$ 687,212	$ 4,002,548	$ 4,142,948
Additions	300,000	35,000	59,200	394,200	1,369,976
Deletions	(470,000)	(266,000)	(304,764)	(1,040,764)	(1,510,376)
	1,135,460	1,778,876	441,648	3,355,984	4,002,548
Valuation allowance	(550,730)	(927,663)	-	(1,478,393)	(1,647,893)
Balance at end of year	$ 584,730	$ 851,213	$ 441,648	$ 1,877,591	$ 2,354,655

(8) Foreclosed Real Estate, Continued

	DCD For Sale	DCD For Lease	NMHC	2016	2015
Valuation Allowance:					
Balance at beginning of year	$ 595,730	$ 1,052,163	$ -	$ 1,647,893	$ 1,818,243
Provisions	150,000	8,500	-	158,500	492,157
Write-offs/transfers	(195,000)	(133,000)	-	(328,000)	(662,507)
Balance at end of year	$ 550,730	$ 927,663	$ -	$ 1,478,393	$ 1,647,893

(9) Note Payable to Related Party

	2016	2015
Note payable to Marianas Public Land Trust (MPLT), bearing interest at 6.5% per annum, due over a fifteen-year term, beginning June, 2003. The note is collateralized by the full faith and credit of the CNMI Government held in trust by MPLT, for the purpose of development and maintenance of the American Memorial Park (AMP), and is being repaid from investment earnings of MPLT's AMP Fund pursuant to CNMI Public Law 11-72. As of September 30, 2016 and 2015, CDA recorded other income of $137,583 and $224,944, respectively.	$ 449,330	$ 555,332

Principal maturities for subsequent fiscal years are as follows (estimated as repayments depend on earnings on the investments):

Year ending September 30,	Principal Balance	Interest	Total
2017	$ 262,588	$ 22,853	$ 285,441
2018	186,742	5,295	192,037
	$ 449,330	$ 28,148	$ 477,478

Changes in notes payable for the years ended September 30, 2016 and 2015, are as follows:

	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016	Due Within One Year
DBD	$ 555,332	$ -	$ (106,002)	$ 449,330	$ 262,588

	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015	Due Within One Year
DBD	$ 722,040	$ -	$ (166,708)	$ 555,332	$ 186,289

(10) Contributions for Capital Development Grants

As described in note 2, DBD receives and holds U.S. economic assistance provided in the Covenant. Terms and conditions of this assistance are contained in the *Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands* (the Agreement). In accordance with the Agreement, DBD uses the proceeds, and accumulated earnings, by issuing either grants or loans to subrecipients, and acts in a pass through capacity. Revenues and expenditures related to grant agreements are recognized by the subrecipient with DBD recording expense under the caption "contributions for capital development grants".

Contributions for capital development grants consist of (a) transfers to the CNMI for capital projects of the CNMI Third Senatorial Districts pursuant to Saipan Local Law No. 18-17 of $1,029,888 and $738,191 for the years ended September 30, 2016 and 2015, respectively, and (b) transfers to the CNMI for renovations and repair of Tinian municipal buildings pursuant to Public Law No. 17-8 of $418,674 and $141,867 for the years ended September 30, 2016 and 2015, respectively.

(11) Related Party Transactions

CDA maintains depository accounts in FDIC insured financial institutions. A former Board member of CDA (term expired on December 31, 2014) is currently the Vice President/Regional Manager of one of these financial institutions. CDA's deposits in this financial institution amounted to $9,080,494 and $9,152,908 as of September 30, 2016 and 2015, respectively. Management is of the opinion that transactions with this financial institution are of similar terms and conditions as with unrelated parties.

(12) Commitments and Contingencies

Commitments

CDA leases certain foreclosed real estate properties for periods ranging from one to fifty-five years. CDA also leases commercial space in its building for one to two year periods with monthly leases of $100 to $600 per unit. Total lease income for the years ended September 30, 2016 and 2015 amounted to $197,227 and $124,609, respectively. Minimum future lease income for all leases is as follows:

Year ending September 30,	Minimum Lease Income Due
2017	$ 107,070
2018	92,395
2019	78,945
2020	71,845
2021	70,945
Thereafter	2,913,362
	$ 3,334,562

CDA leases its office space and equipment in Rota for an annual rental of $7,811. Total minimum future rental is $7,968 under this operating lease for the year ending September 30, 2017.

(12) Commitments and Contingencies, Continued

Contingencies

NMHC participates in a number of federally assisted grant programs funded by the United States Government. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs of $1,324,665 have been set forth in NMHC's Single Audit Report for the year ended September 30, 2016. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

NMHC has entered into an agreement with the USDA Rural Development (RD) whereby NMHC assists borrowers in obtaining RD financing for housing construction. The agreement requires NMHC to guarantee any deficiency in foreclosure proceeds should borrowers default on RD loans. As of September 30, 2016 and 2015, NMHC has guaranteed outstanding loans of $10,516,586 and $10,592,730, respectively, and the amount of delinquent loans related to the agreement was $6,662,734 and $5,699,223, respectively. As of September 30, 2016 and 2015, total delinquent loans with demand notices from RD were $4,187,162 and $3,932,646, respectively, for which NMHC recorded liabilities incorporated in a "reserve for loan guaranty" of $3,337,642 and $4,564,793, respectively, in the accompanying financial statements exclusive of reserves for the remaining non-delinquent and delinquent loans without demand notices of $1,426,449 and $632,147, respectively.

As of September 30, 2016 and 2015, total restricted cash and cash equivalents which serve as escrow accounts for RD loans or will pay amounts due to RD pursuant to the agreement amounted to $3,315,917 and $3,541,127, respectively. This amount is included in "restricted cash and cash equivalents" in the accompanying financial statements. NMHC may not have sufficient liquid assets to meet its RD agreement guarantee if RD accelerates demand notices on additional delinquent loans. The amount of potential obligations arising from this matter cannot presently be determined.

NMHC entered into a loan agreement and related loan purchase agreement with a savings and loan in the CNMI whereby the savings and loan will make available up to $6,000,000 for housing loans. Under the agreements, NMHC is responsible for administering the loan purchase program and the savings and loan agrees to purchase qualified loans from NMHC. NMHC guarantees the first 25% of the principal balance plus interest on each loan sold to the savings and loan. As of September 30, 2016 and 2015, NMHC was contingently liable for $168,228 and $183,236, respectively, of the balance of loans purchased by the savings and loan. In addition, NMHC is required to maintain an account at the savings and loan equal to the lesser of 5% of all loans sold to the savings and loan or $100,000. The balance in the account at September 30, 2016 and 2015 was $61 which is included in "restricted cash and cash equivalents" in the accompanying financial statements. As of September 30, 2016 and 2015, total defaulted loans related to this arrangement were $-0- and $101,041, respectively.

NMHC also has similar arrangements with other financial institutions whereby NMHC guarantees a varying percentage of loans issued by the banks for housing construction. At September 30, 2016 and 2015, NMHC was contingently liable to these institutions for $324,927 and $651,436, respectively. As of September 30, 2016 and 2015, the total defaulted loans related to these arrangements were $62,357 and $275,777, respectively.

(12) Commitments and Contingencies, Continued

Contingencies, Continued

NMHC is involved in various claims and lawsuits arising in the normal course of business. However, the ultimate outcome of the claims and lawsuits are unknown at the present time. Accordingly, no provision for any liability that might result has been made in the accompanying financial statements.

(13) Risk Management

CDA 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. CDA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(14) Subsequent Events

On October 18, 2016, NMHC entered into a settlement agreement with USDA RD for $1,871,100 to pay all forty-eight seriously delinquent accounts in full with a principal amount of $4,097,440, which was paid on October 24, 2016. NMHC recognized the forgiven reserved amount of $2,226,340 as a recovery from loan guaranty settlement for the year ended September 30, 2016.

During the year ended September 30, 2017, CDA received $5,400,000 from CUC as a dividend payment including arrears of $4,320,000 recognized as dividend income in its fiscal year 2016 statement of revenues, expenses and changes in net position.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Net Position
September 30, 2016

ASSETS	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Current assets:					
Cash and cash equivalents	$ -	$ 5,801,214	$ 673,638	$ -	$ 6,474,852
Time certificates of deposit	-	1,500,000	-	-	1,500,000
Receivables:					
Current portion of loans receivable, net	269,065	1,272,970	974,205	-	2,516,240
Current portion of finance lease receivable, net	-	91,003	10,823	-	101,826
Rent, net	-	20,469	109,682	-	130,151
Accrued interest, net	7,444	17,832	192,631	-	217,907
Dividend	4,320,000	-	-	-	4,320,000
Other, net	-	56,247	78,015	-	134,262
Prepaid expenses	-	5,073	-	-	5,073
Total current assets	4,596,509	8,764,808	2,038,994	-	15,400,311
Other assets:					
Cash and cash equivalents, restricted	3,600,396	3,279,280	5,071,176	-	11,950,852
Noncurrent assets:					
Loans receivable, net of current portion	3,971,361	11,739,049	3,348,788	-	19,059,198
Finance lease receivable, net of current portion	-	1,340,698	519,817	-	1,860,515
Due from other funds	-	3,780	-	(3,780)	-
Depreciable capital assets, net of accumulated depreciation	-	702,090	856,156	-	1,558,246
Nondepreciable capital assets	-	184,348	7,288,182	-	7,472,530
Foreclosed real estate, net	-	1,435,943	441,648	-	1,877,591
Total noncurrent assets	3,971,361	15,405,908	12,454,591	(3,780)	31,828,080
	$ 12,168,266	$ 27,449,996	$ 19,564,761	$ (3,780)	$ 59,179,243
LIABILITIES AND NET POSITION					
Current liabilities:					
Current installments of notes payable to related party	$ 262,588	$ -	$ -	$ -	$ 262,588
Accounts payable and accrued expenses	-	689,079	274,563	-	963,642
Due to grantor agency	-	-	800,784	-	800,784
Unearned revenues	-	13,530	-	-	13,530
Loan commitment	-	3,279,280	-	-	3,279,280
Reserve for loan guaranty	-	-	3,337,642	-	3,337,642
Total current liabilities	262,588	3,981,889	4,412,989	-	8,657,466
Notes payable to related party, net of current installments	186,742	-	-	-	186,742
Due to other funds	3,780	-	-	(3,780)	-
Unearned revenues, net of current portion	-	559,551	8,985,137	-	9,544,688
Total liabilities	453,110	4,541,440	13,398,126	(3,780)	18,388,896
Net position:					
Net investment in capital assets	-	886,438	8,144,338	-	9,030,776
Restricted	11,715,156	22,022,118	(1,977,703)	-	31,759,571
Total net position	11,715,156	22,908,556	6,166,635	-	40,790,347
	$ 12,168,266	$ 27,449,996	$ 19,564,761	$ (3,780)	$ 59,179,243

See Accompanying Independent Auditors' Report.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2016

	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Operating revenues:					
Section 8 income:					
Federal housing assistance rentals	$ -	$ -	$ 4,479,954	$ -	$ 4,479,954
Tenant share	-	-	155,837	-	155,837
Interest and fees on loans	109,481	554,839	346,005	-	1,010,325
HOME Investment Partnership Program Grant	-	-	660,042	-	660,042
Recovery from loan guaranty settlement	-	-	2,226,340	-	2,226,340
CDBG Program	-	-	328,368	-	328,368
Low Income Housing Tax Credit	-	-	312,045	-	312,045
HOME Investment Partnership Grant program income	-	-	204,929	-	204,929
ESG Program	-	-	46,776	-	46,776
Interest and dividends on investments	14,410	20,196	-	-	34,606
NSP Grant	-	-	30,433	-	30,433
Housing rental	-	-	21,358	-	21,358
Other	72	393,252	80,560	(25,075)	448,809
	123,963	968,287	8,892,647	(25,075)	9,959,822
Recovery of loan impairment (bad debts)	2,249,781	4,410,291	(603,364)	-	6,056,708
Recovery of interest impairment	-	426,585	-	-	426,585
Recovery of foreclosed real estate	-	61,829	-	-	61,829
Net operating revenues	2,373,744	5,866,992	8,289,283	(25,075)	16,504,944
Operating expenses:					
Section 8 rental	-	-	2,655,611	-	2,655,611
HOME Investment Partnership Program Grant	-	-	660,042	-	660,042
CDBG Program	-	-	328,368	-	328,368
HOME Investment Partnership Grant program income	-	-	204,929	-	204,929
ESG Program	-	-	46,776	-	46,776
NSP Grant	-	-	30,433	-	30,433
Operations:					
Salaries and wages	-	496,062	1,096,755	-	1,592,817
Provision for loan guaranty	-	-	999,189	-	999,189
Employee benefits	-	252,952	168,344	-	421,296
Utilities	-	20,067	329,936	-	350,003
Repairs and maintenance	-	18,331	279,567	-	297,898
Professional fees	-	69,283	133,217	-	202,500
Depreciation	-	47,307	140,738	-	188,045
Travel	-	61,017	124,240	-	185,257
Supplies	-	-	97,640	-	97,640
Reimbursement from grantor	-	-	69,575	-	69,575
Rent	-	7,811	13,925	-	21,736
Other	25,075	126,621	178,138	(25,075)	304,759
Total operating expenses	25,075	1,099,451	7,557,423	(25,075)	8,656,874
Operating income	2,348,669	4,767,541	731,860	-	7,848,070
Nonoperating revenues (expenses):					
Dividend income	4,320,000	-	-		4,320,000
Other income	137,583	1,475	-	-	139,058
Litigation judgment	-	-	46,138	-	46,138
Interest income	-	-	20,442	-	20,442
Gain on sale of foreclosed real estate	-	14,500	-	-	14,500
Gain on sale of capital assets	-	10,144	-	-	10,144
Interest expense	(31,581)	-	-	-	(31,581)
Other expense	-	(11,398)	-	-	(11,398)
Total nonoperating revenues, net	4,426,002	14,721	66,580	-	4,507,303
Income before transfers	6,774,671	4,782,262	798,440	-	12,355,373
Contributions for capital development grants	(1,448,562)	-	-	-	(1,448,562)
Change in net position	5,326,109	4,782,262	798,440	-	10,906,811
Net position - beginning	6,389,047	18,126,294	5,368,195	-	29,883,536
Net position - ending	$ 11,715,156	$ 22,908,556	$ 6,166,635	$ -	$ 40,790,347

See Accompanying Independent Auditors' Report.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows
Year Ended September 30, 2016

	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Cash flows from operating activities:					
Cash received from interest and fees on loans receivable	$ 119,496	$ 1,043,987	$ 468,245	$ -	$ 1,631,728
Interest and dividends on investments	14,410	20,196	-	-	34,606
Cash payments to suppliers for goods and services	-	(206,352)	(554,223)	-	(760,575)
Cash received from customers	72	233,100	487,411	-	720,583
Cash payments to employees for services	-	(749,014)	(1,096,755)	-	(1,845,769)
Cash payments for federal grant reimbursement	-	-	(69,575)	-	(69,575)
Cash received from federal grant awards	-	-	5,752,276	-	5,752,276
Cash payments from federal grant awards	-	-	(4,717,038)	-	(4,717,038)
Cash received for loan commitment	-	2,296,253	-	-	2,296,253
Net cash provided by operating activities	133,978	2,638,170	270,341	-	3,042,489
Cash flows from capital and related financing activities:					
Net interdivisional transactions	(51,794)	51,794	-	-	-
Acquisition of capital assets	-	(86,127)	-	-	(86,127)
Net receipts of loans receivable	259,136	1,949,529	4,435	-	2,213,100
Net receipts of finance lease receivable	-	237,400	-	-	237,400
Proceeds from sale of foreclosed real estate	-	42,373	27,486	-	69,859
Proceeds from sale of capital assets	-	10,144	-	-	10,144
Gain on sale of foreclosed real estate	-	14,500	-	-	14,500
Interest received from litigation judgment	-	-	8,897	-	8,897
Transfers for capital development grants	(1,448,562)	-	-	-	(1,448,562)
Transfers for loan commitment	-	(2,296,253)	-	-	(2,296,253)
Net cash (used for) provided by capital and related financing activities	(1,241,220)	(76,640)	40,818	-	(1,277,042)
Cash flows from investing activities:					
Proceeds from (purchase of) restricted cash and cash equivalents and time certificates of deposit	1,107,242	1,250,000	(82,496)	-	2,274,746
Interest received	-	-	20,442	-	20,442
Net cash provided by (used for) investing activities	1,107,242	1,250,000	(62,054)	-	2,295,188
Net increase in cash and cash equivalents	-	3,811,530	249,105	-	4,060,635
Cash and cash equivalents at beginning of year	-	1,989,684	424,533	-	2,414,217
Cash and cash equivalents at end of year	$ -	$ 5,801,214	$ 673,638	$ -	$ 6,474,852
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 2,348,669	$ 4,767,541	$ 731,860	$ -	$ 7,848,070
Adjustments to reconcile operating income to net cash provided by operating activities:					
(Recovery of loan impairment) bad debts	(2,249,781)	(4,410,291)	603,364	-	(6,056,708)
Recovery from loan guaranty settlement	-	-	(2,226,340)	-	(2,226,340)
Provision for loan guaranty	-	-	999,189	-	999,189
Recovery of foreclosed real estate	-	(61,829)	(17,486)	-	(79,315)
Expenses allocated from DCD to DBD	25,075	(25,075)	-	-	-
Depreciation	-	47,307	140,738	-	188,045
Finance lease revenue	-	(56,700)	-	-	(56,700)
Other	15,687	(9,923)	-	-	5,764
(Increase) decrease in assets:					
Receivables:					
Rent	-	34,505	(114,544)	-	(80,039)
Finance lease	-	(21,324)	10,841	-	(10,483)
Employees	-	-	2,013	-	2,013
Other	-	-	36,787	-	36,787
Accrued interest	10,015	62,563	122,240	-	194,818
Prepaid expenses	-	(2,073)	-	-	(2,073)
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(15,687)	108,774	(20,095)	-	72,992
Unearned revenues	-	(91,558)	-	-	(91,558)
Loan commitment	-	2,296,253	-	-	2,296,253
Due to grantor agency	-	-	1,774	-	1,774
Net cash provided by operating activities	$ 133,978	$ 2,638,170	$ 270,341	$ -	$ 3,042,489
Supplemental disclosure of noncash capital and related financing activities:					
Recognition of loans receivable:					
Noncash increase in loans receivable	$ -	$ -	$ 699,556	$ -	$ 699,556
Noncash increase in unearned revenue	-	-	(699,556)	-	(699,556)
	$ -	$ -	$ -	$ -	$ -
Recognition of foreclosed properties:					
Noncash decrease in foreclosed real estate	$ -	$ (250,956)	$ (235,564)	$ -	$ (486,520)
Noncash (decrease) increase in loans receivable	-	(300,000)	235,564	-	(64,436)
Noncash increase in finance lease receivable	-	550,956	-	-	550,956
	$ -	$ -	$ -	$ -	$ -
Loan payable to MPLT:					
Noncash decrease in note payable to related party	$ (106,002)	$ -	$ -	$ -	$ (106,002)
Noncash interest expense	(31,581)	-	-	-	(31,581)
Noncash other income	137,583	-	-	-	137,583
	$ -	$ -	$ -	$ -	$ -

See Accompanying Independent Auditors' Report.