Financial Statements, Required Supplementary Information and Supplementary Information

Commonwealth Ports Authority

(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Years Ended September 30, 2023 and 2022
with Report of Independent Auditors

Building a better working world

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(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Financial Statements, Required Supplementary Information and Supplementary Information

Years Ended September 30, 2023 and 2022

Contents

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Report of Independent Auditors

Board of Directors
Commonwealth Ports Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Commonwealth Ports Authority (CPA), a component unit of the Commonwealth of the Northern Mariana Islands, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise CPA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of CPA as of September 30, 2023 and 2022, and the changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Audit Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CPA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

In our report dated August 29, 2023, we expressed an opinion that the 2022 financial statements did not fairly present the financial position, changes in financial position, and cash flows of CPA in accordance with accounting principles generally accepted in the United States of America because of a departure from such principles. CPA's nondepreciable capital assets included approximately $33.6 million costs of runway improvements as of September 30, 2022, which have been in use since 2016. However, no depreciation expense was recorded for these runway improvements. As described in Note 11, CPA has corrected the error and restated its 2022 financial statements to conform with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the restated 2022 financial statements, as presented herein, is different from that expressed in our previous report.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CPA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 CPA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 17 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CPA'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, 2023 (pages 47 through 49) are presented for purposes of additional analysis and are not required to be part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2025, on our consideration of CPA'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CPA's internal control over financial reporting and compliance.

Ernst + Young

May 7, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEARS ENDED SEPTEMBER 30, 2023 AND 2023

This section of the Commonwealth Ports Authority's (herein referred to as "CPA") audit report presents our discussion and analysis of CPA's activities and financial performance during the fiscal year ended September 30, 2023, with selected comparative information for the fiscal years ended September 30, 2022 and 2021. Please read it in conjunction with the detailed information contained within the accompanying financial statements.

INTRODUCTION

CPA is a component unit of the Commonwealth of the Northern Mariana Islands (CNMI) and was established as a public corporation on November 8, 1981 by CNMI Public Law 2-48. A seven-member Board of Directors appointed by the Governor to serve four-year terms governs CPA. CPA is a self-supporting organization and generates revenues from port users to fund operating expenses and debt service requirements.

CPA is tasked with the responsibility to operate, maintain and improve all airports and seaports within the CNMI. Airport and seaport facilities currently exist on the islands of Saipan, Tinian and Rota with 149 employees on Saipan, 24 employees on Rota and 27 employees on Tinian.

The notes to the financial statements are essential to fully understand the data contained in the financial statements. This report also presents certain required supplementary information regarding capital assets and long-term debt compliance during the year, including commitments made for capital expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

CPA's financial transactions and subsequent statements are prepared in accordance with accounting principles generally accepted in the United States of America and standards mandated by the Governmental Accounting Standards Board, as applicable to governmental entities.

CPA operates on the accrual basis of accounting wherein revenues are recognized when earned, not when received, and expenses are recorded when incurred, not when paid. Capital assets, except for land, are capitalized and depreciated over their useful lives. Further information is provided in the notes to the accompanying audited financial statements.

The financial statements of this annual report consist of three parts: the MD&A, the basic financial statements and the notes to the financial statements. The basic financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

OVERVIEW OF FINANCIAL STATEMENTS, CONTINUED

The Statements of Net Position present information on all of CPA's assets and liabilities, with the difference between the two reported as net position. Net position consists of restricted net position, unrestricted net position and net position invested in capital assets, net of related debt.

The Statement of Revenues, Expenses and Changes in Net Position present information showing how net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in future periods.

The Statement of Cash Flows presents information related to CPA's cash receipts and cash payments during the fiscal year and its ability to generate net cash flows and meet its obligations as they become due and its needs for external financing.

FINANCIAL HIGHLIGHTS

Total assets and deferred outflows for the airport and the seaport operations combined decreased by 1% in FY2023 (or $3,363,344 from $293,316,259 in FY2022) and increased by 9% in FY2022 (or $24,052,635 from $269,263,624 in FY2021). Net position for the airport and seaport operations combined decreased by 5% in FY2023 (or $10,098,009 from $213,918,058 in FY2022) and by 2% in FY2022 (or $4,608,288 from $209,309,770 in FY2021). Net position represents the amount that total assets exceed total liabilities.

Operating revenues for the airport and the seaport operations combined increased by 29% in FY2023 (or $3,594,966 from 12,365,188 in FY2022) and by 45% in FY2022 (or $3,818,911 from $8,546,277 in FY2021). Operating revenues for the Airport Division increased by 79% in FY2023 (or $3,749,353 from $4,764,014 in FY2022) and by 262% in FY2022 (or $3,448,373 from $1,315,641 in FY2021). Operating revenues for the Seaport Division decreased by 2% (or $154,387 from $7,601,174 in FY2022) and increased by 5% in FY2022 (or $370,538 from $7,230,636 in FY2021).

The Airport Division aviation revenue increased by $1,222,089 in FY2023 (and by $1,038,324 in FY2022) due to the return of limited scheduled international flights and the implementation of a new rate methodology. The Airport Division was in compliance with its Bond Indenture for FY2023 and FY2022, and CPA expects to be in compliance with the Agreement for FY2024.

The Seaport Division performed a rate study in 2008, which resulted in a tariff increase in March 2009. This was performed due to the departure of the garment industry and the drastic decline in port revenue tons. It was through this effort that revenues increased in order to be in compliance with the Bond Indenture Agreement for 2009 and thereafter. The Seaport Division seaport fees increased by $66,350 in FY2023 (and by $168,343 in FY2022) due to a slight increase in revenue tonnage.

FINANCIAL HIGHLIGHTS, CONTINUED

The Seaport Division was in compliance with its 1998 and 2005 Bond Indenture Agreements (the Agreements) for FY2023 and FY2022, and CPA expects the Seaport Division to be in compliance with the Agreement for FY2024.

Operating expenses (excluding depreciation and amortization) for the airport and the seaport operations combined increased by 10% (or $1,942,288 from $18,662,191 in FY2022) and by 29% (or $4,233,018 from $14,429,173 in FY2021). The increase in operational expenses is due to the increase in utility and related fees.

Due to the implementation of GASB 87, CPA recorded lease receivable and related deferred inflow of resources for its lease agreements.

Combined Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows as of and for the year ended September 30, 2023 follows, with comparative information as of and for the years ended September 30, 2022 and 2021:

Statements of Net Position

	2023	2022 (Restated)	2021 (Restated)
Assets and Deferred Outflows			
Current assets:			
Cash	$ 48,218,779	$ 44,270,753	$ 48,186,763
Receivables, net	3,742,098	8,125,345	3,674,448
Prepaid expenses	369,618	373,772	566,805
Lease receivable, current portion	1,450,875	1,263,809	---
Investments, restricted for debt service and other purposes	43,511,708	48,158,600	50,359,829
Total current assets	97,293,078	102,192,279	102,787,845
Lease receivable, net of current portion	26,117,489	22,791,830	---
Depreciable capital assets, net of accumulated depreciation and amortization	139,501,953	148,161,247	151,690,475
Nondepreciable capital assets	26,785,526	19,843,128	14,387,912
Total noncurrent assets	192,404,968	190,796,205	166,078,387
Deferred outflows from cost of refunding debt	254,869	327,775	397,392
Total assets and deferred outflows	$289,952,915	$293,316,259	$269,263,624

FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Net Position, continued

	2023	2022 (Restated)	2021 (Restated)
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities:			
Revenue bonds payable, current portion	$ 3,270,000	$ 3,080,000	$ 2,900,000
Contractors payable	4,227,744	7,093,447	3,901,265
Trade and other payables	685,150	1,160,044	64,408
Due to related parties	3,728,977	2,741,085	6,628,162
Accrued expenses	625,034	820,152	1,173,381
Compensated absences, current portion	302,396	315,783	309,536
Total current liabilities	12,839,301	15,210,511	14,976,752
Noncurrent liabilities:			
Compensated absences, net of current portion	362,986	376,071	461,143
Revenue bonds payable, net of current portion	16,708,302	19,978,302	23,058,302
Other noncurrent liability	9,750,000	---	---
Total noncurrent liabilities	26,821,288	20,354,373	23,519,445
Deferred inflows of resources from leases	46,472,277	43,833,317	21,457,657
Total liabilities and deferred inflow of resources	86,132,866	79,398,201	59,953,854
Net position:			
Net investment in capital assets	146,564,046	145,273,848	140,517,473
Restricted	43,511,708	48,158,600	50,359,829
Unrestricted	13,744,295	20,485,610	18,432,468
Total net position	203,820,049	213,918,058	209,309,770
Total liabilities, deferred inflow of resources and net position	$289,952,915	$293,316,259	$269,263,624

FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Revenues, Expenses and Changes in Net Position

	2023	2022 (Restated)	2021 (Restated)
Operating revenues:			
Aviation fees	$ 2,434,980	$ 1,212,891	$ 174,567
Seaport fees	5,185,491	5,119,141	4,950,798
Concession and lease income	4,635,061	4,348,362	2,579,104
Other	3,704,622	1,684,794	841,808
	15,960,154	12,365,188	8,546,277
Bad debts	(1,143,063)	(360,873)	(94,709)
Operating revenues, net	14,817,091	12,004,315	8,451,568
Operating expenses:			
Depreciation and amortization	14,492,053	15,614,474	15,093,798
Salaries and wages	6,157,337	7,322,354	5,190,876
Utilities	4,211,400	3,061,682	1,979,327
Insurance	3,595,300	3,523,174	2,844,427
Employee benefits	1,463,156	1,338,445	1,278,398
Miscellaneous	1,117,834	541,319	420,943
Penalties and interest	1,030,234	152	249,935
Contractual services	995,217	926,928	1,163,492
Repairs and maintenance	656,464	622,881	550,907
Supplies	473,555	577,162	410,957
Travel	378,450	166,009	56,838
Fuel	230,679	207,265	91,308
Professional fees	199,304	297,554	163,687
Promotion and advertising	95,549	77,266	28,078
Total operating expenses	35,096,532	34,276,665	29,522,971
Operating loss	(20,279,441)	(22,272,350)	(21,071,403)
Non-operating revenues (expenses):			
Other grant and revenue contributions	9,349,714	14,056,386	10,733,674
Unrealized gain on investments	2,779,769	239,613	---
Interest on leases	453,492	359,007	---
Water utility charges offset	95,614	62,665	33,939
Interest income	19,925	3,615	31,079
Other nonoperating revenue	---	2,325,954	---
Insurance proceeds from typhoon-related damages	---	---	11,133,897
Passenger facility charges	---	---	235,150
Loss on disposal of equipment	(53,939)	(348,906)	(141,302)
Typhoon-related damages	(1,279,785)	(1,062,873)	(1,427,353)
Interest expense	(1,435,080)	(1,622,186)	(1,690,437)
Other nonoperating expense	(7,247,136)	(1,306,848)	---
Total non-operating revenues, net	2,682,574	12,706,427	18,908,647
Loss before capital contributions, carried forward	(17,596,867)	(9,565,923)	(2,162,756)

FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Revenues, Expenses and Changes in Net Position, continued

	2023	2022 (Restated)	2021 (Restated)
Loss before capital contributions, brought backward	(17,596,867)	(9,565,923)	(2,162,756)
Capital contributions	7,498,858	14,174,211	5,894,099
Changes in net position	(10,098,009)	4,608,288	3,731,343
Net position at beginning of year, originally reported	213,918,058	217,712,879	212,300,914
Prior period adjustment	---	(8,403,109)	(6,722,487)
Net position at beginning of year, restated	213,918,058	209,309,770	205,578,427
Net position at end of year	$203,820,049	$213,918,058	$209,309,770

Statements of Cash Flows

	2023	2022	2021
Cash flows from operating activities:			
Cash received from customers	$14,172,141	$10,175,364	$10,649,888
Cash payments to suppliers for goods and services	(13,995,676)	(12,038,853)	(10,280,388)
Cash payments to employees for services	(7,646,965)	(8,739,624)	(6,474,497)
Net cash used for operating activities	(7,470,500)	(10,603,113)	(6,104,997)
Cash flows from investing activities:			
Net investment (purchases) liquidations, restricted	7,426,661	2,201,229	(12,426,353)
Interest income	122,152	325,537	31,079
Net cash provided by (used for) investing activities	7,548,813	2,526,766	(12,395,274)
Cash flows from noncapital financing activity:			
Other grant revenues and contributions	9,349,714	14,056,386	10,733,674
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(13,137,996)	(14,348,280)	(10,183,549)
Capital contributions, net	12,004,555	8,842,135	8,182,986
Water utility charges offset	95,614	62,665	---
Principal paid on revenue bond maturities	(3,080,000)	(2,900,000)	(2,730,000)
Passenger facility charge	---	---	235,150
Proceeds from insurance settlement	---	---	11,133,897
Interest paid on revenue bonds and note payable to a related party	(1,362,174)	(1,552,569)	(1,731,801)
Net cash used for capital and related financing activities	(5,480,001)	(9,896,049)	(4,906,683)
Net change in cash	3,948,026	(3,916,010)	(2,859,914)
Cash at beginning of year	44,270,753	48,186,763	51,046,677
Cash at end of year	$48,218,779	$44,270,753	$48,186,763

CAPITAL ASSETS

At September 30, 2023, CPA had $166,287,479 invested in capital assets, net of depreciation where applicable, including land, runways, terminal and harbor facilities and equipment, fire and rescue equipment, general transportation, other machinery and equipment and numerous projects under construction. This represents a net decrease of $1,716,896 or 1% from the last fiscal year.

	2023	**2022** (Restated)	**2021** (Restated)
Runway and improvements	$155,842,264	$155,842,264	$157,065,177
Other improvements	26,129,326	26,298,642	28,408,628
Terminal facilities and equipment	126,508,616	121,664,040	124,713,459
Harbor facilities	64,373,203	64,373,203	64,029,877
Grounds maintenance and shop equipment	2,126,516	1,556,928	1,856,589
Fire and rescue equipment	35,040,666	35,040,666	34,959,651
Office furniture and fixtures	3,195,195	3,678,345	3,984,991
General transportation	1,092,914	1,240,953	1,251,905
Other	2,143,066	2,143,066	2,739,514
	416,451,766	411,838,107	419,009,791
Less accumulated depreciation	(276,949,813)	(263,676,860)	(267,319,316)
Total depreciable capital assets	$139,501,953	$148,161,247	$151,690,475
Construction in progress	$ 26,321,097	$ 19,378,699	$ 13,923,483
Land	464,429	464,429	464,429
Total nondepreciable capital assets	$ 26,785,526	$ 19,843,128	$ 14,387,912

Please refer to note 5 to the financial statements for additional information regarding CPA's capital asset activity.

RESTRICTED INVESTMENTS

Restricted investments for Airport and Seaport construction and debt service purposes represent the unused proceeds of the Airport Revenue Bonds and the Seaport Revenue Bonds deposited with the Trustee. The balances as of September 30, 2023 and 2022 and are as follows:

	2023	2022	2021
Airport			
Bond Reserve Fund	$ 1,765,388	$ 1,692,612	$ 1,685,184
Bond Fund	703,328	645,046	615,782
Maintenance and Operation	135,382	6,867,138	1,906,457
Revenue Fund	787	757	754
Optional Redemption Fund	13,154	12,644	12,603
Insurance & Condemnation Proceeds Fund - Yutu	21,732,452	20,890,322	21,398,922
Insurance & Condemnation Proceeds Fund - Mangkhut	1,787,726	1,718,452	1,712,823
	26,138,217	31,826,971	27,332,525
Seaport			
Bond Reserve Fund	3,485,988	3,483,639	3,153,313
Supplemental Reserve Fund	7,879,032	7,935,483	8,024,194
Reimbursement Fund	6,313	6,069	6,049
Bond Fund	1,728,194	1,382,862	1,316,207
Maintenance and Operation	4,265,279	3,515,228	4,158,220
Construction Fund	7,803	7,501	7,476
Reserve Fund	882	847	845
	17,373,491	16,331,629	16,666,304
Total	$43,511,708	$48,158,600	$43,998,829

Please refer to note 2 to the financial statements for additional information regarding CPA's restricted investments.

LONG-TERM DEBT

1998 Airport Revenue Bonds

On March 26, 1998, CPA issued a 1998 Series A $20,050,000 tax-exempt revenue bond. Interest is 6.25%, payable on March 15 and September 15 of each year, commencing September 1998 and ending in the year 2028.

Payments for the Airport bond are current. The current portion of the Airport bond principal is $1,035,000. The long-term portion of the bond balance as of September 30, 2023 is $4,845,001.

LONG-TERM DEBT, CONTINUED

1998 Airport Revenue Bonds, continued

This 1998 bond was partially used to refund an outstanding $8,250,000 1987 Series B tax-exempt bonds. The bond refunding consolidated the existing bonds with new bonds to finance various airport projects and to reduce total future debt service payments through lower interest rates. The reacquisition price exceeded the net carrying amount of the old debt by $503,906 which was fully amortized over the refunded debt's life, which is shorter than the life of the new debt. The transaction also resulted in an economic gain of $688,620 and an increase of $7,616,151 in future debt service payments.

1998 Seaport Revenue Bonds

On March 26, 1998, CPA issued a 1998 Series A $33,775,000 tax-exempt revenue bond. Interest is 6.6% payable on March 15 and September 15 of each year, commencing September 1998 and ending in the year 2031.

Payments for the 1998 Seaport bond are current. The current portion of the 1998 Seaport bond principal is $1,875,000. The long-term portion of the bond balance as of September 30, 2023 is $8,785,000.

The Seaport bond proceeds were partially used for a current refunding of $22,470,000 1995 Series A tax-exempt seaport revenue bonds. The refunding consolidated existing debt with new debt issued to finance various seaport projects and to reduce total debt service payments in the future. The reacquisition price exceeded the net carrying amount of the old debt by $1,345,593 which was recorded as a deferred outflow from cost of refunding debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt. The transaction also resulted in an economic gain of $1,724,777 and a decrease of $6,983,345 in future debt service payments.

2005 Seaport Revenue Bonds

On September 21, 2005, CPA issued another Senior Series A tax-exempt revenue bond in the amount of $7,225,000 for the primary purpose of financing the paving of the container yard area of the seaport. Pursuant to Section 2.04 (A)(9) of the 1998 Senior Series A Seaport Revenue Bond Indenture Agreement, CPA entered into a Second Supplemental Indenture for the bonds at an interest rate of 5.5% payable on March 15 and September 15 of each year. Payments commenced on March 15, 2008.

Payments for the 2005 Seaport bond are current. The current portion of the 2005 Seaport bond principal is $360,000. The long-term portion of the bond balance as of September 30, 2023 is $3,150,000.

LONG-TERM DEBT, CONTINUED

2005 Seaport Revenue Bonds, continued

A summary of CPA's long term debt balances as of September 30, 2023, 2022 and 2021 is as follows:

	2023	2022	2021
1998 Senior Series A Bonds - Airport	$ 5,880,001	$ 6,885,000	$ 7,775,000
1998 Senior Series A Bonds – Seaport	10,660,000	12,425,000	14,085,000
2005 Senior Series A Bonds - Seaport	3,510,000	3,850,000	4,170,000

GPPC Runway Settlement

On January 23, 2025, CPA entered into a Settlement Agreement with GPPC, Inc. which intended to resolve all claims, disputes and contentions related to the Saipan International Airport Runway Rehabilitation Project. The Settlement Amount agreed upon is $9,750,000. Payment terms are $2,000,000 payable on or before February 25, 2025 and $100,000 per month starting April 1, 2025 and continuing monthly on or before the first day of each month until the settlement amount and all accrued interest are paid in full. Interest rate is 6% per annum.

Please refer to note 6 to the financial statements for additional information regarding CPA's long-term debt.

REVENUE AND EXPENSE ANALYSIS

Airport and Seaport Combined Operating Revenues

	2023	2022	2021
Airport	$ 8,513,367	$ 4,764,014	$1,315,641
Seaport	7,446,787	7,601,174	7,230,636
	$15,960,154	$12,365,188	$8,546,277

The Airport Division operating revenues increased by 79% in FY2023 as compared to the 262% increase in FY2022. The increase was due to the return to operations of limited international flights and implementation of a new rate methodology. The Seaport Division operating revenues decreased by 2% as compared to the 5% increase in FY2022. The decrease was due to a slight decrease in inbound revenue tonnage.

REVENUE AND EXPENSE ANALYSIS, CONTINUED

CPA's Board of Directors adopted a new compensatory rate methodology for Airports that took effect on October 1, 2022. The compensatory rate setting methodology includes the following key elements:

- A "cost center compensatory" landing fee rate for the Airfield Cost Center using total landed weight as the divisor.
- A "cost center compensatory" average terminal rental rate for the Terminal Cost Center using the total leased square feet as the divisor
- Cost centers have been developed that are consistent with industry practices.

Airport and Seaport Combined Operating Expenses

	2023	2022	2021
Airport			
Personnel expense	$ 6,164,419	$ 7,059,367	$ 5,291,871
Maintenance and operations expense	10,901,925	7,706,695	6,295,959
	17,066,344	14,766,062	11,587,830
Seaport			
Personnel expense	1,456,074	1,601,432	1,177,403
Maintenance and operations expense	2,082,061	2,294,697	1,663,940
	3,538,135	3,896,129	2,841,343
Combined operating expenses	$20,604,479	$18,662,191	$14,429,173

FY 2023 BOND INDENTURE COMPLIANCE

FY2023 Bond/Debt Ratio Compliance

	Airport			Seaport		
	2023	2022	2021	2023	2022	2021
Required revenues for bond compliance	$17,867,323	$16,244,032	$13,310,291	$7,436,387	$7,622,996	$6,695,767
Actual revenues collected:						
Revenues and other income	9,910,651	4,967,302	1,315,641	8,829,273	7,700,164	7,230,636
Other grants and contributions	9,321,266	13,910,210	10,733,674	28,448	146,177	---
Proceeds from insurance	---	---	11,133,897	---	---	---
Passenger facility charge	---	---	235,150	---	---	---
Interest income	70,767	50,238	13,890	402,650	312,384	17,189
	19,302,684	18,927,750	23,432,252	9,260,371	8,158,725	7,247,825
Variance (noncompliance)	$ 1,435,361	$ 2,683,718	$10,121,961	$1,823,984	$ 535,729	$ 552,058

FY 2023 BOND INDENTURE COMPLIANCE, CONTINUED

As illustrated in the above table, for FY2023 and FY2022, CPA was able to generate sufficient revenues for the Airport and Seaport to meet its Bond Indenture requirements. A key factor contributing to CPA Airport's ability to meet these requirements is the FAA opinion allowing passenger facility charges to be considered as revenues for compliance calculations and the inclusion of insurance settlement proceeds and operating grant reimbursements in the bond indenture definition of gross revenues. Revenues and expenses continue to be monitored on a monthly basis so that steps can be taken to ensure compliance. The results from this activity were used to construct a realistic budget for FY2024. It is management's intention to control expenses in a comprehensive manner to ensure there is a proper relationship to operating revenues.

REVENUE-BASED STATISTICS

AIRPORT DIVISION

	Enplaned Passengers	Deplaned Passengers	Landing Weights
Saipan International & Commuter			
FY 2020	265,675	232,230	372,886,229
FY 2021	47,576	15,928	99,080,340
FY 2022	131,215	95,664	200,057,890
FY 2023	258,740	224,609	314,389,468
Rota			
FY 2020	6,945	No data	20,729,624
FY 2021	9,933	No data	22,323,158
FY 2022	10,406	916	24,346,520
FY 2023	12,043	2,180	26,639,386
Tinian			
FY 2020	21,464	No data	30,910,024
FY 2021	20,333	No data	26,946,492
FY 2022	26,958	316	35,812,720
FY 2023	27,733	1,212	44,162,910
All Airports			
FY 2020	294,084	232,230	424,525,877
FY 2021	77,842	15,928	148,349,990
FY 2022	168,579	96,896	260,217,130
FY 2023	298,516	228,001	385,191,764

REVENUE-BASED STATISTICS, CONTINUED

AIRPORT DIVISION, CONTINUED

Consolidated airport enplanements (air passenger departures) increased by 77% in FY2023 and by 117% in FY2022, and consolidated deplanements (air passenger arrivals) increased by 138% in FY2023 and by 501% in FY 2022. These increases are due to the return of limited scheduled flights for international carriers operating the CNMI – Korea route. Although international flight operations have increased significantly as compared to FY 2022 and FY2021, activity has not reached pre-pandemic levels. As of September 2023, international airline enplanements at the Francisco C. Ada/Saipan International Airport were at 52% of pre-pandemic activity (2019).

SEAPORT DIVISION

	Revenue Tons		
	Inbound	**Outbound**	**Total**
Saipan			
FY 2020	403,997	15,842	419,839
FY 2021	379,902	14,835	394,737
FY 2022	406,226	14,580	420,806
FY 2023	361,719	26,874	388,593
Rota			
FY 2020	8,535	627	9,162
FY 2021	10,237	614	10,851
FY 2022	8,600	512	9,112
FY 2023	5,591	61	5,652
Tinian			
FY 2020	20,786	2,011	22,797
FY 2021	19,303	2,457	21,760
FY 2022	22,981	1,958	24,939
FY 2023	31,054	2,580	33,634
All Seaports			
FY 2020	433,318	18,480	451,798
FY 2021	409,442	17,906	427,348
FY 2022	437,807	17,050	454,857
FY 2023	398,364	29,515	427,879

In FY2023, seaport inbound cargo decreased by 9% and outbound cargo increased by 73% for the three seaports combined from FY2022.

ECONOMIC OUTLOOK

International air traffic activity has decreased significantly as compared to pre-pandemic levels. International flights were suspended indefinitely effective February 2020 and operations have not recovered to pre-COVID activity since then. As of July 2023, four airlines are operating out of the Francisco C. Ada/Saipan International Airport. Three airlines are servicing the Korea-CNMI route and one airline services the Japan-CNMI route and Guam-CNMI route. One air carrier operates out of the Saipan commuter, Tinian and Rota airports providing interisland passenger and cargo services in the CNMI. One air carrier provides interisland cargo services in the CNMI.

For most of the pandemic era, CPA was able to fund its airport operations and debt service requirements mainly due to the receipt of a CARES Act grant from the Federal Aviation Administration (FAA). The grant was awarded in May 2020 in the amount of $22,759,818. In addition, CPA was awarded grants under CRRSA in the consolidated amount of $5,690,792 and grants under ARPA in the consolidated amount of $8,558,676. These grants had four-year performance periods and were at a 100% federal share. These funds, which may be used for any purpose which airport revenues may be lawfully used, was depleted in 2024.

The Seaport gross revenue tons for 2024 is forecasted to increase slightly as the U.S. military presence continues to grow, although essential goods still account for the majority of imports. Management will continue to closely monitor the Airport and Seaport operating expenses in order to maintain a level to comply with the respective Bond Indentures.

Management's Discussion and Analysis for the year ended September 30, 2022 is set forth in CPA's report on the audit of financial statements, which is dated August 29, 2023. That Discussion and Analysis explains the major factors impacting the 2022 financial statements and can be viewed at the Office of the Public Auditor's website at www.opacnmi.com.

CONTACTING CPA'S FINANCIAL MANAGEMENT

This financial report is designed to provide the branches of the CNMI Government and the public at large with a general overview of CPA's finances and to demonstrate its accountability for the monies received. If you have questions about this report or need additional financial information, contact Ms. Sheryl Sizemore, Comptroller, P.O. Box 501055, Saipan, MP 96950-1055, or call (670) 237-6500 or email at sheryl.sizemore@cnmiports.com.

Commonwealth Ports Authority
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Statements of Net Position

	September 30, 2023	September 30, 2022 (Restated)
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 48,218,779	$ 44,270,753
Receivables, net:		
Grantor agencies	2,625,401	7,131,098
Operations, net	1,102,484	987,248
Officers and employees	14,213	6,999
Prepaid expenses	369,618	373,772
Lease receivable, current portion	1,450,875	1,263,809
Investments, restricted	43,511,708	48,158,600
Total current assets	97,293,078	102,192,279
Lease receivable, net of current portion	26,117,489	22,791,830
Depreciable capital assets, net of accumulated depreciation and amortization	139,501,953	148,161,247
Nondepreciable capital assets	26,785,526	19,843,128
Total noncurrent assets	192,404,968	190,796,205
Deferred outflows of resources from cost of refunding debt	254,869	327,775
Total assets and deferred outflows of resources	$289,952,915	$293,316,259
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Revenue bonds payable, current portion	$ 3,270,000	$ 3,080,000
Contractors payable	4,227,744	7,093,447
Trade and other payables	685,150	1,160,044
Due to related parties	3,728,977	2,741,085
Accrued expenses	625,034	820,152
Compensated absences, current portion	302,396	315,783
Total current liabilities	12,839,301	15,210,511
Compensated absences, net of current portion	362,986	376,071
Revenue bonds, net of current portion	16,708,302	19,978,302
Other noncurrent liability	9,750,000	---
Total noncurrent liabilities	26,821,288	20,354,373
Deferred inflows of resources from leases	46,472,277	43,833,317
Total liabilities and deferred inflows of resources	86,132,866	79,398,201
Net position		
Net investment in capital assets	146,564,046	145,273,848
Restricted-debt service and other purposes	43,511,708	48,158,600
Unrestricted	13,744,295	20,485,610
Total net position	203,820,049	213,918,058
Total liabilities, deferred inflows of resources and net position	$289,952,915	$293,316,259

See accompanying notes.

Commonwealth Ports Authority
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30, 2023	2022 (Restated)
Operating revenues:		
Seaport fees	$ 5,185,491	$ 5,119,141
Concession and lease income	4,635,061	4,348,362
Other revenues	3,704,622	1,684,794
Aviation fees	2,434,980	1,212,891
Bad debts	(1,143,063)	(360,873)
Total operating revenues, net	14,817,091	12,004,315
Operating expenses:		
Depreciation and amortization	14,492,053	15,614,474
Salaries and wages	6,157,337	7,322,354
Utilities	4,211,400	3,061,682
Insurance	3,595,300	3,523,174
Employee benefits	1,463,156	1,338,445
Miscellaneous	1,117,834	541,319
Penalties and interest	1,030,234	152
Contractual services	995,217	926,928
Repair and maintenance	656,464	622,881
Supplies	473,555	577,162
Travel	378,450	166,009
Fuel	230,679	207,265
Professional fees	199,304	297,554
Promotion and advertising	95,549	77,266
Total operating expenses	35,096,532	34,276,665
Operating loss	(20,279,441)	(22,272,350)
Nonoperating income (expense):		
Other grant revenues and contributions	9,349,714	14,056,386
Unrealized gain on investments	2,779,769	239,613
Interest on leases	453,492	359,007
Water utility charges offset	95,614	62,665
Interest income	19,925	3,615
Other nonoperating revenue	---	2,325,954
Loss on disposal of equipment	(53,939)	(348,906)
Typhoon-related damages	(1,279,785)	(1,062,873)
Interest expense	(1,435,080)	(1,622,186)
Other nonoperating expense	(7,247,136)	(1,306,848)
Total nonoperating income, net	2,682,574	12,706,427
Loss before capital contributions	(17,596,867)	(9,565,923)
Capital contributions	7,498,858	14,174,211
Change in net position	(10,098,009)	4,608,288
Net position at beginning of year, originally reported	213,918,058	217,712,879
Prior period adjustment (Note 11)	---	(8,403,109)
Net position at beginning of year, restated	213,918,058	209,309,770
Net position at end of year	$203,820,049	$213,918,058

See accompanying notes.

Commonwealth Ports Authority
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Statements of Cash Flows

	Year ended September 30, 2023	2022 (Restated)
Cash flows from operating activities:		
Received from customers	$ 14,172,141	$ 10,175,364
Suppliers for goods and services	(13,995,676)	(12,038,853)
Payments to employees for services	(7,646,965)	(8,739,624)
Net cash used for operating activities	(7,470,500)	(10,603,113)
Cash flows from investing activities:		
Net investment liquidation, restricted	7,426,661	2,201,229
Interest income	122,152	325,537
Cash provided by for investing activities	7,548,813	2,526,766
Cash flows from noncapital financing activity:		
Other grant revenues and contributions	9,349,714	14,056,386
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(13,137,996)	(14,348,280)
Capital contributions, net	12,004,555	8,842,135
Water utility charges offset	95,614	62,665
Principal paid on revenue bond maturities	(3,080,000)	(2,900,000)
Interest paid on revenue bonds and note payable to a related party	(1,362,174)	(1,552,569)
Net cash used for capital and related financing activities	(5,480,001)	(9,896,049)
Net change in cash and cash equivalents	3,948,026	(3,916,010)
Cash and cash equivalents at beginning of year	44,270,753	48,186,763
Cash and cash equivalents at end of the year	$ 48,218,779	$ 44,270,753
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$(20,279,441)	$(22,272,350)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	14,492,053	15,614,474
Loss on disposal of fixed assets	(53,939)	(348,906)
Typhoon-related damages	(1,279,785)	(1,062,873)
Bad debts	1,143,063	360,873
(Increase) decrease in assets:		
Receivables - operations	(1,258,299)	(781,181)
Receivables - officers and employees	(7,214)	(5,361)
Prepaid expenses	4,154	193,033
Increase (decrease) in liabilities:		
Trade and other payables	(474,894)	1,095,636
Due to related parties	987,892	(2,563,123)
Accrued expenses	(195,118)	(353,229)
Deferred inflow of resources from leases	(522,500)	---
Unearned revenue	---	(401,281)
Compensated absences	(26,472)	(78,825)
Net cash used for operating activities	$(7,470,500)	$(10,603,113)

See accompanying notes

1. Summary of Significant Accounting Policies

The Commonwealth Ports Authority (CPA), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), was established as a public corporation by CNMI Public Law 2-48, effective November 8, 1981. CPA was given responsibility for operations, maintenance and improvement of all airports and seaports within the CNMI. Both airports and seaports currently exist on the islands of Saipan , Tinian and Rota. CPA is governed by a seven-member Board of Directors, appointed for terms of four years by the Governor of the CNMI.

The accounting policies of CPA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. CPA 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.

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 in 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 for proprietary funds. Under this method, revenues are recorded when earned and expenses recorded at the time liabilities are incurred.

Budgets

In accordance with CNMI Public Law 3-68, the Planning and Budgeting Act of 1983, CPA is required to submit annual budgets to the CNMI Office of the Governor.

Concentrations of Credit Risk

Financial instruments which potentially subject CPA to concentrations of credit risk consist principally of cash demand deposits, investments and receivables.

At September 30, 2023 and 2022, CPA has cash deposits and investments in bank accounts that exceed federal depository insurance limits. CPA has not experienced any losses on such accounts.

As of September 30, 2023 and 2022, concentrations of credit risk result from receivables from significant customers which represent 71% and 75% of total receivables, respectively. Management assesses the risk of loss and provides an allowance for doubtful accounts to compensate for known credit risk.

1. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, savings and short-term money market deposits with federally insured institutions. Short-term investment accounts established and set aside for construction and debt service purposes are separately classified as investments in the accompanying financial statements. CPA has elected to record these investments as current as they may satisfy its debt service requirements at any time.

Investments

CNMI Public Law 2-48, Section 31, requires that all CPA investments be guaranteed by the CNMI Government or U.S. Government, or be invested in direct obligations, or participation certificates, guaranteed by the U.S. Government.

Accounts Receivable

Accounts receivable are primarily due from customers utilizing CPA's airport and seaport terminal facilities and various business establishments located in the CNMI. CPA performs periodic credit evaluations of its customers, and generally does not require collateral. Receivables are considered past due when payment is not received within 90 days from the date of billing. Receivables are stated net of estimated allowances for doubtful accounts.

The allowance for doubtful accounts is stated at an amount that management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through an allowance for doubtful accounts charged to bad debts expense and a reduction of revenues. Bad debts are written-off against the allowance based on the specific identification method.

Lease Receivable

Lease receivable represents the present value of lease payments expected to be received during the lease term. CPA has adopted policies to assist in determining lease treatment in accordance with the requirements of GASB Statement No. 87, which include the following: (1) the maximum possible lease term is non-cancellable by both lessee and lessor and is more than 12 months and (2) the terms of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

1. Summary of Significant Accounting Policies, continued

Capital Assets and Depreciation and Amortization

Capital assets are recorded at historical cost. Depreciation is computed by using the straight-line method over the estimated useful lives of the assets ranging from two to 10 years for equipment and 20 years for runway, terminal and harbor facilities. CPA's current policy is to capitalize items with costs in excess of $1,000.

Impairment of Capital Assets

In accordance with GASB Statement No. 41, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, CPA evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred.

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value.

Bond Discounts and Issuance Costs

Bond discounts are deferred and amortized over the term of the related bond using the straight-line method. Bonds payable are reported net of bond discounts. Bond issuance costs are expensed in the period incurred.

Passenger Facility Charges

Passenger Facility Charges (PFCs) generate revenue to be expended by CPA for eligible projects and the payment of debt service on the General Revenue Bonds as determined by applicable federal legislation. PFC revenues are recorded as non-operating income in the statements of revenues, expenses and changes in net position. Air carriers collect PFC's from passengers on behalf of CPA at the time of air travel ticket issuance. The air carriers are responsible for all PFC funds from the time of collection to remittance to CPA. In addition, the air carriers must provide quarterly reports to CPA showing the total amounts of PFC revenues collected and refunded, as well as any amounts withheld by the air carrier as collection compensation. The completeness of the PFC receipts reflected in the quarterly schedule is the responsibility of the air carrier.

1. Summary of Significant Accounting Policies, continued

Retirement Plan

CPA contributed to the Northern Mariana Islands Retirement Fund's (NMIRF) defined benefit plan (DB Plan), a single-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).

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 one active CPA employee voluntarily terminated membership in the DB Plan and CPA contributed $10,279 and $29,594 to the DB Plan during the years ended September 30, 2023 and 2022, respectively.

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a single-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. CPA is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. CPA's recorded DC contributions for the years ended September 30, 2023 and 2022 were $93,918 and $91,129, respectively, equal to the required contributions for each year.

1. Summary of Significant Accounting Policies, continued

Defined Contribution Plan (DC Plan), continued

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.

Net Position

CPA's net position is classified as follows:

- Net investment in capital assets; capital assets, net of accumulated depreciation, plus deferred outflows from cost of refunding debt, less outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:

  - Nonexpendable - Net position subject to externally imposed stipulations that CPA maintain them permanently. For the years ended September 30, 2023 and 2022, CPA does not have nonexpendable restricted net position.

  - Expendable - Net position whose use by CPA is subject to externally imposed stipulations that can be fulfilled by actions of CPA pursuant to those stipulations or that expire by the passage of time.

- Unrestricted - Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. At September 30, 2023 and 2022, the accumulated vacation leave liability amounted to $665,382 and $691,854, respectively.

Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of all airports and seaports within the CNMI. Nonoperating revenues and expenses result from capital, financing and investing activities, PFCs and certain nonrecurring income and costs.

1. Summary of Significant Accounting Policies, continued

Due to Related Party

Public Law 9-66 requires public corporations or other autonomous agencies to pay to the Commonwealth Treasurer an amount not less than one percent of total operation budgets, and such funds will be deposited into a special account of the CNMI general fund to be solely used for the operations and activities of the CNMI Office of the Public Auditor (OPA).

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. As of September 30, 2023 and 2022, CPA reports deferred outflows of resources arising from cost of refunding of debt.

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and thus, will not be recognized as an inflow of resources until then.

CPA has recorded deferred inflows of resources related to $21,900,000 received from the U.S. Department of Defense on May 9, 2019 for a 40-year lease of the Tinian divert airfield. CPA has elected to recognize lease revenue over the term of the lease and recorded $547,500 for each of the years ended September 30, 2023 and 2022. The related deferred inflows of resources amounting to $19,537,921 and $20,029,375 as of September 30, 2023 and 2022, respectively, has been recorded as a component of deferred inflows of resources from leases in the accompanying statements of net position.

Additionally, CPA has recorded $24,055,639 deferred inflows of resources on October 1, 2021 arising from the adoption of GASB 87, *Leases*. During the fiscal year ended September 30, 2023, additional deferred inflow of resources was recorded amounting to $5,089,924 for the new lease agreement which took effect on October 1, 2022. As of September 30, 2023 and 2022, the related deferred inflows of resources amounting to $26,934,356 and $23,803,942, respectively, has been recorded as a component of deferred inflows of resources from leases in the accompanying statements of net position.

1. Summary of Significant Accounting Policies, continued

GASB Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* which revised and established new financial reporting requirements for most governments that provide their employees with pension benefits through plans that are administered through trusts.

CPA has estimated that the effects of GASB 68 would not have a material impact to its financial statements.

Recently Adopted Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The adoption of this statement did not have a material effect on the financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. The adoption of this statement did not have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The adoption of this statement did not have a material effect on the financial statements.

1. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. The adoption of this statement did not have a material effect on the financial statements.

Upcoming Accounting Pronouncements

In June 2022, GASB issues Statement No. 100, *Accounting Changes an Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. GASB Statement No. 103 will be effective for fiscal years ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period.

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for fiscal years ending September 30, 2026.

CPA is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

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.

2. Deposit and Investments

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

Deposits

As of September 30, 2023 and 2022, total cash and cash equivalents amounted to $48,218,779 and 44,270,753, respectively, and the corresponding bank balance amounted to $49,344,264 and $44,686,277, respectively. All bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. CNMI law does not require component unit funds to be collateralized and thus CPA’s funds, in excess of FDIC insurance, are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

2. Deposit and Investments, continued

Investments

Investments in U.S. Treasury obligations restricted for construction and debt service purposes represent the unused proceeds of the Airport Revenue Bonds and the Seaport Revenue Bonds. These investments have the following balances as of September 30, 2023 and 2022:

	2023	2022
Airport Division		
Bond Reserve Fund	$ 1,765,388	$ 1,692,612
Bond Fund	703,328	645,046
Maintenance and Operation	135,382	6,867,138
Revenue Fund	787	757
Optional Redemption Fund	13,154	12,644
Insurance and Condemnation Proceeds Fund - Yutu	21,732,452	20,890,322
Insurance and Condemnation Proceeds Fund - Mangkhut	1,787,726	1,718,452
	26,138,217	31,826,971
Seaport Division		
Bond Reserve Fund	3,485,988	3,483,639
Supplemental Reserve Fund	7,879,032	7,935,483
Reimbursement Fund	6,313	6,069
Bond Fund	1,728,194	1,382,862
Maintenance and Operation	4,265,279	3,515,228
Construction Fund	7,803	7,501
Revenue Fund	882	847
	17,373,491	16,331,629
	$43,511,708	$48,158,600

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated in accordance with CPA's investment policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. CPA's investment policy limits investment maturities to one year to manage its exposure to fair value losses arising from increasing interest rates.

2. Deposit and Investments, continued

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for CPA. As of September 30, 2023 and 2022, there were no investments in any one issuer that exceeded 5% of total investments.

As of September 30, 2023 and 2022, investments at fair value consist of investments in U.S. government money market placements and mutual funds.

Fair Value Measurement of the Investments

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

CPA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following table set forth by fair value hierarchy level the CPA's assets carried at fair value as of September 30, 2023 and 2022:

	2023			
		Level 1	Level 2	Level 3
Investments by fair value level				
Equity securities:				
Mutual funds	$ 12,535,271	$ 12,535,271	$ ---	$ ---
Money market mutual funds - Fidelity Investments	30,976,437	30,976,437	---	---
Total investments by fair value level	$ 43,511,708	$ 43,511,708	$ ---	$ ---

	2022			
		Level 1	Level 2	Level 3
Investments by fair value level				
Equity securities:				
Mutual funds	$ 12,539,659	$ 12,539,659	$ ---	$ ---
Money market mutual funds - Fidelity Investments	35,618,941	35,618,941	---	---
Total investments by fair value level	$ 48,158,600	$ 48,158,600	$ ---	$ ---

3. Receivables from Federal Grantor Agencies

Receivables from federal grantor agencies as of September 30, 2023 and 2022 are as follows:

	2023	2022
U.S. Department of Transportation	$ 574,852	$1,642,692
U.S. Department of Homeland Security	3,339,212	6,795,254
	3,914,064	8,437,946
Less allowance for doubtful accounts	(1,288,663)	(1,306,848)
	$2,625,401	$7,131,098

Amounts due from the above agencies represent reimbursements due under grants for costs incurred for improvements of the CNMI airports and public assistance. Generally, under the grant agreements, the grantor agency funds a portion of the allowable costs incurred, ranging from 75% to 100%, with the remainder of project costs, if any, funded by CPA or other sources. Capital contributions amounting to $7,498,858 and $14,174,211; and operating grants amounting to $9,349,714 and $14,056,386, were received from grantor agencies during the years ended September 30, 2023 and 2022, respectively.

4. Accounts Receivable from Operations

CPA extends credit to organizations and individuals, substantially all of whom are located in the CNMI, Japan, the United States, China and Korea. CPA's accounts receivable from operations as of September 30, 2023 and 2022 are as follows:

	2023	2022
Accounts receivable	$8,163,228	$7,152,983
Less allowance for doubtful accounts	(7,060,744)	(6,165,735)
	$1,102,484	$ 987,248

5. Capital Assets

Capital asset balances consist of the following as of September 30, 2023 and 2022:

	Balance October 1, 2022	Additions	Transfers	Disposals	Balance September 30, 2023
Depreciable capital assets:					
Runway and improvements	$ 155,842,264	$ ---	$ ---	$ ---	$ 155,842,264
Other improvements	26,298,642	---	---	(169,316)	26,129,326
Terminal facilities	114,584,635	---	4,998,404	(106,577)	119,476,462
Terminal equipment	7,079,405	9,500	---	(56,751)	7,032,154
Harbor facilities	64,373,203	---	---	---	64,373,203
Grounds maintenance and shop equipment	1,556,928	571,067	---	(1,479)	2,126,516
Fire and rescue equipment	35,040,666	---	---	---	35,040,666
Office furniture and fixtures	3,678,345	80,639	94,010	(657,799)	3,195,195
General transportation	1,240,953	27,836	---	(175,875)	1,092,914
Other	2,143,066	---	---	---	2,143,066
	411,838,107	689,042	5,092,414	(1,167,797)	416,451,766
Less accumulated depreciation and amortization	(263,676,860)	(14,386,811)	---	1,113,858	(276,949,813)
	$ 148,161,247	$(13,697,769)	$ 5,092,414	$(53,939)	$ 139,501,953
Nondepreciable capital assets:					
Construction-in-progress	$ 19,378,699	$ 12,034,812	$(5,092,414)	$ ---	$ 26,321,097
Land	464,429	---	---	---	464,429
	$ 19,843,128	$ 12,034,812	$(5,092,414)	$ ---	$ 26,785,526

	Balance October 1, 2021	Additions	Transfers	Disposals	Balance September 30, 2022
Depreciable capital assets:					
Runway and improvements	$ 157,065,182	$ ---	$ 6,811,859	$(8,034,777)	$ 155,842,264
Other improvements	28,408,627	30,673	900,817	(3,041,475)	26,298,642
Terminal facilities	116,959,252	---	2,510,034	(4,884,651)	114,584,635
Terminal equipment	7,754,211	---	---	(674,806)	7,079,405
Harbor facilities	64,029,877	---	541,673	(198,347)	64,373,203
Grounds maintenance and shop equipment	1,856,588	188,518	---	(488,178)	1,556,928
Fire and rescue equipment	34,959,651	12,000	125,409	(56,394)	35,040,666
Office furniture and fixtures	3,984,991	113,517	---	(420,163)	3,678,345
General transportation	1,251,903	---	---	(10,950)	1,240,953
Other	2,739,517	846,562	353,090	(1,796,103)	2,143,066
	419,009,799	1,191,270	11,242,882	(19,605,844)	411,838,107
Less accumulated depreciation and amortization	(268,999,946)	(13,933,852)	---	19,256,938	(263,676,860)
	$ 150,009,853	$(12,742,582)	$ 11,242,882	$(348,906)	$ 148,161,247
Nondepreciable capital assets:					
Construction-in-progress	$ 13,923,483	$ 16,698,098	$(11,242,882)	$ ---	$ 19,378,699
Land	464,429	---	---	---	464,429
	$ 14,387,912	$ 16,698,098	$(11,242,882)	$ ---	$ 19,843,128

5. Capital Assets, continued

CPA leases significant portions of airport terminal facilities and certain grounds and improvements to concessionaires, airlines, and other lessees. CPA additionally holds title to 13,646,163 square meters of land on the islands of Saipan, Tinian and Rota for seaport and airport operations.

Land acquired by CPA on the islands of Saipan and Rota from the former Marianas Public Land Corporation for seaport improvement and use has been recorded on CPA's books at its estimated fair market value. This estimated value is based on a land valuation established by Article VIII of the Marianas Political Status Commission as contained in the Section-by-Section Analysis of the Covenant to Establish a Commonwealth of the Northern Mariana Islands, dated February 15, 1975, for land of a similar nature leased by the CNMI to the U.S. Government.

6. Revenue Bonds Payable

Airport Division

On March 26, 1998, CPA issued $20,050,000 of tax-exempt airport revenue bonds which in part were used for a current refunding of $8,250,000 of 1987 Series B tax-exempt airport revenue bonds. The refunding was undertaken to consolidate existing bonds with new bonds issued for the purpose of financing various airport projects and to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by $503,906 and was fully amortized over the refunded debt's life, which is shorter than the life of the new debt. The transaction also resulted in an economic gain of $688,620 and an increase of $7,616,151 in future debt service payments. Interest on the bonds is payable semi-annually at 6.25% on March 15 and September 15 of each year.

Revenue bonds payable as of September 30, 2023 and 2022 consist of the following:

	2023	2022
Airport Revenue Bonds, tax exempt, 1998 Senior Series A: interest and annual installments payable to the Bond Trustee between 2022 and 2028 are listed below.	$5,880,000	$6,855,000
Less current portion	1,035,000	975,000
Long-term portion	$4,845,000	$5,880,000

6. Revenue Bonds Payable, continued

Airport Division, continued

Principal installments payable by CPA to the Bond Trustee through the life of the 1998 Series A, Airport Revenue Bonds, are due on March 15.

Principal and interest payments for subsequent years ending September 30, are as follows:

	Principal	Interest	Total
2024	$1,035,000	$335,156	$1,370,156
2025	1,105,000	268,281	1,373,281
2026	1,170,000	197,188	1,367,188
2027	1,245,000	121,719	1,366,719
2028	1,325,000	41,406	1,366,406
	$5,880,000	$963,750	$6,843,750

Seaport Division

On March 26, 1998, CPA issued $33,775,000 of Senior Series A tax-exempt seaport revenue bonds which in part were used for a current refunding of $22,470,000 of 1995 Series A tax-exempt seaport revenue bonds. The refunding was undertaken to consolidate existing debt with new debt issued for the purpose of financing various seaport projects and to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by $1,345,593. This amount is recorded as a deferred outflows from cost of refunding debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt.

At September 30, 2023 and 2022, deferred outflows from cost of refunding debt amounted to $254,869 and $372,775, respectively. The transaction also resulted in an economic gain of $688,620 and a decrease of $7,616,151 in future debt service payments. Interest on the bonds is payable semi-annually at 6.6% on March 15 and September 15 of each year.

On September 21, 2005, CPA issued $7,225,000 of Senior Series A tax-exempt seaport revenue bonds for the purpose of financing (including reimbursing itself for) the purchase, acquisition, construction, reconstruction, repair, renovation, improvement or expansion of CPA's seaports. Pursuant to Section 2.04(A)(9) of the 1998 Senior Series A Seaport Revenue Bonds Indenture Agreement dated March 1, 1998 and as supplemented by a First Supplemental Indenture dated March 1, 2000, CPA entered into a Second Supplemental Indenture for the issuance of the 2005 Senior Series A bonds. Interest on the bonds is payable semi-annually at 5.5% on March 15 and September 15 of each year.

6. Revenue Bonds Payable, continued

Seaport Division, continued

Revenue bonds payable as of September 30, 2023 and 2022, consist of the following:

	2023	2022
Seaport Revenue Bonds, tax-exempt, 1998 Senior Series A: interest and annual installments payable to the Bond Trustee between 2022 and 2028 are listed below.	$10,660,000	$12,425,000
Seaport Revenue Bonds, tax-exempt, 2005 Senior Series A: interest and annual installments payable to the Bond Trustee between 2022 and 2031 are listed below.	3,510,000	3,850,000
Discount on 2005 Senior Series A bonds	(71,698)	(71,698)
	14,098,302	16,203,302
Less current portion	2,235,000	2,105,000
Long-term portion	$11,863,302	$14,098,302

Principal installments payable by CPA to the Bond Trustee through the life of the 1998 Senior Series A and the 2005 Senior Series A, Special Revenue Bonds, are due on March 15.

Principal and interest payments for subsequent years ending September 30 are as follows:

	Principal	Interest	Total
2024	$ 2,235,000	$ 824,835	$ 3,059,835
2025	2,375,000	676,775	3,051,775
2026	2,525,000	519,365	3,044,365
2027	2,685,000	351,973	3,036,973
2028 - 2032	4,278,302	300,603	4,578,905
	$14,098,302	$2,673,551	$16,771,853

Additionally, CPA has resolved to hold $8,000,000 in the Seaport Supplemental Reserve Fund. The Supplemental Reserve Fund was established pursuant to the First Supplemental Indenture dated March 1, 2000 for the purpose of providing funding and maintenance for the 1998 Senior Series A Seaport Bonds. At September 30, 2023 and 2022, total deposits in the Seaport Supplemental Reserve Fund amounted to $7,879,032 and $7,935,483, respectively, and have been reported as a component of investments, restricted, in the accompanying statements of net position.

6. Revenue Bonds Payable, continued

Bond Redemption

In accordance with the Airport and Seaport Bond Indenture Agreements, Section 4.01, terms of redemption of the 1998 Senior Series A Bonds are as follows:

a) Optional redemption - The 1998 Senior Bonds for the airport are subject to redemption prior to their respective stated maturities on or after March 15, 2013, at the option of CPA, from any source of available funds, as a whole on any date, or in part on any Interest Payment Date and by lot within a maturity, at the Redemption Prices (expressed as percentages of principal amount) set forth in the table below plus interest accrued thereon to the date fixed for redemption:

Redemption Dates	Redemption Prices
March 15, 2015 and thereafter	100%

The option may only be exercised by depositing with the Trustee, prior to giving notice of such redemption in accordance with Section 4.03, moneys or Investment Securities sufficient in amount and maturing in a timely manner to provide for such redemption including moneys or Investment Securities sufficient to pay the premium upon such optional redemption if any. CPA shall notify the Trustee in writing at least 60 days prior to the date to be fixed for redemption of its intention to exercise its redemption option and specifying the amount and the maturities of the bonds to be redeemed and, if appropriate, the Mandatory Sinking Accounts Payments to which the bonds redeemed are to be allocated.

The 1998 Senior Bonds for the seaport are not subject to optional redemption prior to their stated maturity.

b) Mandatory redemption - The 1998 Senior Bonds for the airport and seaport are subject to mandatory redemption, in part on the earliest Interest Payment Date for which notice can be given after completion of the Project or after three years from the date of issuance of the 1998 Senior Bonds, from moneys transferred from the 1998 Series A Account within the Construction Fund to the Optional Redemption Fund in accordance with Section 3.03, at a redemption price equal to 100% of the principal amount of such 1998 Senior Bonds to be redeemed plus accrued interest, if any, to the date fixed for redemption, without premium.

c) Insurance or condemnation award - At the option of CPA, prior to their stated maturity as a whole or in part by lot, the 1998 Senior Bonds for the airport and seaport are subject to redemption from the proceeds of any insurance or condemnation awards received by CPA due to a casualty loss or governmental taking of CPA's airport and seaport facilities, if such proceeds are not used to repair or replace such facilities under the circumstances and upon the conditions prescribed in Section 6.17 at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

6. Revenue Bonds Payable, continued

Bond Redemption, continued

d) Mandatory sinking account - The 1998 Senior Bonds for the airport and seaport are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments established for such maturity upon payment of the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium.

On August 14, 2024, CPA fully redeemed the remaining balance of the 1998 Senior Series A Bonds of the Airport Division, including all accrued and unpaid interest as of the redemption date.

In accordance with the Second Supplemental Indenture of the Seaport Bond Indenture Agreement, Section 15.03, terms of redemption of the 2005 Senior Series A Bonds are as follows:

a) Optional redemption - The 2005 Senior Series A Bonds maturing on or after March 15, 2016 are subject to redemption prior to their respective stated maturities, at the option of CPA, from lawfully available funds deposited in the Optional Redemption Fund, as a whole or in part on any date on or after March 15, 2015, at the following respective redemption prices (expressed as percentages of the principal amount of the 2005 Bonds to be redeemed) plus accrued interest thereon to the date fixed for redemption:

Redemption Dates	Redemption Prices
March 15, 2017 and thereafter	100.0%

b) Mandatory redemption - The 2005 Senior Series A Bonds are subject to mandatory redemption upon notice of completion of the 2005 Project (purchase, acquisition, construction/ reconstruction, repair, renovation, improvement, certain capital improvements or expansion of CPA's seaports) or after three years from the date of issuance of the 2005 Senior Series A Bonds from moneys transferred from the Construction Fund to the Optional Redemption Fund in accordance with Section 3.03, at a redemption price equal to the principal amount thereof, without premium, together with accrued interest to the date fixed for redemption.

c) Insurance or condemnation award - At the option of CPA and prior to their stated maturity, the 2005 Senior Series A Bonds are subject to redemption from proceeds of any insurance or condemnation awards received by CPA due to a casualty loss or governmental taking of CPA's seaport facilities, if such proceeds are not used to repair or replace such facilities, under the circumstances and upon the conditions prescribed in Section 6.17 of the bond indenture, at a redemption price equal to the principal amount thereof, without premium, together with accrued interest to the date fixed for redemption.

d) Mandatory sinking account - The 2005 Senior Series A Bonds maturing are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments established, at a redemption price equal to the principal amount thereof, without premium, together with accrued interest to the date fixed for redemption.

6. Revenue Bonds Payable, continued

Pledge of Future Revenues

CPA has pledged future gross revenues to repay $20,050,000 and $33,775,000 in 1998 Senior Series A and $7,225,000 of 2005 Senior Series A tax-exempt seaport revenue bonds. Proceeds from the bonds provided financing for capital assets. The bonds are payable from pledged gross revenues. The bonds are payable through fiscal years 2028, 2028 and 2031, respectively. The total principal and interest payable for the remainder of the life of these bonds are $23,687,301 and $28,129,474 at September 30, 2023 and 2022, respectively. Pledged gross revenues received during the years ended September 30, 2023 and 2022 were $27,234,280 and $29,081,924, respectively. Debt service payments during the years ended September 30, 2023 and 2022 amounted to $4,448,349 and $4,452,568, respectively, representing 16% and 15% of pledged gross revenues, respectively.

The bond indentures contain several restrictive covenants, including restrictions on the use of bond proceeds. Management of CPA is of the opinion that CPA was in compliance with all significant covenants as of September 30, 2023 and 2022. Section 6.11 of the Airport and Seaport Bond Indenture Agreements (Indenture) states that CPA shall impose, levy, enforce and collect such dockage, entry and wharfage fees, tariffs, lease rentals, licensing fees and other fees and charges in an aggregate amount with respect to each fiscal year to produce gross revenues of 125% of debt service requirements.

Management of CPA has determined that gross revenues consist of total operating revenues, other grant revenue and contributions, interest income, PFCs and insurance proceeds to meet the indenture requirements. For fiscal years 2023 and 2022, management of CPA determined that 100% of PFCs are considered as gross revenues for these purposes.

Changes in long-term liabilities for the years ended September 30, 2023 and 2022 are as follows:

	Balance October 1, 2022	Additions	Reductions	Balance September 30, 2023	Current	Noncurrent
Bonds payable:						
Airport 1998 Senior Series A	$ 6,855,000	$ ---	$(975,000)	$ 5,880,000	$1,035,000	$ 4,845,000
Seaport 1998 Senior Series A	12,425,000	---	(1,765,000)	10,660,000	1,875,000	8,785,000
Seaport 2005 Senior Series A	3,850,000	---	(340,000)	3,510,000	360,000	3,150,000
Deferred amounts:						
Discount on bonds	(71,698)	---	---	(71,698)	---	(71,698)
	23,058,302	---	(3,080,000)	19,978,302	3,270,000	16,708,302
Other:						
Compensated absences	691,854	529,506	(555,978)	665,382	302,396	362,986
	$23,750,156	$529,506	$(3,635,978)	$20,643,684	$3,572,396	$17,071,288

6. Revenue Bonds Payable, continued

Pledge of Future Revenues, continued

	Balance October 1, 2021	Additions	Reductions	Balance September 30, 2022	Current	Noncurrent
Bonds payable:						
Airport 1998 Senior Series A	$ 7,775,000	$ ---	$(920,000)	$ 6,855,000	$ 975,000	$ 5,880,000
Seaport 1998 Senior Series A	14,085,000	---	(1,660,000)	12,425,000	1,765,000	10,660,000
Seaport 2005 Senior Series A	4,170,000	---	(320,000)	3,850,000	340,000	3,510,000
Deferred amounts:						
Discount on bonds	(71,698)	---	---	(71,698)	---	(71,698)
	25,958,302	---	(2,900,000)	23,058,302	3,080,000	19,978,302
Other:						
Compensated absences	770,679	502,153	(580,978)	691,854	315,783	376,071
	$26,728,981	$502,153	$(3,480,978)	$23,750,156	$3,395,783	$20,354,373

Events of Default and Remedies of Bondholders

The outstanding revenue bonds related to government-type activities contains a provision that defines events of default as:

a. default by CPA in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceeding for redemption, by declaration of otherwise; default by CPA in the redemption from any Mandatory Sinking Account of any Term Bonds in the amounts at time provided therefore; or default by CPA in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

b. default by CPA in the observance of any of the covenants, agreement or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to CPA by the Trustee, or to CPA and the Trustee by any Credit Provider or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; except that, if such default can be remedied but not within such sixty (60) day period and if CPA has taken all action reasonably possible to remedy such default within such sixty (60) day period, such default shall not become an Event of Default hereunder for so long as CPA shall diligently proceed to remedy same in accordance with and subject to any directions established by the Trustee; or

c. an event of bankruptcy. Upon the occurrence of an event of default, the Trustee may, and upon the written request of the owners of not less than a majority in aggregate principal amount of Bonds then outstanding shall, declare the principal of all Bonds then outstanding and the interest accrued thereon due and payable on a date specified in such declaration (not less than five nor more than nine days after such declaration), and such principal and interest shall thereupon become and be immediately due and payable on such specified date, and interest shall cease to accrue on the Bonds from and after such date.

6. Revenue Bonds Payable, continued

Events of Default and Remedies of Bondholders, continued

The entire principal amount of the Bonds and such accrued interest shall become due and payable on the date of acceleration set forth in such notice of declaration, and interest shall cease to accrue on the Bonds from and after such date, provided moneys are held by the Trustee as of such date sufficient to pay such principal and accrued interest to such date. If an event of default shall occur and be continuing, all revenues, gross revenue and any other funds then held or thereafter received by the Trustee or the Depository under any of the provisions of the indenture shall be under the control of and apply by the Trustee as dictated by the Indenture.

7. Risk Management

CPA 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. CPA has elected to purchase commercial insurance from independent third parties for the risks of losses at its airport and seaport facilities to which it is exposed. Settled claims have not exceeded commercial insurance coverage during the past three years.

8. Related Party Transactions

Total related party transactions for the years ended September 30, 2023 and 2022, and the related payable balances, are as follows:

	2023		
	Revenues and Capital Contributions	Expenses	Due to Related Parties
Commonwealth Utilities Corporation (CUC)	$ ---	$4,211,400	$3,138,831
CNMI Government	1,383,167	678,953	590,146
	$1,383,167	$4,890,353	$3,728,977

	2022		
	Revenues and Capital Contributions	Expenses	Due to Related Parties
Commonwealth Utilities Corporation (CUC)	$ ---	$3,061,682	$1,242,679
CNMI Government	1,988,177	---	1,498,406
	$1,988,177	$3,061,682	$2,741,085

8. Related Party Transactions, continued

On November 1, 2019, CPA entered into an omnibus agreement with CUC which gave CUC a permanent easement over water wells, water lines, sand filtration, a 20-million-gallon tank, and power poles and transmission lines to power the water wells, located on CPA property. CUC is responsible for maintenance of the permanent easement and for maintaining a continuous water supply to CPA. CUC will not charge CPA for water up to $600,000 annually on an indefinite basis beginning November 1, 2019 and CPA will recognize revenue up to this amount annually as water expense is incurred. For the years ended September 30, 2023 and 2022, total water utility charges offset amounted to $95,614 and $62,665, respectively, as presented in the accompanying statements of revenues, expenses and changes in net position.

Due to CUC and related utilities expense as of and for the year ended September 30, 2023 include penalties, interests and back charges amounting to approximately $1.0 million and $1.99 million, respectively. CPA intends to discuss and negotiate with CUC on this matter.

In June 2022, Public Law 22-18 was signed to exempt CPA from paying the 1% OPA fee with respect to airport revenues. In September 2022, the Secretary of Finance approved CPA's request to waive past due amounts due to the CNMI Government for the airport division which amounted to $2,325,954. The amount is recorded as other nonoperating revenue in the 2022 accompanying statement of revenues, expenses and change in net position. Due to the CNMI Government relates to the 1% OPA fee for the seaport division amounting to $432,069 and $399,406, and to the unused portion of the grant for the airport division amounting to $158,077 and $1,099,000, as of September 30, 2023 and 2022, respectively.

CPA recorded contributions of $1,383,167 and $1,962,000 from the CNMI Government during the years ended September 30, 2023 and 2022, respectively, and are recorded as a component of other grant revenues and contributions in the accompanying statements of revenues, expenses and changes in net position.

9. Leases

CPA has adopted policies to assist in determining lease treatment in accordance with the requirements of GASB Statement No. 87, which include the following: (1) the maximum possible lease term is non-cancelable by both lessee and lessor and is more than 12 months and (2) the terms of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

9. Leases, continued

CPA, as a lessor, recognizes a lease receivable and a deferred inflows of resources at the commencement of the lease term, with exceptions for certain regulated leases and short-term leases. As lessor, the asset underlying the lease is not derecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflows of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relates to future periods.

CPA leases certain assets to various third parties. The assets leased include building facilities, land, office space, terminal space for concessions, rental car facilities, and others. Majority of the lease agreements are a fixed monthly fee and may contain annual or periodic escalation clauses. For some leases, the monthly fee is a percentage of gross revenue, which may vary each month. Lease terms vary from month-to-month to over 20 years. Majority of the leases have a term of less than five (5) years.

CPA's Airport Division leases rental car concession booths, office space and other ground space. The Seaport Division leases land and warehouse space. Lease terms range from one to forty years and in most instances contain provisions for percentage rent. Concession and lease income for the years ended September 30, 2023 and 2022 amounted to $4,635,061 and $4,348,362, respectively.

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2023 are as follows:

Year ending September 30,	Principal	Interest	Total
2024	$ 1,450,875	$ 444,739	$ 1,895,614
2025	1,034,473	429,676	1,464,149
2026	1,077,554	413,979	1,491,533
2027	1,037,274	397,840	1,435,114
2028	1,078,902	405,770	1,484,672
2029 - 2033	5,569,384	1,646,330	7,215,714
2034 - 2038	4,821,186	1,205,908	6,027,094
2039 - 2043	3,619,847	878,799	4,498,646
2044 - 2048	2,156,722	604,255	2,760,977
2049 - 2053	1,967,338	437,542	2,404,880
2054 -2058	2,371,632	241,204	2,612,836
2059 - 2062	1,383,177	34,224	1,417,401
	$27,568,364	$7,140,266	$34,708,630

9. Leases, continued

Regulated Leases

In accordance with GASB 87, CPA does not recognize a lease receivable and deferred inflows of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings. CPA's regulated leases include the Letters of Authorization (LOAs) issued to the airlines which authorize the air carriers to utilize spaces within the passenger terminal building of the airport. Total revenue recognized for these regulated leases amounted to \$1,593,268 and \$345,587 for the years ended September 30, 2023 and 2022, respectively, and is recorded under other revenues in the accompanying statements of revenues, expenses and changes in net position.

10. Commitment and Contingencies

Contingencies

CPA 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 \$20,000 have been set forth in CPA's Single Audit Report for the year ended September 30, 2023. 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.

In accordance with 14 CFR Part 158.67(c), at least annually during the period the PFC is collected, held or used, each public agency shall provide for an audit of its PFC account. Cumulative questioned costs of \$879,477 have been set forth in CPA's PFC report for the year ended September 30, 2023. The ultimate disposition of these questioned costs can be determined only by final action of the Federal Aviation Administration (FAA); therefore, no provision for any liability that may result from this matter has been made in the accompanying financial statements.

CPA is involved in certain legal actions and claims that arise in the ordinary course of business resulting in material litigation outstanding.

Based on the Settlement Agreement and Mutual Releases dated January 23, 2025, CPA is required to pay a contractor the settlement amount of \$9.75 million in full and complete satisfaction of all obligations owed by the parties to each other related to the Runway Improvement Project (the Project). CPA is required to make a payment of \$2.0 million on or before February 25, 2025 and monthly payments of \$100 thousand starting April 1, 2025 until the settlement amount, together with all accrued interest, is paid in full. The settlement bears 6% interest per annum. As of September 30, 2023, the settlement amount of \$9.75 million is recorded by CPA as other noncurrent liability in the accompanying 2023 statement of net position.

11. Major Customers

Aviation fees received by CPA are comprised of facility service charges and landing fees from air carriers providing scheduled flight service to CNMI airports, substantially all of which are located in the CNMI, Japan, United States, China and Korea. Seaport fees received by CPA are primarily comprised of wharfage fees on cargo from the CNMI, Japan, United States, the Philippines and other Asian countries. Lease revenue is derived primarily from Saipan International Airport's prime concessionaire who is located in the CNMI.

During the years ended September 30, 2023 and 2022, three customers accounted for 43% and two customers accounted for 26% of the total operating revenues of the airport division, respectively. One customer accounted for 22% and 19% of the total operating revenues of the seaport division during the years ended September 30, 2023 and 2022, respectively.

12. Prior Period Adjustments

As disclosed in footnote 10, CPA and a vendor have come into an agreement to settle the pending litigation related to the Project. As a result, CPA corrected the beginning balances of certain accounts as of October 1, 2022 to reflect the transfer of the cost of the Project amounting to approximately $33.6 million, and the related accumulated depreciation. The effects of corrections for these errors are as follows:

	As Originally Reported	Correction of Error	As Restated
Depreciable capital assets	$124,632,541	$ 23,528,706	$148,161,247
Nondepreciable capital assets	$ 53,455,565	$(33,612,437)	$ 19,843,128
Net position – net investment in capital assets	$155,357,579	$(10,083,731)	$145,273,848
Depreciation and amortization	$ 13,933,852	$ 1,680,622	$ 15,614,474
Change in net position	$ 6,288,910	$ 1,680,622	$ 4,608,288
Net position, October 1, 2021	$217,712,879	$ 8,403,109	$209,309,770
		$ 10,083,731	

Supplementary Information

Commonwealth Ports Authority
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Combining Statement of Net Position

September 30, 2023

	Airport Division	Seaport Division	Elimination	Total
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and cash equivalents	$ 28,946,542	$ 19,272,237	$ ---	$ 48,218,779
Receivables, net:				
Grantor agencies	2,623,019	2,382	---	2,625,401
Operations, net	742,524	359,960	---	1,102,484
Due from other division	198,055	---	(198,055)	---
Officers and employees	14,213	---	---	14,213
Prepaid expenses	280,008	89,610	---	369,618
Lease receivable, current portion	597,510	853,365	---	1,450,875
Investments, restricted	26,138,217	17,373,491	---	43,511,708
Total current assets	59,540,088	37,951,045	(198,055)	97,293,078
Lease receivable, net	3,129,998	22,987,491	---	26,117,489
Depreciable capital assets, net of accumulated depreciation and amortization	122,407,078	17,094,875	---	139,501,953
Nondepreciable capital assets	23,841,987	2,943,539	---	26,785,526
Total noncurrent assets	149,379,063	43,025,905	---	192,404,968
Deferred outflows from cost of refunding debt	---	254,869	---	254,869
Total assets and deferred outflows of resources	$ 208,919,151	$ 81,231,819	$ (198,055)	$ 289,952,915
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Revenue bonds payable, current portion	$ 1,035,000	$ 2,235,000	$ ---	$ 3,270,000
Contractors payable	3,961,329	266,415	---	4,227,744
Trade and other payables	634,011	51,139	---	685,150
Due to related parties	3,128,102	600,875	---	3,728,977
Due to other division	---	198,055	(198,055)	---
Accrued expenses	476,132	148,902	---	625,034
Compensated absences, current portion	271,550	30,846	---	302,396
Total current liabilities	9,506,124	3,531,232	(198,055)	12,839,301
Compensated absences, net of current portion	316,059	46,927	---	362,986
Revenue bonds payable, net of current portion	4,845,001	11,863,301	---	16,708,302
Other noncurrent liability	9,750,000	---	---	9,750,000
Total noncurrent liabilities	14,911,060	11,910,228	---	26,821,288
Deferred inflows of resources from leases	22,255,068	24,217,209	---	46,472,277
Total liabilities and deferred inflows of resources	46,672,252	39,658,669	(198,055)	86,132,866
Net position:				
Net investment in capital assets	140,369,064	6,194,982	---	146,564,046
Restricted - debt service and other purposes	26,138,217	17,373,491	---	43,511,708
Unrestricted	(4,260,382)	18,004,677	---	13,744,295
Total net position	162,246,899	41,573,150	---	203,820,049
Total liabilities, deferred inflows of resources and net position	$ 208,919,151	$ 81,231,819	$ (198,055)	$ 289,952,915

Commonwealth Ports Authority
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended September 30, 2023

	Airport Division	Seaport Division	Total
Operating revenues:			
Seaport fees	$ ---	$ 5,185,491	$ 5,185,491
Concession and lease income	3,246,235	1,388,826	4,635,061
Other income	2,832,152	872,470	3,704,622
Aviation fees	2,434,980	---	2,434,980
Bad debts	(915,233)	(227,830)	(1,143,063)
Total operating revenues	7,598,134	7,218,957	14,817,091
Operating expenses:			
Depreciation and amortization	11,817,999	2,674,054	14,492,053
Salaries and wages	4,983,607	1,173,730	6,157,337
Utilities	3,859,551	351,849	4,211,400
Insurance	2,261,859	1,333,441	3,595,300
Employee benefits	1,180,812	282,344	1,463,156
Miscellaneous	1,115,699	2,135	1,117,834
Penalties and interest	964,108	66,126	1,030,234
Contractual services	905,078	90,139	995,217
Repairs and maintenance	635,411	21,053	656,464
Supplies	423,768	49,787	473,555
Travel	296,139	82,311	378,450
Fuel	206,797	23,882	230,679
Professional fees	153,498	45,806	199,304
Promotion and advertising	80,017	15,532	95,549
Total operating expenses	28,884,343	6,212,189	35,096,532
Operating (loss) income	(21,286,209)	1,006,768	(20,279,441)
Nonoperating income (expenses):			
Other grant revenues and contributions	9,321,266	28,448	9,349,714
Unrealized gain on investments	1,397,284	1,382,485	2,779,769
Interest on leases	52,932	400,560	453,492
Water utility charges offset	95,614	---	95,614
Interest income	17,835	2,090	19,925
Loss on disposal of equipment	(53,939)	---	(53,939)
Typhoon-related damages	(1,279,785)	---	(1,279,785)
Interest expense	(397,969)	(1,037,111)	(1,435,080)
Other nonoperating expense	(7,247,136)	(---)	(7,247,136)
Total nonoperating income, net	1,906,102	776,472	2,682,574
(Loss) Income before capital contributions	(19,380,107)	1,783,240	(17,596,867)
Capital contributions	7,498,858	---	7,498,858
Change in net position	(11,881,249)	1,783,240	(10,098,009)
Net position at beginning of year	174,128,148	39,789,910	213,918,058
Net position at end of year	$ 162,246,899	$ 41,573,150	$ 203,820,049

Commonwealth Ports Authority
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Combining Statement of Cash Flows

Year Ended September 30, 2023

	Airport Division	Seaport Division	Eliminations	Total
Cash flows from operating activities:				
Cash received from customers	$ 6,913,723	$ 7,171,691	$ 86,727	$ 14,172,141
Cash payments to suppliers for goods and services	(11,858,741)	(2,050,208)	(86,727)	(13,995,676)
Cash payments to employees for services	(6,191,945)	(1,455,020)	---	(7,646,965)
Net cash (used for) provided by operating activities	(11,136,963)	3,666,463	---	(7,470,500)
Cash flows from investing activities:				
Net investment liquidation, restricted	7,086,038	340,623	---	7,426,661
Interest income	19,028	103,124	---	122,152
Cash provided by investing activities	7,105,066	443,747	---	7,548,813
Cash flows from noncapital financing activity:				
Other grant revenues and contributions	9,321,266	28,448	---	9,349,714
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(11,968,486)	(1,169,510)	---	(13,137,996)
Capital contributions, net	11,978,378	26,177	---	12,004,555
Water utility charges offset	95,614	---	---	95,614
Principal paid on revenue bond maturities	(975,000)	(2,105,000)	---	(3,080,000)
Interest paid on revenue bonds and note payable to related party	(397,969)	(964,205)	---	(1,362,174)
Net cash used for capital and related financing activities	(1,267,463)	(4,212,538)	---	(5,480,001)
Net change in cash and cash equivalents	4,021,906	(73,880)	---	3,948,026
Cash and cash equivalents at beginning of year	24,924,636	19,346,117	---	44,270,753
Cash and cash equivalents at end of year	$ 28,946,542	$ 19,272,237	$ ---	$ 48,218,779
Reconciliation of operating (loss) income to net cash (used for) provided by operating activities:				
Operating (loss) income	$ (21,286,209)	$ 1,006,768	$ ---	$ (20,279,441)
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:				
Depreciation and amortization	11,817,999	2,674,054	---	14,492,053
Loss on disposal of fixed assets	(53,939)	---	---	(53,939)
Typhoon-related damages	(1,279,785)	---	---	(1,279,785)
Bad debts	915,233	227,830	---	1,143,063
(Increase) decrease in assets:				
Receivables - operations	(983,203)	(275,096)	---	(1,258,299)
Interdivisional accounts	(86,727)	---	86,727	---
Receivables - officers and employees	(7,214)	---	---	(7,214)
Prepaid expenses	27,331	(23,177)	---	4,154
Increase (decrease) in liabilities:				
Trade and other payables	(319,149)	(155,745)	---	(474,894)
Interdivisional accounts	---	86,727	(86,727)	---
Due to related parties	853,521	134,371	---	987,892
Accrued expenses	(184,795)	(10,323)	---	(195,118)
Unearned revenues	(522,500)	---	---	(522,500)
Compensated absences	(27,526)	1,054	---	(26,472)
Net cash (used for) provided by operating activities	$ (11,136,963)	$ 3,666,463	$ ---	$ (7,470,500)